

October 5, 2017

Administrator Scott Pruitt  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Washington, D.C. 20460

Re. Reconsideration of the Final Determination of the Mid-term Evaluation of Greenhouse Gas Emissions Standards for Model Year 2022-2025 Light-duty Vehicles and the Appropriateness of Model Year 2021 Greenhouse Gas Emission Standards; EPA-HQ-OAR-2015-0827

Dear Administrator Pruitt,

As long-term investors with over \$856 billion in assets under management, we are writing to voice our strong support for EPA's January 2017 Final Determination that the current standards for model years 2022-2025 (MY 2022-2025) Greenhouse Gas (GHG) Emissions standards remain feasible and cost effective, and urge that they be preserved or strengthened. We note that since the Final Determination, additional analyses have found that available cost effective technologies can in fact deliver greater efficiency (8-10%) at a lesser cost (34-40% lower)<sup>1</sup> than was contemplated in the Final Determination, supporting the case that the standards should in fact be strengthened. Finally, based on the Technical Assessment Report as well as new analyses cited above, the MY 2021 standards remain appropriate and feasible.

The standards represent a critical opportunity to strengthen the U.S. economy and create jobs – both by benefiting the auto industry and by ensuring fuel cost savings, which in turn will increase spending on non-energy goods and services. In addition, given the important role of strong standards in driving innovation, the standards will also help ensure the global competitiveness of the industry.

An economic analysis<sup>2</sup> commissioned by Ceres and produced by independent automotive industry analysts found that the current National Program would reduce risk for the Detroit Three and benefit suppliers. First, the study shows that the Detroit Three will remain profitable under the current standards under all fuel price scenarios considered - even under a very low \$1.80 per gallon fuel price. Second, the current standards provide insurance for the Detroit Three automakers and their suppliers against future market losses in the event of a fuel price spike. Third, regulatory certainty is valuable to automakers, and especially the Tier One suppliers, who are making the majority of fuel-saving technology investments in research, development and production capacity; the standards will allow them to realize returns on their investments and avoid stranded costs. Fourth, the analysis found that the standards provide significant benefits to suppliers, which make up a significantly larger portion of the economy than the automakers, and employ over half a million Americans - over two and a half times more people than the automakers. Specifically, the study found that Tier One auto suppliers stand to gain about \$90

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<sup>1</sup> [March 2017 ICCT analysis: http://theicct.org/US-2030-technology-cost-assessment](http://theicct.org/US-2030-technology-cost-assessment)

<sup>2</sup> [Economic Implications of the Current National Program v. a Weakened National Program in 2022-2025 for Detroit 3 Automakers and Tier One Suppliers](#)

billion in increased orders for fuel-saving technology under the current standards (in the 2014-2025 time frame). Fifth, weakening the standards could make the U.S. an outlier among global regulatory regimes, and put the Detroit Three at a disadvantage because it would undermine their ability to achieve economies of scale through increased use of global platforms.

A recent analyst note<sup>3</sup> regarding automakers' financial performance underscores the importance of retaining or strengthening the current standards. The analysis found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards 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: China, the world's largest car market, is planning to require that 40% of all cars sold in 2030 be new energy vehicles, in addition to banning vehicles with traditional internal combustion engines; India and several European countries and cities are planning similar bans. The United States should position itself to compete in this new world by retaining or strengthening the current standards, which drive innovation and also serve as a kind of insurance policy against market share losses in the event of a fuel price spike.

Finally, strong standards will serve to mitigate the economic risks associated with our continued dependence on oil as well as climate change. In light of the volatility of fuel prices, strong standards are necessary in order to reduce transportation costs for businesses and consumers. In addition, climate change presents significant long-term risks to the global economy, and to investors across all asset classes. Strong standards will serve to mitigate that risk by providing significant GHG reductions; the MY 2022-2025 standards would save approximately 540 million metric tons of GHG emissions, and reduce oil use by 1.2 billion barrels.<sup>4</sup>

In sum, the standards will strengthen the U.S. economy, enhance the global competitiveness of the U.S. auto industry, provide the regulatory certainty needed to spur innovation, reduce both our dependence on oil and climate risk, save businesses and consumers money, and create jobs. Accordingly, we urge the EPA to issue a Determination that preserves or strengthens the MY 2022-2025 standards and retain the current standards for 2021.

Sincerely,

California State Teachers' Retirement System  
Office of the New York State Comptroller  
New York City Office of the Comptroller  
Interfaith Center on Responsible Investment  
ACTIAM  
Office of the Connecticut State Treasurer  
Presbyterian Church U.S.A  
Dignity Health  
Impax Asset Management  
Trilogy Global Investors, LP

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<sup>3</sup> <https://www.ceres.org/resources/reports/whats-driving-us-auto-industrys-financial-performance>

<sup>4</sup> Final Determination at 7 <https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100QQ91.pdf>

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