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Biden's EPA Gives Automakers More Leeway to Phase Out Gas-Engine Cars

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The Biden administration enacted the strictest-ever rules for tailpipe emissions but also handed the auto industry a significant concession by giving them more time to comply, a recognition that the transition to electric cars will take longer than hoped.

The rules released by the Environmental Protection Agency on Wednesday ratchet up more gradually than regulators originally proposed, pushing the car industry toward majority EV sales by early next decade. That decision is to allow time for Americans to warm to EVs, as more chargers get installed and automakers work to develop supply chains and more-affordable electric models.

Auto executives and dealers lobbied hard for a slower implementation as the pace of U.S. EV sales decelerates, following a burst of enthusiasm in recent years.

The less-aggressive rollout of the rules is a win for traditional automakers, which had cautioned President Biden that the EPA targets proposed a year ago—to effectively require that fully-electric cars account for about 60% of new-vehicle sales by the 2030 model year—would get ahead of consumers.

The new rules apply to light-duty vehicles—cars, sport-utility vehicles and most pickup trucks—for model years 2027 through 2032. It governs how much heat-trapping carbon dioxide new vehicles can emit, as well as pollutants like nitrogen oxides, which cause smog and lead to respiratory illnesses.

To hit the targets for model-year 2030, for example, an estimated 31% to 44% of new light-vehicle sales would need to be electric, rather than the 60% mark originally proposed. The total percentage would depend on the level of tailpipe pollutants from the rest of the vehicles sold, which would be a combination of gas-electric hybrids and traditional gas- or diesel-powered vehicles.

The targets in the earlier years are easier to meet than what the EPA had initially proposed, in April 2023. The agency considered feedback from automakers, parts suppliers, dealers and labor unions, which urged it to delay implementing the toughest emission restrictions until the market for EVs matures.

“We received what we thought was persuasive information” from the industry groups, a senior administration official said, adding that regulators concluded the rule would be “more durable” if the market was given more lead time for EV adoption.

For model-year 2032, though, the EPA stuck to the endpoint it originally proposed, which requires that carbon emissions from new vehicles be cut nearly in half from those that went on sale in 2026.

That will require EVs to account for the equivalent of two-thirds of new-vehicle sales. But the EPA said the industry could reach that threshold with a lower penetration of EVs if combined with sales of plug-in hybrids, which the agency expects will play a bigger role in the transition than previously thought.

Plug-in hybrids are capable of traveling solely on electric power for short distances, often between 20 and 40 miles, before a gas engine comes on. Hybrid sales have taken off over the past year as more models hit the U.S. market.

The EPA’s original proposal last spring, which effectively called for 67% of light-vehicle sales to be EVs by model-year 2032, hadn’t factored in plug-in hybrids. An optimal path to that same level of emissions could be 56% of the market being full EVs, along with 13% plug-in hybrids, a senior administration official said.

The new rules will “give drivers more clean-vehicle choices while saving them money,” said EPA Administrator Michael Regan.

John Bozzella, president of the Alliance for Automotive Innovation, the industry’s top U.S. lobbying group, called the rules a “stretch goal.”

He said automakers are committed to a transition to EVs, “but pace matters.” The more-gradual curve of the regulations, Bozzella said, “should give the market and supply chains a chance to catch up.”

Environmental groups gave the decision mixed reviews.

“More vehicle pollution will be avoided and more lives saved than would have been under current regulations,” said Chelsea Hodgkins, senior policy advocate at Public Citizen, a nonprofit public-advocacy group. “But this rule falls far short of what is needed to protect public health.”

Conservative groups criticized the rules as an attack on personal freedoms, claiming it will pressure automakers to phase out gas and diesel cars, limiting choice.

"If this rule survives, Americans should expect the federal government and the EPA to feel even more empowered to attack individual freedom in the name of political causes," said Daren Bakst, a director at the free-market nonprofit Competitive Enterprise Institute.

Significant hurdles remain to broadening EV adoption, which already have dissuaded some shoppers and resulted in weaker sales than some automakers had planned.

Surveys indicate that many Americans have a strong interest in EVs, but worry about being able to find enough charging stations, or charge sessions taking too long. Higher prices on EVs relative to comparable gas-powered vehicles also has been a deterrent.

Thousands of U.S. dealers signed letters to Biden in an organized campaign to get the administration to back off the emissions targets, saying there wasn't enough consumer interest to support such a big swing to EVs.

On Wednesday, the dealer group said the slower implementation of the rules is helpful but the targets are still too aggressive.

"This is unelected Washington bureaucrats dictating what kind of vehicles Americans can buy," the group said.

Meanwhile, U.S. and European automakers remain heavily dependent on China and other Asian countries for their EV supply chains. Some battery researchers warn that shortages of key minerals, including lithium, nickel and graphite, could emerge if EV demand accelerates in coming years.

, the world's largest automaker and No. 2 U.S. seller behind , called the rules "aggressive," adding that it will comply with regulations. "Serious challenges around affordability, charging infrastructure and supply chain will need to be addressed before this mandate is realized," the Japanese car company said.

Automakers that can't meet the emissions targets can buy credits from those that are in compliance. EV leader for years has sold credits to traditional carmakers, adding billions of dollars to its bottom line.

Under EPA rules, if credits aren't available for purchase, car companies could be forced to reduce sales of gas-powered vehicles.

Even before the EPA proposed the stricter emissions regulations last year, car companies had collectively earmarked hundreds of billions of dollars on a transition to electric cars. Tighter rules in China and Europe had been pushing them in that direction, and the rise of Tesla, China's BYD and other Chinese electric-car companies motivated traditional car companies to get serious about EVs.

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