July 5, 2023

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Michael Safoutin
Office of Transportation and Air Quality, Assessment and Standards Division (ASD)
U.S. Environmental Protection Agency
2000 Traverwood Drive
Ann Arbor, MI 48105

Re: EPA's Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles [Docket ID No. EPA–HQ–OAR–2022–0829]

Dear Mr. Safoutin,

The Specialty Equipment Market Association (SEMA) welcomes the opportunity to comment on the Environmental Protection Agency's (EPA) proposed Multi-Pollutant Emissions Standards for Model Years 2027 to 2032 Light-Duty and Medium-Duty Vehicles, 88 Fed. Reg. 29,184 (May 5, 2023).

On behalf of our more than 7,000 member companies, SEMA has significant concerns regarding the impact of the EPA's proposed regulations on automotive small businesses. The specialty automotive aftermarket industry supports more than one million U.S. automotive jobs. Thousands of small businesses and their employees will be adversely impacted by this proposal's overly aggressive push to electrify America's automotive sector. SEMA supports the EPA's intent to reduce greenhouse gas emissions, but the American people must have the ability to choose the vehicle technology that works best for their families. It is crucial for government policy to remain technology neutral in pursuit of decarbonizing motor vehicles. There are many options on the road to zero emissions. American-grown biofuels, carbon capture, and innovations in engine production are all aimed at this shared goal. The specialty automotive aftermarket has also led the way in fuel innovations and conversions of old vehicles into new and cleaner technologies and is committed to playing a central role in the evolution of automotive technology, including the parts and products that power our vehicles. However, this proposal embraces electrification as the technology of choice to the detriment of many of our members and their innovations.

This proposal's large-scale transition to Battery Electric Vehicles (BEV) over a truncated timeline will significantly disrupt automotive supply chains and potentially eliminate many jobs in vehicle manufacturing, parts production, and repair shops. As drafted, it would adversely impact small business innovators and the hundreds of thousands of men and women their companies employ. SEMA

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members want to continue to be part of the solution to making vehicles more efficient and reducing emissions. The best way to accomplish this goal is to let the market and innovation drive solutions to the environmental challenges we all seek to solve.

While the draft rule will adversely impact automotive businesses, their employees, and the millions of automotive enthusiasts whose careers, businesses, and passions are threatened by this proposal, it will also have considerable unintended consequences for individuals and families who will have fewer choices when looking to purchase a new vehicle in the coming years. The agency's proposal is also problematic when digging into its actual environmental impact, as the draft rule considers only the emissions coming out of the tailpipe rather than the lifecycle emissions of producing and operating a vehicle. The move to a cleaner vehicle fleet is critical to our future, but it cannot be done in a way that picks winners and losers while also strengthening China and other geopolitical foes. It is imperative that the EPA factors-in automotive industry and consumer concerns and amend this proposed rule to help facilitate a technology-neutral transition to reducing vehicle emissions that thoughtfully positions multiple technologies to be part of a market-based solution.

Background on SEMA

SEMA is a non-profit trade association that represents over 7,000 mostly small businesses around the country that manufacture, distribute, and retail specialty parts and accessories for motor vehicles. The industry employs over 1 million Americans and produces performance, functional, restoration and styling-enhancement products for use on passenger cars, trucks, SUVs, and special interest collector vehicles. SEMA members market products that enable automotive enthusiasts to personalize the style and upgrade the performance of their motor vehicles, including everything from classic cars to four-wheel drive vehicles to dedicated race cars.

SEMA is most well-known for putting on the SEMA Show in Las Vegas, which is one of the largest trade shows in North America. The 2022 SEMA Show featured over 2,000 exhibitors and included over 130,000 attendees from around the world, showcasing the latest trends in performance and styling modifications of motor vehicles. The annual, trade-only event enables automotive specialty equipment manufacturers to debut new, innovative products, and connect with industry buyers from all over the world. SEMA has also used the show to actively promote emissions compliance through collaborative presentations with the EPA.

