

February 3, 2021

How Biden and Democrats Could Accelerate Electric Vehicles

What's Happening: President Biden views addressing climate change as a priority second only to containing the Covid-19 pandemic and transitioning the auto sector towards electric vehicles is a key part of his climate change agenda. Some Democrats are also on board and the auto sector has shown support in varying degrees. **General Motors (GM)** has taken the boldest pro-EV stance with an announcement last week that it will phase out petroleum-powered cars and trucks and sell only vehicles that have zero tailpipe emissions by 2035 and that the firm plans for its vehicle offerings to become carbon-neutral by 2040. This comes after GM in November withdrew from the Trump administration's lawsuit challenging California's ability to set stricter auto emissions standards than the federal government. The remaining automakers that were still supporting that lawsuit, **Fiat Chrysler (FCAU)** and **Toyota (TM)**, part of the Coalition for Sustainable Automotive Regulation (CSAR), also dropped their support this week saying the decision "aligned with the Biden administration's goals to achieve year-over-year improvements in fuel economy standards that provide meaningful climate and national energy security benefits, reduce GHG emissions and promote advanced technologies." However, the CSAR is not looking to go as far as GM because it is advocating for emissions mandates that are "roughly midway between current standards and those of the former Obama administration."

Why It Matters: Biden is looking to speed the adoption of electric vehicles as a means of reducing carbon emissions and has directed the Environmental Protection Agency (EPA) and Department of Transportation (DOT) to revise auto emissions standards by July 2021. The Biden administration will have the option under authority from the Clean Air Act (CAA) to set emissions standards to be so strict that after a certain period of time as they increase, only zero-emissions vehicles would comply, likely setting the stage for a showdown with the auto industry. Biden has been through negotiations with the auto industry before, though, and may be emboldened by the realities of what he can and cannot likely include in a large-scale infrastructure and clean energy bill that Democrats are beginning to discuss as their next piece of major legislation.

What's Next: Biden and congressional Democrats will continue to discuss their agenda and possibilities for a FY22 budget reconciliation package. Planning for that package may intersect with Biden's July 2021 deadline for setting renewed auto emissions standards. In the meantime, more states are expected to consider their own actions on electric vehicles. New Jersey and Massachusetts have both suggested they will follow California's lead and ban the sale of internal combustion engine vehicles after 2035. Washington state is also considering legislation to set a

2030 deadline to phase out light-duty gas vehicles. And some analysts are [predicting](#) that 2021 electric vehicle sales will rise to nearly 2.5 percent of new car purchases from 1.9 percent in 2020 with 30 electric vehicles from 21 brands available for sale in 2021, a meaningful increase from 17 vehicles from 12 brands in 2020.

How Biden Could Accelerate EVs

Executive Orders

Biden announced his intention to replace the government's fleet of cars and trucks with electric vehicles made in the US by union workers while signing a "Buy American" executive order. This action alone is not expected to make a large impact on overall emissions as the federal government's fleet is about 645,000 vehicles and replacing them will take time. Biden's other requirements -- that the vehicles be made in the US by union workers -- are not even possible at this time since **Tesla (TSLA)** does not employ union workers, **BMW's (BMWYY)** electric i3 car is made in Germany, GM's Chevrolet Bolt is assembled in Michigan from imported parts, and **Nissan's (NSANY)** Leaf is mostly manufactured abroad. However, the goal of the order is likely to both make a statement and to move the industry, no matter how far, in the direction of manufacturing electric vehicles in the US. Since most electric vehicles on the roads today are sedans and not the type of vehicle needed to replace the postal fleet, which accounts for one-third of the federal fleet, Biden's move could spur development of these vehicles that would have a dedicated buyer in the US government.

Regulation

President Biden can also create demand for electrical vehicles through stricter regulation of auto emissions standards. The Biden administration will have the option under authority from the Clean Air Act (CAA) to set emissions standards to be so strict that after a certain period of time as they increase, only zero-emissions vehicles would comply. This seems to be the more likely route over legislation if Biden chooses to go this far, though regulations could face litigation that could wind up before, and be derailed by, a conservative majority Supreme Court. The statement from the Coalition for Sustainable Automotive Regulation suggested they are not looking for standards that go as far as to be in line with GM's 2035 pledge. The coalition asked for national standards that are less onerous than those first enacted under President Obama that required annual stringency gains of about 5 percent [instead preferring](#) "a compromise California regulators brokered with five automakers last year to boost the average fuel economy of their fleets from 2021 levels by 3.7% annually, toward an average of almost 50 miles per gallon by 2026."

