



Testimony of  
**Carol Lee Rawn**  
**Director, Ceres Transportation Program**  
**May 31 2018 EPA Science Advisory Board Hearing**  
**Midterm Evaluation and Glider Comments**

Thank you for the opportunity to testify today. My name is Carol Lee Rawn, and I direct the Transportation Program at Ceres. Ceres is a nonprofit sustainability organization working with investors and companies. The Ceres Investor Network on Climate Risk and Sustainability comprises more than 150 institutional investors, collectively managing more than \$24 trillion in assets. The Ceres Policy and Company Networks include many Fortune 500 firms and other major companies.

We strongly urge the SAB to review the Final Determination (FD) action, as well as its associated proposal when it is released, and the glider proposal. I would like to make you aware of our analyses regarding the implications of weakening the LDV GHG emission standards as well as the rationale for our opposition to repealing emissions requirements for glider vehicles, engines and kits.

We strongly support preserving or strengthening the current LDV GHG standards, which are critical to ensuring the global competitiveness of the U.S. auto industry, as well as minimizing the significant economic costs associated with climate change.

Ceres has commissioned several analyses which have demonstrated the economic benefits of the current standards. First, our affordability analysis refutes claims that the standards are making vehicles unaffordable for median and low-income consumers. While today's new vehicles are certainly less affordable for these consumers, that is not due to the standards, which represent only a modest portion of upfront costs - and which provide net benefits through fuel savings. Instead, the reduced affordability of new vehicles reflects the growing income disparity in the U.S., a shift in the fleet mix from cars to crossovers, as well as automakers' decision to target affluent buyers by emphasizing luxury features. The average buyer of new vehicles, whose household income is 175% of the U.S. median income, is clearly willing

to pay for those features as well as for fuel efficiency technologies. Due to this increased focus on high-end vehicles, rather than any increased costs associated with fuel economy technologies, a growing number of median and lower income consumers are migrating to the used car market, where strong standards ensure the availability of fuel-efficient vehicles and fuel cost savings.

Second, our [analysis](#) regarding the economic impacts of the standards found significant economic benefits for the industry under the current program, particularly for suppliers, which are the largest sector of manufacturing jobs in the U.S. and which employ over two and a half times more Americans than the automakers.<sup>1</sup> Our analysis found that, if the standards are frozen at 2020 levels, suppliers would lose \$20 billion between 2021-2025 in sales of fuel efficiency technologies, even under low fuel prices. The current standards also act as a kind of insurance policy for automakers; during the last global spike in oil prices (when fuel-efficiency standards had stagnated for years), the Detroit Three found themselves overinvested in vehicles with poor fuel efficiency, which they couldn't sell, and ended up ceding market share to foreign automakers. This contributed to their financial downfall in 2009. Given the inherent volatility of oil prices, this scenario could very well play out again.

Finally, our [analyst note](#) regarding automakers' financial performance found that as disruption from new technologies, new mobility models, and global trends threaten the financial prospects of legacy automakers, the current fuel economy and emissions standards instead help enhance the global competitiveness of the U.S. auto industry. Given the importance of operating costs in ride sharing platforms, and the synergy between autonomous vehicles and electrification, leadership in fuel efficiency and electrification is key to success in this new era. We are also seeing a global policy shift that rewards fuel efficiency and electrification: China, the world's largest car market, is planning to require that 40% of all cars sold in 2030 be new energy vehicles, and France and the UK are planning to ban vehicles with traditional internal combustion engines in 2040. The United States should position itself to

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<sup>1</sup> The standards have evidently benefited this critical sector ; a May 17 letter to agencies from supplier trade organizations stated that "(i)nvestments in advanced technology development resulting from the CAFE and GHG program standards set in 2012 are, in part, responsible for the nearly 20% recent increase in jobs in the motor vehicle parts manufacturing industry."



compete in this new world by retaining or strengthening the current standards, not by weakening them. I have attached letters on behalf of our company policy network as well as from investors (representing \$867 billion in AUM) in support of retaining the standards.

Members of our network have also expressed strong concern regarding repealing standards for gliders. Allowing the circumvention of industry-supported, science-based standards by the glider sector will penalize the manufacturers that made those investments, and may jeopardize the jobs of their employees. Similarly, the proposed changes also put companies that have invested in clean technologies for their fleets at a disadvantage. Finally, proposed rule would also increase healthcare costs and decrease worker productivity, penalizing individual Americans as well as businesses. I have attached a letter on behalf of our company policy network in support of retaining the standards.