

Federal Climate Bills Can Retool the U.S. Auto Industry and Make It More Competitive

Comprehensive energy legislation that includes a cap on global warming pollution will speed development of a new energy economy based on efficiency and clean energy. The automobile manufacturing industry can prosper from these changes if it shifts production from gas guzzlers to cleaner and more efficient cars and trucks. The climate protection bills passed by the House and being considered in the Senate can fund a rapid transition to clean vehicle manufacturing. When combined with strengthened fuel economy and pollution standards, the bills can ensure that U.S. manufacturers are producing the next generation of vehicles that consumers want.

Current Proposals Would Deliver Massive Funding to Develop Cleaner and More Efficient Vehicles

Bills in both the House and Senate allocate funding from the sale of carbon pollution allowances toward retooling manufacturing facilities to produce more efficient vehicles. The funding is long-term, stretching from 2012 through 2025, and encourages rapid incremental improvements along with wholesale vehicle redesigns; it also includes targeted funding for the next generation of clean vehicles powered by grid electricity. In total, each bill allocates more than \$23 billion in grants related to vehicle technologies. Below, we summarize the efficient vehicle funding provisions of the House-passed American Clean Energy and Security Act (H.R. 2454, also known as ACES) and the Clean Energy Jobs and American Power Act (S.1733, Manager's Mark).

Comparing the Proposals Side-by-Side

We breakdown the total vehicle technology funding into three categories: (1) retooling for advanced combustion vehicle designs, (2) electric-drive, or plug-in, vehicle manufacturing and (3) advanced and plug-in vehicle deployment (see table on page 2).

We should note that a potentially large source of funding for automobile manufacturer retooling has been omitted from this analysis because it is a budget authorization and not backed by global warming pollution allowance revenue. H.R. 2454 authorizes \$25 billion in funding to double the advanced vehicle loan guarantee program set up by the Energy Independence and Security Act of 2007 (Section 136). These funds, if appropriated, would be available for only a short period of time and would be subject to less challenging vehicle improvement criteria thus making them less likely to lead to a transition toward manufacturing significantly cleaner vehicles.

Climate Legislation Can Boost Investments in a Clean Energy Economy and Jobs for American Workers

Support for more efficient and cleaner-running vehicles is a key element of the new, clean energy economy that can free us from dependence on fossil fuels and protect us from high and volatile prices at the pump. Passing comprehensive climate legislation that establishes a cap on carbon pollution can generate billions of dollars to funnel toward placing U.S. auto manufacturers and their workers at the forefront of automobile innovation, creating much-needed jobs while helping to avoid the worst impacts of global climate change.

For more information
please contact
Luke Tonachel
(212) 727-4607



Federal Climate Bills Can Retool the U.S. Auto Industry and Make It More Competitive

	H.R. 2454	S. 1733
Total Vehicle Technology Incentives from 2012 through 2025	\$28.4 billion	\$23.5 billion
Retooling for Advanced Combustion Vehicles	The Department of Energy (DOE) distributes allowance revenue in the form of retooling grants to automakers to defray up to 30 percent of the retooling cost for advanced technology vehicle and component manufacturing facilities. For years 2012 through 2016, vehicles must be 25 percent more efficient than model year 2009 vehicles with substantially similar attributes. For year 2017, the Administrator shall determine a new model year reference point, considering technological and economic feasibility. Grant funds are estimated to have a total value of \$24.1 billion.	The Department of Energy (DOE) distributes allowances to fund grants to automakers to cover the full cost of retooling or expanding existing U.S. manufacturing facilities to make advanced vehicles (and associated components) with fuel economy ratings that are 115% of the model year 4 years prior. Grant funds are estimated to have a total value of \$14.1 billion.
Incentives for Plug-in Electric Vehicle Manufacturing	The DOE distributes grants to automakers to facilitate the manufacturing of plug-in electric vehicles. The grant funds are available from 2012 to 2017 and have an estimated value of \$2.1 billion.	One quarter of the grants available for retooling in the above section must be used specifically for plug-in electric vehicles. The grant funds are available from 2012 to 2025 and have an estimated value of \$4.7 billion.
Advanced Combustion and Plug-in Electric Vehicle Deployment	The DOE distributes grants, funded by allowance revenue, for plug-in hybrid electric vehicle deployment measures such as charging infrastructure and battery exchanges. The grant funds are available from 2012 to 2017 and are valued at \$2.1 billion.	Allowances are auctioned to create a Clean Vehicle Technology Fund, managed by the Treasury. Grant funds are distributed by the DOE from 2012 to 2025, and are estimated to have a total value of \$4.7 billion. Twenty percent, or \$0.9 billion, is designated to assist the deployment and use of assistance for the deployment of advanced technology vehicles, and hybrid, plug-in, fuel cell trucks and transit vehicles buses. Five percent, or \$0.2 billion, is to be used to develop and implement a "National Transportation Low Emission Energy Plan" that identifies infrastructure and vehicle hurdles to greater electrification and conducts electric-drive demonstration projects. The remaining seventy-five percent of the funds, or \$3.5 billion, must be directed toward black carbon reduction by cleaning up diesel vehicles.

Funding estimates in this document assume CO₂ allowance prices from 2012 to 2019 as predicted by CBO's analysis of H.R. 2454. Beyond 2019, prices are assumed to rise 5 percent per year.

