October 26, 2018

Administrator Andrew Wheeler
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Deputy Administrator Heidi King
NHTSA Headquarters
1200 New Jersey Avenue, S.E.
West Building
Washington, D.C. 20590

Re. SAFE Vehicle Rule for Model Years 2021-2026 Passenger Cars and Light Trucks; Docket ID No. NHTSA-2018-0067; EPA-HQ-OAR-2018-0283

Dear Administrator Wheeler and Deputy Administrator King,

As long-term investors with over $699 billion in assets under management, we are writing to express our strong opposition to the proposed rule jointly promulgated by the Environmental Protection Agency (EPA) and the National Highway Safety Administration (NHTSA) which, by freezing the current standards between Model Year (MY) 2021-2026, would undermine the global competitiveness of the U.S. auto industry, and be especially detrimental to auto parts suppliers – the largest U.S. manufacturing sector. In addition, it would result in significant regulatory uncertainty and delay for the industry, exacerbate the significant economic costs associated with climate change, and increase fuel costs for consumers and businesses. We urge you to either adopt the current standards or negotiate with California to come to agreement on one national program.

A recent analysis commissioned by Ceres and produced by independent automotive industry analysts compares the economic impacts of the preferred alternative of the proposed rule – which would freeze the standards at MY2020 levels through 2026 – with the current standards as set forth in 2012. The analysis finds that suppliers – the largest U.S. manufacturing sector, which provides two-and-a-half times more American jobs than domestic automakers – would be especially disadvantaged under the preferred alternative. Suppliers stand to lose

$20 billion between 2021-2025 in sales of fuel-efficient technologies. In addition, the analysis found that the current standards provide insurance for the Detroit Three automakers and their suppliers against future market losses in the event of a fuel price spike. Evidently, this risk would be exacerbated under the proposed rule. The analysis also concludes that under current standards, the Detroit Three would be profitable even under very low fuel prices. Finally, the preferred alternative set forth in the proposed rule would make the U.S. an outlier among global regulatory regimes in major markets. The preferred alternative undermines the U.S. auto industry's global competitiveness and its ability to achieve economies of scale by increasing the use of global platforms.

Adoption of any of the alternatives in the proposed rule will result in regulatory uncertainty, delay, and a fragmented market. California has announced that while it supports one national program and is willing to negotiate, in the absence of a negotiated solution it will require automakers to comply with the current standards. Not surprisingly, the auto industry supports regulatory certainty and one national program. Regulatory certainty is invaluable to the auto industry, including the Tier One suppliers, who are making the majority of fuel-saving technology investments in research, development, and production capacity. Weakening the standards will undermine the Tier One suppliers' ability to realize returns on their investments made in reliance on the current standards, and avoid stranded costs. Regulatory uncertainty and delay due to litigation would also be an inevitable result of adopting the proposed rule; in addition to other stakeholders, twenty states, including Iowa, Illinois and Pennsylvania, have already announced that they plan to file a lawsuit challenging the proposed rule. In addition, failing to ensure one national standard would result in significant logistical difficulties for automakers; twelve other states and Washington, D.C. – approximately 35 percent of the U.S. auto market – have adopted California's standards, and others are considering doing so. In fact, at this point, over half of the U.S. auto market is now in a city or state that has voiced support for the current clean car standards.

We strongly object to the revocation of California's waiver, which would result in additional extensive litigation and regulatory uncertainty, and is clearly not in the interest of the industry or consumers. Revocation of the waiver would eliminate a major driver of industry innovation and undermine states' rights to ensure clean air for their citizens.

The proposed rule would also increase the economic risks associated with climate change and our dependence on oil. The preferred alternative would also halve the job increases and GDP impacts expected under the existing standards. First, the Rhodium Group found that under the preferred alternative, greenhouse gas (GHG) emissions would increase by 321-931 million metric tons (MMt) [depending on oil prices] by 2035 – more than the total annual emissions today of 82 percent of countries. Given that transportation is now the largest source of GHG emissions in the U.S., we cannot afford to move backwards at this critical point; it is well established that climate change presents significant long-term risks to the global economy, and to investors across all asset classes. Second, in light of the volatility of fuel prices, strong standards are necessary in order to ensure reduced fuel costs for businesses and consumers. The Rhodium Group also found that under the preferred alternative, U.S. oil consumption would be anywhere from 252,000 to 881,000 barrels per day higher by 2035, which would cost drivers an additional $193 to $236 billion cumulatively between by 2035. A recent Synapse study found that increased spending on fuel (resulting in decreased spending on generic consumer goods and services), coupled with a reduction in technological investments in the auto industry, will result in 120,000 fewer job-years in 2035 and reduce gross domestic product (GDP) by $8 billion as compared to the current standards.

In sum, the proposed rule would undermine the U.S. auto industry - especially the supplier sector - and its ability to compete globally. It would result in significant regulatory uncertainty and delay, which would only be exacerbated if the Administration seeks to revoke California's waiver. Finally, it would increase climate risk and its associated costs, increase fuel costs for businesses and consumers and their vulnerability to oil price volatility, and result in job losses in the industry and across the broader economy. Accordingly, we urge EPA and NHTSA to either retain the current standards or negotiate with California to come to agreement on a rule that meets the needs of the industry, consumers, and businesses, and allows states to meet their air quality and climate goals.

Sincerely,

Robeco
Robeco SAM
Hermes EOS
Hermes Investment Management
Impax Asset Management Group
Seventh Generation Interfaith
Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.
Dana Investment Advisors
NEI Investments

Pax World Funds
Miller/Howard Investments, Inc.
Everence and the Praxis Mutual Funds
Trillium Asset Management
Boston Common Asset Management, LLC
Conference for Corporate Responsibility Indiana and Michigan
Sisters of St. Joseph of Orange
Northwest Coalition for Responsible Investment
Bailard, Inc. SRII Group
Green Century Capital Management
Zevin Asset Management
Region VI Coalition for Responsible Investment
Friends Fiduciary Corporation
Sonen Capital
The Nathan Cummings Foundation
Sisters of the Holy Cross
Priests of the Sacred Heart, U.S. Province
Kendall Sustainable Infrastructure, LLC
Dominican Sisters of Grand Rapids
Dominican Sisters of San Rafael
JLens
Dominican Sisters of Sparkill
Midwest Coalition for Responsible Investment
Tri-State Coalition for Responsible Investment
As You Sow
Dominican Sisters of Mission San Jose
Mercy Investment Services, Inc.
Dignity Health
Congregation of St. Joseph
Daughters of Charity, Province of St. Louise
Adrian Dominican Sisters, Portfolio Advisory Board
St. Mary's Institute
Sisters of St. Joseph of Boston
Racine Dominicans, SRI Committee
Jesuit Committee on Investment Responsibility

cc: Elaine Chao, United States Secretary of Transportation

Larry Kudlow, Assistant to the President for Economic Policy and Director of the National Economic Council

Francis Brooke, Special Assistant to the President for Economic Policy

Shahira Knight, Assistant to the President and Director of the Office of Legislative Affairs

William Wehrum, Assistant Administrator for the Office of Air and Radiation

Mary Nichols, Chair, California Air Resources Board