It is entirely up to Biden, in coordination with the Environmental Protection Agency (EPA) and Department of Transportation (DOT), how strict to set the new standards. Given that Biden was a part of the Obama administration when the original standards were adopted and then saw companies which had agreed to those standards lobby the Trump administration to roll them back, Biden may choose stricter action at the outset to spur industry change while he is still in office so that it is more difficult for automakers to reverse changes already in place if a subsequent president rolls back the standards. Biden has spoken often about the serious nature of the climate crisis and, as an institutionalist who values procedure while also holding progressive views on climate concerns, may choose

to use this avenue to make his mark while he can.

How Biden and Congress Could Accelerate EVs

Legislation

Democrats are increasingly suggesting that they will look to use their FY22 pass at budget reconciliation on an infrastructure and clean energy bill. House Energy and Commerce Committee Chair Frank Pallone (D-NJ) said last month that Democrats intend “to include major climate change provisions as part of an infrastructure package in the coming months.” Senate Majority Leader Chuck Schumer (D-NY) also confirmed as much, [telling Rachel Maddow](#) that Democrats are “looking at how we make 'build it back better' fit — as much of it into reconciliation as we can,” in reference to Biden’s \$2 trillion Build Back Better plan. That plan shows Biden’s focus on electric vehicles by calling for installing 500,000 new charging stations and lifting the 200,000 vehicle cap on the \$7,500 electric vehicle tax credit. Biden has also [promoted](#) a reboot of the Cash for Clunkers program that would likely be included in an infrastructure and clean energy bill. This time, the plan would offer rebates or incentives for people to trade in older, less fuel-efficient vehicles for an electric vehicle. The outlines of the plan seem similar to Schumer’s 2019 [proposal](#) costing \$454 billion over 10 years for people to trade in older vehicles for hybrids or electric vehicles. While the 2009 iteration of Cash for Clunkers, named the Car Allowance Rebate System, was [not hailed](#) as very efficient in bringing down greenhouse gas emissions and only survived for one month before its \$3 billion in funding ran out, the new version would likely be funded at a much greater level and see older cars being replaced with zero or near-zero emissions vehicles. Both of these changes could multiply the efficiency of the program to meet Biden’s goals of decarbonization and promoting electric vehicles.

Lack of Republican support for large-scale infrastructure spending and climate measures in general will likely force Democrats to take up budget reconciliation. Democrats have long-pushed more aggressive legislative measures on climate change and even already proposed legislation specific to electric vehicle infrastructure. Rep. Alexandria Ocasio-Cortez (D-NY) and Rep. Andy Levin (D-MI) proposed the “EV Freedom Act” to create infrastructure for electric vehicles and Rep. Yvette Clark (D-NY) proposed legislation to increase charging stations in low-income neighborhoods all in February 2020. Biden’s adoption of the issue has moved it into the Democratic mainstream and the party has now coalesced around it. Many see it as a common sense reality anyway, with Rep. Debbie Dingell (D-MI) saying this week that GM’s announcement is not only “realistic but it has been coming.” Researchers [have identified](#) vehicle rebates, tax credits, and sales tax exemptions as among the most “common and effective” policies to boost EV sales, and these are among what Democrats will push for in addition to building out charging infrastructure.