While SEMA's and the broader automotive industry's roots are tied to the internal combustion engine, the association prides itself on maintaining a forward-looking vision that enables all types of automotive enthusiasts to modify and personalize their vehicles of choice, including zero-emissions vehicles. For example, SEMA has strongly supported efforts in California to create a financial rebate program to convert gas- and diesel-powered motor vehicles into ZEVs and has allocated increasing space to ZEVs at the SEMA Show over the past four years. Additionally, the 2022 SEMA Show featured over 60 exhibitors with over 21,000 square feet dedicated to promoting electric vehicle technology. Building upon the success of this exhibition, the 2023 SEMA Show will feature the "SEMA EV and Future Propulsion" section in Central Hall of the Las Vegas Convention Center, featuring hybrid vehicles and other alternative-propulsion vehicles along with electric vehicles. The exhibit space will reflect the wide range of emerging vehicle propulsion technologies designed to address emissions and carbon-reduction concerns. Attendees will see the latest hybrid, clean hydrogen, compressed natural gas (CNG), and fuel cell solutions, along with promising new developments in "synthetic" biofuels. The SEMA EV and Future Propulsion feature reflects SEMA's "tech-agnostic" stance toward achieving cleaner, better-performing vehicles.

Impact on Small Business

This proposal is effectively a far too fast mandate for automakers to transition their production to BEVs in order to avoid being fined. It will produce a seismic shift for automotive aftermarket businesses who don't have the capacity to make the transition to zero-emissions vehicle technology this quickly, especially when they're not receiving billions in federal and state grants and incentives to support those transitions.

The specialty automotive aftermarket has led technology innovation, making vehicles more fuel efficient, safer, and more appealing to consumers. According to SEMA's data, 55% of our manufacturing businesses produce internal combustion engine (ICE) components, including parts for air and fuel, ignition, emissions controls, engine parts, and exhaust systems. To put this in perspective, 33% of consumer spending on performance and accessory products goes toward upgrading ICE engines and drivetrains. That's nearly $17 billion dollars of the $51 billion specialty aftermarket industry and disproportionately impacts small businesses.

Government policies should support the work of small business innovators that employ nearly a million American workers by letting the market and innovation drive solutions to the environmental challenges that we all seek to solve.

It is no secret that large automakers' BEV programs are losing billions each year despite the massive financial infusion of taxpayer dollars they receive from the government and subsidies to purchase EVs. If the largest automakers are struggling right now, how are small automotive businesses, including specialty aftermarket, repair and replacement parts businesses, and local garages, expected to survive?

Government Subsidies

The Federal Government has invested billions of dollars to fund infrastructure projects to support the expansion of BEV charging infrastructure. These investments, which are outlined more below, come on the heels of the Biden Administration's 2021 Electric Vehicle Charging Action Plan to drive American leadership forward on clean cars, and by setting an ambitious target of 50% of electric vehicle (EV) sales shares in the U.S. by 2030.[1]

The Bipartisan Infrastructure Law made a $5 billion investment in electric vehicle charging that will put the U.S. on the path to creating a network of 500,000 chargers across the states. Even with this multi-billion-dollar investment, the nation will still be well short of the projected 1.2 million public chargers that will be needed before 2032 under this proposal. The Department of Energy Loan Program Office (LPO) has also promised roughly $17 billion in loan availability for the Advanced Technology Vehicles Manufacturing (ATVM) Loan Program to support the domestic battery supply chain.[2]

The Inflation Reduction Act of 2022 further expanded these investments by offering $7,500 tax incentives to American consumers to purchase electric vehicles. While initial estimates from the CBO determined the cost of the program at $30.6 billion over the next 10 years, the University of Pennsylvania now estimates the EV tax incentive's total cost has increased by over 1,000 percent to $393 billion over 10 years.[3]

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[1] FACT SHEET: The Biden-Harris Electric Vehicle Charging Action Plan
[2] Department of Energy: Critical Materials Loans & Loan Guarantees
[3] University of Pennsylvania: Budgetary Cost of Climate and energy provisions in the Inflation Reduction Act

