Tri-State Coalition for Responsible Investment

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October 26, 2018

Re: Comments in response to The Safer Affordable Fuel Efficient (SAFE) Vehicles Proposed Rule for Model Years 2021-2026

Dear Secretary Chao, Acting Administrator Wheeler, Deputy Administrator King, and Assistant Administrator Wehrum:

The Tri-State Coalition for Responsible Investment ("Tri-State CRI") appreciates the opportunity to comment on EPA-HQ-OAR-2018-0283, Rulemaking to Revise Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards (August 24, 2018). The Tri-State Coalition for Responsible Investment strongly opposes the proposal by the Environmental Protection Agency's (EPA) and the National Highway Traffic Safety Administration's (NHTSA) (the Agencies) to roll back certain existing Corporate Average Fuel Economy (CAFE) and tailpipe carbon dioxide emission standards for model years 2021 through 2025. We disagree with the rationale for the Proposed Rule and the conclusion that the CAFE standards were not appropriate or feasible. Instead, the proposed rollback would create significant market loss for US automakers, leaving them vulnerable to falling behind global market competition and grappling with uncertain regulations. It would further endanger global temperatures of rising far above 1.5° C, leading to effects outlined in the recent Report from the Intergovernmental Panel on Climate Change (IPCC)[1] and derailing Paris Accord goals. Most significantly, a rollback would pose serious health risks to vulnerable communities such as pregnant women, children, people of color, people with disabilities, and indigenous peoples.

The Tri-State Coalition for Responsible Investment (www.tricri.org), founded in 1975, is a Coalition of 40 Catholic institutional investors with $2.5 billion in assets under management, that engages with companies in our investment portfolios to encourage improved policies and practices related to human rights and climate change. The Tri-State CRI has raised concerns about the impacts of the business activities and products of portfolio companies on climate change for over 20 years. We have engaged as shareholders with automakers like Ford and General Motors for decades on climate change disclosure, vehicle emission reductions, and electric vehicle solutions, as well as with utilities companies such as Southern Company on the business opportunities associated with increased electrification. We believe that regulatory certainty will serve

[1] http://www.ipcc.ch/report/sr15/

our portfolio companies well, as they develop their long-term plans for vehicle development. Moreover, regulations that set a clear and consistent path for emissions reductions to enable society and our businesses to mitigate the worst impacts of climate change are essential for the health of our communities and planet, as well as for the strength of our global economy.

In summary, the Tri-State CRI strongly opposes the EPA and NHTSA's proposed weakening of Corporate Average Fuel Economy (CAFE) and tailpipe carbon dioxide emission standards. The rollback would create undetermined risks for US automakers, fuel global temperature rise, and expose thousands of Americans to harmful toxins. The Tri-State CRI encourages the EPA and NHTSA to adopt the following recommendations:

- Maintain the existing CAFE and greenhouse gas emissions standards for passenger cars and light trucks or
- Negotiate with the state of California to create consistent national regulations for automakers that preserves California's authority while maintaining ambitious advancements in emissions standards to help the United States meet its obligations under the Paris Climate Agreement.

Specifically, the Tri-State CRI members have the following concerns about the proposed rule:

1. Weakening the standards would threaten the global competitiveness of our US automakers, their suppliers, and small businesses across the country which support this industry;
2. Efforts to weaken the standards risk undermining our country's progress in addressing climate change, presenting risks to the most vulnerable populations, including children and low-income communities; and
3. EPA should not withdraw California's Clean Air Act waiver.

1. Weakening the standards would threaten the global competitiveness of our US automakers, their suppliers, and small businesses across the country which support this industry.