Politically, the challenge for acting on building new charging stations may rest on the cost and what else is in the package. Democrats are exploring ways to mandate clean energy and decarbonization that will pass the Senate parliamentarian’s muster on budget reconciliation rules, namely that the provisions have a sufficient budgetary impact. This makes funding for charging stations possible, but other moves to incentivize their uptake, like mandating a date for when all new vehicles sold in the US must be electric or zero-emissions, would face scrutiny unless a tax was imposed on users who own or purchase non-zero emissions vehicles. This legislation already exists in Senator Jeff Merkley’s (D-

OR) [Zero-Emission Vehicles Act of 2020](#) to amend the CAA to set the first national zero-emissions standard. In this legislation, the zero-emission standard would “require that battery electric vehicles and fuel-cell vehicles account for 50% of new passenger cars sold in the country by 2025 and ultimately 100% by 2035.” Legal and budgetary rules aside, this type of legislation would likely face political opposition even from Democrats. For a bill to pass via budget reconciliation in the current 50-50 Senate, every Senate Democrat, including Senate Energy and Natural Resources Committee Chair Joe Manchin (D-WV), who is considered to be the most conservative Democrat in the Senate and hails from a major coal producing state, would need to vote for a budget reconciliation package as no Republicans would be expected to back it. Manchin has [expressed an appetite](#) for \$2 to \$4 trillion in infrastructure spending, but has [emphasized](#) that in the “energy transition” Congress “cannot leave people behind” and “you have to do it in a way that you don’t create one vast economic depression on the price of coal because another one has opened up with opportunities.”

Another policy item that could indirectly boost electric vehicles if included in a reconciliation package is the creation of a national “green bank.” Rep. Dingell along with Senators Chris Van Hollen (D-MD), Ed Markey (D-MA), Richard Blumenthal (D-CT), and Brian Schatz (D-HI) reintroduced the Clean Energy and Sustainability Accelerator Act today to direct \$100 billion to the Clean Energy and Sustainability Accelerator, a non-profit that makes loans and investments in sectors that would need to rapidly develop to meet Biden’s decarbonization goals. Such sectors include renewable energy, building efficiency, grid infrastructure, industrial decarbonization, clean transportation, reforestation and climate-resilient infrastructure. This type of legislation has seen [support](#) from groups noting that clean energy sectors like electric vehicles need both increased manufacturing in vehicles themselves and charging infrastructure alongside funds to lessen consumers’ costs to incentivize their sales. Democrats will likely continue to push these types of investment and incentives programs, especially since Schumer has declared the Senate will join in Biden’s “whole of government” approach to climate by adopting a “whole of Senate” approach beginning with Senate hearings on the climate crisis that could generate or revive other bills to incorporate into a reconciliation package. Van Hollen said this week that he expects the climate bank legislation to “have a home in Build Back Better legislation — whether that ends up being a bipartisan effort under normal procedure or whether it becomes a reconciliation bill.” This bill could address another issue if the goal is to have a thriving American electric vehicle manufacturing industry, which is the manufacturing of lithium-ion batteries that charge those vehicles. Currently, China [leads](#) that market, making 70 percent of the world’s lithium-ion batteries, and Chinese companies control much of the global supply chain. US based companies looking to grow their battery production may look to a future green bank and other loan programs.

Other Challenges

There will be challenges beyond the political realm in building out electric vehicle charging infrastructure. Most electric car owners today charge their vehicles overnight in their own driveways or near their homes with equipment they purchased and installed. Many purchasing an electric vehicle will not also have the cash on hand, space to accommodate, or desire to also purchase a charger. A [study](#) from the Massachusetts Institute of Technology found it would be most effective to not only install charging stations in central locations but also on residential streets and along highways. There will need to be coordination among multiple levels of government to logistically organize this. Other

challenges will include ensuring there is enough electricity available in the power grid for the influx in vehicle charging. Utilities and the authorities that control energy transmission in the power grid are decentralized and coordination will be needed to build a grid that can handle larger amounts of electricity. Ensuring this happens will largely fall to the Federal Energy Regulatory Commission (FERC) unless Congress and/or the Department of Energy (DOE) steps in to guide their processes. There are a number of ways this could be done, which the House Select Committee on the Climate Crisis outlined in a section titled “Moving Toward a National Supergrid” in their [report](#) last year, although no one concept has been chosen at this time.

[Website](#)

[Twitter](#)

[LinkedIn](#)

[Email](#)

Copyright © 2021 [Beacon Policy Advisors LLC](#)
1701 Pennsylvania Avenue, NW, Suite 200 Washington, DC 20006 | (202) 729-6335
[Our Compliance Policy](#) [Unsubscribe](#)