

**Determinations of Light-duty Vehicle
Alternative Greenhouse Gas Emissions
Standards for Small Volume
Manufacturers:**

Response to Comments

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Assessment and Standards Division
Office of Transportation and Air Quality
U.S. Environmental Protection Agency

**Small Volume Manufacturers
Alternative GHG Standards
Response to Comments**

In response to EPA's July 2019 Federal Register notice ¹ requesting comments on proposed determinations of alternative greenhouse gas standards for Small Volume Manufacturers (SVM), EPA received six comments including responses from three trade associations, two vehicle manufacturers and the State of California. The comments were mostly supportive of the standards as they were proposed and in several cases the commenters expressed the desire to have EPA move expeditiously towards finalizing the proposed standards. Some of the commenters also commented on programmatic elements outside the scope of this proceeding, related to the treatment of Small Volume Manufacturers and made suggestions on how to expand the definition and apply similar principles to large volume manufacturers. Below is a summary of the comments received as well as the agency's responses.

The Association of Global Automakers, Ferrari, Lotus, and the National Automobile Dealers Association (NADA) were all supportive of the proposed alternative standards for SVMs. Global Automakers recommended that "EPA approve the alternative standards proposed in the Notice" while Ferrari stated that they support "EPA's proposed standards as applicable to Model Years 2017-2021 Ferrari vehicles and urges EPA to adopt these as final standards as soon as possible." Lotus similarly concluded that the "published targets for Lotus are fair and reasonable values and what the company should aim to achieve." NADA stated that they strongly support "EPA's issuance of alternative standards for SVMs and believes the published targets are appropriate and reasonable." The California Air Resources Board (CARB) stated it "supports the continuation of increasingly stringent greenhouse gas emission standards to ensure reductions from all manufacturers, including those with limited U.S. sales" although it noted it was not commenting on the specific standards given the degree to which EPA relied on each manufacturer's CBI in setting the standards.

The Alliance of Automobile Manufacturers (Alliance) recommended that "EPA should broadly describe the technologies considered for the vehicles in the SVM fleets and technologies anticipated as available for application in the rulemaking timeframe." In addition, the Alliance recommended that "EPA should also describe how the SVM's, in general, have considered credit purchases as an option for meeting more stringent standards"

EPA thanks each of the commenters for providing comments on the proposed alternative standards and EPA is finalizing the standards as proposed. Regarding the recommendation from the Alliance, EPA believes that the level of emissions performance represented by the standards appropriately represents the technologies currently being used by the SVMs and those that are available to improve vehicle efficiency for the model years covered by the standards. The standards levels were developed over a long-term consultation between the SVMs and EPA technical staff. In many cases, such as McLaren's use of a carbon fiber monocoque chassis, the SVMs have applied considerably more technology than some of their large volume competitors and they often represent the cutting edge of technology development. CARB also recognized this aspect of SVM technology development in their comments

¹ 84 FR 37277, July 31, 2019.

when they stated that “Even in low volumes, this [deploying advanced technologies] can accelerate industry knowledge and optimization of technologies and further develop the supply chain for technologies.” In response to CARB’s comment regarding the use of SVM CBI informations, EPA recognizes that, given the nature of this determination, it may be difficult for third parties to comment on the specific standards, but believes that relying on CBI is consistent with the process established by the regulations and necessary for EPA to make judgments about the appropriate SVM standards.

Regarding credit purchases as a means of compliance, the EPA notes that the program for MYs 2012–2016 provided an exemption for certain SVMs on the condition that the SVM made a good faith effort to obtain credits from larger manufacturers; the program for MYs 2017 and later provides for alternative SVM standards instead of a conditional exemption and does not contain a requirement regarding the obtaining of credits. The SVM alternative standards regulatory provision recognizes that the SVMs may not be able to purchase enough credits to make up for their GHG shortfall and achieve compliance. Also, the potential availability of credits from other manufacturers is not specified as one of the factors to be considered by EPA under its SVM regulatory provisions. While SVMs may purchase credits to cover a shortfall should one occur, EPA does not believe the purchase of credits should be considered as the basis of setting SVM standards levels since, unlike the MY 2012-2016 exemption, the alternative standards regulations do not specifically consider the availability of credits.² As stated in the proposal, EPA believes that the increasingly stringent standards will require the SVM’s to either continually improve the efficiency of their vehicles or purchase credits to comply.

The Alliance, Global Automakers, and Lotus made several recommendations for changes to the overall SVM program, outside the scope of this proceeding. The Global Automakers stated that “The timing of this Notice suggests that the overall process for SVM alternative standards has not worked, and we therefore recommend that EPA work with the SVMs to revise and improve the process going forward.” The Alliance proposed significant changes to the current SVM alternative standards regulations and made recommendations to adopt an additional provision for large volume manufacturers producing “niche products”. The Alliance argued that “larger manufacturers currently have no opportunity to apply for alternative standards for similarly challenged vehicles, which creates a competitive inequality.” The Alliance observed that a “unique treatment of a small subset of larger manufacturer’s fleet in a manner similar to that provided for a SVM is not without precedent” and noted that there are unique manufacturer in-use verification testing requirements for large volume manufacturers for test groups of up to 5,000 vehicles. The Alliance also recommended that “EPA should consider allowing all manufacturers to petition for lower vehicle lifetime mileage for certain vehicle types in their fleets” as

² The preamble to the 2012 rule also does not include the availability of credits from other manufacturers as a factor EPA will consider in establishing SVM standards, stating EPA “will weigh several factors in determining what CO₂ standards are appropriate for a given SVM’s fleet. These factors will include the level of technology applied to date by the manufacturer, the manufacturer’s projections for the application of additional technology, CO₂ reducing technologies being employed by other manufacturers including on vehicles with which the SVM competes directly and the CO₂ levels of those vehicles, and the technological feasibility and reasonableness of employing additional technology not projected by the manufacturer in the time-frame for which standards are being established. EPA will also consider opportunities to generate A/C and off-cycle credits that are available to the manufacturer. Lead time will be a key consideration both for the initial years of the SVM standard, where lead time would be shorter due to the timing of the notice and comment process to establish the standards, and for the later years where manufacturers would have more time to achieve additional CO₂ reductions.” See 77 FR 62792.

“certain vehicle types tend to be used very infrequently by their owners”. Finally, Lotus recommended that a “more realistic approach [for setting alternative standards] would be to set a SVM alternative standard requiring an overall reduction over a designated period of time (as allowed in Europe).” Similarly, Global Automakers suggested that “annual targets may not be the best approach for SVM fleets, but rather a longer time frame, like three to five years, may be better suited to SVM product cycles and improvements.”

These comments are outside the scope of this proceeding and the EPA’s request for comments regarding proposed alternative GHG standards for four SVMs. The substantive program changes suggested by commenters would require that EPA change its SVM regulations through a notice and comment rulemaking.