Tailpipe Emissions vs. Lifecycle Emissions

SEMA is disappointed that this proposal exclusively looks at tailpipe emissions and not the full carbon footprint surrounding the manufacture of BEVs, including their batteries and components. The EPA's calculations should include the environmental impacts associated with mining for battery minerals, manufacturing batteries, and the resources from the power grid to power a full fleet of BEVs. Of note, the U.S. Energy Information Administration reported that fossil fuels are the largest sources of energy for electricity generation in the United States with an estimated 61% of all the electricity generated in 2021 coming from a combination of coal, natural gas, and petroleum.[4] While BEVs do not have tailpipe emissions, it is naïve to assume that they are carbon neutral given the fossil fuels that the U.S. and other countries around the world rely upon to produce the power to operate these vehicles. An analysis from S&P Global Mobility found that for the sixth consecutive year in a row the average age of a vehicle on the road today is 12.5 years old. Conversely, the "average age of battery electric vehicles in the U.S. fell to 3.6 years down slightly from 3.7 years in 2022."[5] According to a 2022 EPA report on greenhouse gas emissions, new vehicle fuel economy has increased 32% since model year 2004.[6] SEMA believes that tailpipe emissions can continue to be reduced without shifting to a zero-based tailpipe emissions model. A diverse approach to addressing GHG emissions through a multifaceted approach of cleaner fuels, alternative fuels and electrification provides consumers with a choice in how they reduce their carbon footprint.

Technology Neutral Alternatives

The proposal intends to lower carbon emissions in a way that essentially forces BEVs to become the only option for automakers to produce. Given the subsidies in place for BEV purchases and production, BEVs are the de facto choice to achieve the rulemaking's climate goals, as other options, such as hydrogen, new synthetic fuels, and multiple renewables, do not enjoy a level playing field of subsidies. SEMA believes government should not pick winners and losers regarding automotive technology. Unfortunately, the EPA has chosen to place their thumb squarely on the scale for electric vehicles. The agency should help the market drive technology solutions like Cummins' 15-liter fuel-agnostic engine platform, capable of running on hydrogen, natural gas, or diesel.[7] Further, the EPA must recognize that the U.S. has trillions of dollars' worth of infrastructure already in place for ICE vehicles. The newest ICE vehicle technology can be considered carbon competitive with EVs when all of the vehicle life cycle costs are analyzed, including the ICE infrastructure already in-place and paid for versus EV subsidies to install non-existent EV infrastructure and coax consumers to abandon cost-efficient ICE vehicles.

Vehicle Choice and Cost for Consumers

The EPA's multipollutant proposal flies in the face of consumers having the freedom to purchase the vehicles that best suit their personal needs and those of their family. The EPA's rush to further limit tailpipe emissions in the U.S. will cause great economic harm to many consumers across the country. According to an April 2023 report from Kelley Blue Book, the average cost of a BEV is $58,000, which is over 20% more than the average cost of a non-BEV.[8] The average cost of a BEV outpaces the median salary in 2022 in the United States of $54,132 as reported by the Bureau of Labor Statistics.[9] In addition to the increased up-front costs to consumers to purchase a BEV, J.D.

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[4] U.S. Energy Information Administration: *Electricity in the United States*
[5] S&P Global Mobility: US consumers keep vehicles for a record 12.5 years on average
[6] The 2022 EPA Automotive Trends Report
[7] Cummins Fuel-Agnostic Engine Platform Capability Comes to Con-Expo
[8] Kelley Blue Book: New-Vehicle Transaction Prices Trend Downward as Incentives Rise
[9] First Republic: How Much Does the Average American Make in 2022?

Power reported that approximately 28 million American homeowners must spend on average an additional $1,300 to install at home chargers, putting additional financial burden on American consumers.[10]

Despite 8.5% of new vehicles sold are BEV currently, a May 2023 report from J.D. Power found that 21% of consumers are very unlikely to consider purchasing a BEV due to issues such as price, range, and limited charging availability.[11] SEMA questions the presumption that this rulemaking will result in the lofty goal that 67% of new vehicles sold will be BEVs in 2032 given the many legitimate concerns that American consumers have surrounding BEVs and the tradeoffs of owning these vehicles.

Critical Resource Shortages

The average cost of new and used vehicles increased 5% and 30% respectively from May 2020 to May 2021 according to Edmunds.[12] These increases were the result of supply chain issues during the pandemic such as the ongoing global microchip shortage, which has upended the automotive market over the last couple of years. Sadly, this proposal will exacerbate the shortage of critical components that still exists today. The draft rulemaking also raises many unanswered questions about how the U.S. is going to end its dependence on sourcing critical minerals and resources from foreign countries, including geopolitical foes such as China, that are needed to produce a dramatic increase in the supply of electric batteries for BEVs. Expanding America's dependance on foreign entities to achieve the goals of this proposal is problematic from both a domestic and foreign policy standpoint. Additionally, it could also undermine the lofty goal of having 67% of all new motor vehicles sold in in the U.S. be BEV by 2032.