As investors, we engage with companies on the business impacts on climate change not only because of our deep concern for the human rights impact of global warming, but also because of the significant financial risk associated with climate change. It is clear that this proposed rule will have a significant impact on the business and strategy of US automakers as well as their impacts on climate change. The global market for fuel efficient and electric vehicles (EVs) is highly competitive, with many European and Asian countries implementing stricter standards and policies to phase out fossil fuel powered cars with internal combustion engines. US companies risk significant losses against international automakers as we fall behind the curve in fuel efficient vehicles and EVs and lose the regulatory mandate and financial incentive to innovate nationally. Most companies and suppliers have long-term investments in research and development into advanced technologies, and this has led to increases in jobs and innovation in the US automotive industry. While the current standards do not require significant deployment of EVs, freezing the standards and revoking CA's waiver would certainly put the United States at a disadvantage with regard to EV development and deployment. The UK and France have banned all gasoline and diesel vehicles by 2040, and China has put forward ambitious regulations for EVs that are estimated to translate to ⅓ of global sales by 2025.[2] Consumer preferences in the United States for EVs and the infrastructure to support EV adoption may not have had the momentum anticipated in the CAFE standards, but this progress and momentum must not be stalled by flattening the ambition of the standards, and is not the only way to meet the current standards. Additionally, rolling back the CAFE standards would generate regulatory uncertainty that threaten predictability and long-term planning for automakers.

We strongly disagree with the assertion that these proposed changes will support economic growth, increase choices to American consumers, enhance safety or save costs in the long term, and encourage that this analysis be done in the context of the externalities of climate change and these costs to society, human health, and our economy.

2. Efforts to weaken the standards risk undermining our country's progress in addressing climate change, presenting risks to the most vulnerable populations, including children and low-income communities, as well as our economy.

The recent IPCC report demonstrates the urgent necessity of drastically reducing greenhouse gas (GHG) emissions to keep global warming below 1.5°C. Today, the transportation sector is the leading cause of carbon pollution in the United States. The current standards, which were finalized in 2012, were estimated "to save approximately 4 billion barrels of oil and to reduce GHG emissions by the equivalent of approximately 2 billion metric tons over the lifetimes of these light duty vehicles produced in MYs 2017-2025." 77 Fed. Reg. 62,624, 62,627. Weakening the CAFE standards would increase petroleum consumption and hasten global temperature rise, putting global health, food security, water supplies, human security, and economic growth in extreme jeopardy. Lack of clarity of the climate and GHG emission impacts of the "compliance flexibilities" around multipliers or credit programs, could be problematic as far as the response to climate change and limiting greenhouse gas emissions. A full accounting of the associated climate impacts of each of these flexibilities is necessary to fully assess the costs and benefits of any proposed flexibilities.

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[2] https://www.forbes.com/sites/jackperkowski/2017/10/10/china-raises-the-bar-with-new-electric-vehicle-rules/#2a22a36477ac

As a faith-based organization, the Tri-State CRI believes there is a moral imperative to call for urgent action to address climate change in order to demonstrate respect for human dignity and protect vulnerable communities who bear the burden of climate change effects, yet are often the least responsible and the least able to adapt. The proposed rollback will have disproportionate impacts, and will expose pregnant women, people of color, children, people with disabilities, and indigenous peoples to significant health risks. These communities will face increased exposure to air pollution, dangerous toxins, augmented childhood asthma, and even premature death. Rigorous and consultative review of the cost-benefit analysis of the purported cost savings on new vehicles as compared with the climate impacts on these communities is imperative before any reductions in the ambition of emission reduction targets.

Weakening the standards and reducing the ambition for year over year progress in fuel economy and CO2 reductions may also result in the negative economic impacts from climate change across our investment portfolios and the broader economy, with increased natural weather events, displacement, and other climate impacts on business.

3. EPA should not withdraw California's Clean Air Act waiver.

EPA must not withdraw California's Clean Air Act waiver, as it proposes in the rule, in the name of regulatory efficiency. This will result in litigation and regulatory uncertainty, would harm the environmental health of millions, and the economic competitiveness and power of innovation of the nation's automobile industry.

Thank you for the opportunity to comment on The Safer Affordable Fuel Efficient (SAFE) Vehicles Proposed Rule for Model Years 2021-2026. We believe that adopting the above recommendations will allow US automakers to compete in the global market and comply with greater clarity to emission regulations. The Tri-State CRI emphasizes the necessity of protecting vulnerable communities and mitigating human impacts of climate change, and believes maintaining the current CAFE standards is the appropriate way to achieve this goal.

Sincerely,

Mary Beth Gallagher

Mary Beth Gallagher
Executive Director