Toyota has circulated information on how the critical raw materials needed for BEVs could be better allocated to achieve similar goals of reducing GHG. The information demonstrates that the same amount of raw material needed to produce just one BEV could be used to make either 6 plug-in hybrid vehicles or 90 traditional hybrid vehicles. The agency's proposed rule aims to reduce multi-pollutant emissions, but it does not consider that those 90 hybrid vehicles reduce carbon 37 times as much as a single BEV over the lifetime of the vehicles.[13] However, the proposal treats hybrids unfairly, essentially blocking them out of the marketplace and defining them as "dirty."

Charging Infrastructure Issues

One of the greatest shortcomings of this proposal is that it does not recognize marketplace realities. According to a report from McKinsey about the charging infrastructure needed to implement this rulemaking, it estimates that the U.S. will need to build and deploy approximately 1.2 million more public chargers by 2032. That amounts to an estimated 400 new chargers per day. This would require an 800% increase compared to the daily average of 50 new public chargers deployed last year in this country.[14] The federal government's investments in infrastructure will not meet the projected demand with the current proposal creating more uncertainty for consumers that switching to a BEV will be right for them.

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[10] J.D. Power: What Does an EV Home Charger Cost?
[11] J.D. Power: EV Divide Grows in U.S. as More New-Vehicle Shoppers Dig in Their Heels on Internal Combustion
[12] Here's Why Car Prices are so High, and Why That Matters
[13] Toyota's Goal: Reduce Carbon Emissions As Much As Possible, As Soon As Possible
[14] McKinsey & Company: Building the electric-vehicle charging infrastructure America needs

The unintended consequences of these regulations will be extremely far-reaching, adversely impacting both rural and urban vehicle owners. Consumers in rural areas who are forced to drive long distances for work and other necessities may struggle to meet their needs for convenient charging requirements. Urban consumers will struggle in a BEV-centric market due to the lack of charging stations accessible for people who park on the street or in parking garages that cannot meet the need for charging significant numbers of BEVs.

Effects on Low-Volume Manufacturers and Major Manufacturers

The current proposal, if finalized, would end the exemption for low-volume manufacturers. The EPA's prior criteria pollutant and GHG rulemakings recognized that special flexibility rules for small automakers were necessary and appropriate. These smaller OEMs typically manufacture and sell about 4,000 cars each year, which represents 0.02% of the total 14 million US passenger car sales in 2022.[15] Most of these specialty vehicles are not "daily drivers" but are for "occasional use." As a result, the average annual miles driven by these vehicles is drastically less than that of a typical passenger vehicle. SEMA believes that small-volume manufactured vehicles have minimal impact on the environment, and their existing exemption should remain in place.

Conclusion

While the automobile's roots are tied to the internal combustion engine, SEMA prides itself on maintaining a forward-looking vision that embraces innovative technology, including EVs and other zero-emissions vehicles. The specialty automotive aftermarket has led the way on alternative fuel innovations from replacing older engine technologies with newer, cleaner versions to converting older ICE vehicles to new electric, hydrogen, and other alternative-fuel vehicles. Sadly, the EPA's plans to reduce greenhouse gases and criteria pollutants do not factor this in. SEMA and its members have serious concerns with this proposal, which aggressively seeks to lower carbon emissions under timelines that effectively make electric vehicles the de facto choice for automakers to meet the requirements.

Clean air and the reduction of greenhouse gases are goals everyone can acknowledge. That said, when governments arbitrarily pick technology winners and losers, the marketplace is deprived of choices and the public suffers. Instead of forcing this transition, the EPA should put in place incentives to support a diversified, zero-emissions approach that takes advantage of breakthrough technologies across the spectrum.

SEMA thanks the EPA for considering our comments on the proposed Multi-Pollutant Emissions Standards for Model Years 2027 to 2032 Light-Duty and Medium-Duty Vehicles.

If you have any questions about the comments, please feel free to contact me at MikeS@sema.org.

Sincerely,

Mike Spagnola
President & CEO
Specialty Equipment Market Association (SEMA)

[15] The Detroit News: Cox Automotive increases its 2023 new-vehicle sales forecast