

Biden EV Order Boosts Opportunities For Automakers

By **Levi McAllister** (August 18, 2021, 4:53 PM EDT)

It's been a big month for electric vehicles. Between President Joe Biden's Aug. 5 executive order to encourage the development of electric vehicles and \$15 billion in funds in the Senate-approved infrastructure legislation, the growth outlook for EVs and other zero-emission transportation is strong.

Much attention has been focused on the Senate's Aug. 10 vote to pass an infrastructure bill with a proposed \$7.5 billion for the creation of a national charging network, and \$7.5 billion in funding to transition buses and other public transportation vehicles such as ferries to zero emissions.



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Although that legislation as passed did not include the electrification tax incentives in the Biden administration's initial infrastructure proposal, and also reflects a reduction from the \$174 billion originally proposed in the bill, it nevertheless signals bipartisan support for a federal policy initiative to promote EVs — and reiterates a federal commitment to the administration's electrification agenda.

But equally important is Biden's executive order, underscoring his stated commitment to encourage the development and deployment of EVs as part of his administration's clean energy agenda. The executive order aims to increase the production of zero-emission vehicles by 2030, and directs new pollution and fuel economy standards for light-, medium- and heavy-duty vehicles for model years 2027 and later.

The executive order, supported by the EV-related aspects of the infrastructure bill, may well serve to facilitate increased deployment of EVs in U.S. markets. These major efforts are a clear signal that the federal government intends to make good on Biden's campaign promises to work toward electrification in the automotive sector. We can expect more movement down that path, as there is now money earmarked for more electric vehicles and charging stations.

Executive Order

The executive order sets a nonbinding goal that 50% of all new passenger cars and light trucks sold in the U.S. be zero-emission vehicles by 2030. The order includes a noninclusive list of zero-emission options, such as battery electric, plug-in hybrid electric and fuel cell vehicles. In the last three years, around 2% of new car sales would have qualified as zero-emission, with more than 40% of those sales coming from California.

To meet this goal, the order provides generally that the Biden administration will prioritize clear standards, infrastructure development and innovation. Specific proposals include installing a national network of EV charging stations and creating point-of-sale incentives for consumers. Major domestic auto manufacturers have previously indicated their intent to have 40% to 50% of total new vehicles sales be for EVs by 2030.

The order also directs the U.S. Environmental Protection Agency to establish new multipollutant emission standards, to include greenhouse gas emissions, for light- and medium-duty vehicles for model years 2027 through at least 2030. The order sets the EPA's goal for its final rulemakings as December 2022.

For heavy-duty engines and vehicles, the EPA will also establish new nitrogen oxide standards for model years 2027 through at least 2030; must consider updating existing greenhouse gas standards for model years 2027 through at least 2029; and must establish a new greenhouse gas standard for model year 2030. The order sets the EPA's goal for these other final rulemakings as July 2024.

Further, the order directs the U.S. Department of Transportation to establish new fuel economy standards for passenger cars and light-duty trucks for model years 2027 through at least 2030, and for heavy-duty pickup trucks and vans for model years 2028 through at least 2030. The order sets the goal for these final rulemakings as July 2024.

The order also suggests adopting the emissions standards recently imposed in California, noting California's "significant expertise and historical leadership" on the issue.

Though imposing stricter standards on conventional internal combustion vehicles does not directly relate to EVs, stricter standards will make EVs more economically competitive.

Legal Implications and Opportunities

Since the start of 2021, the Biden administration has emphasized the concept of "buy American" and American-sourced electric vehicles. Initially, that commitment was meant to include sourcing from U.S. mines the minerals that are needed for the creation and manufacturing of battery packs in electric vehicles.

But in May, the administration indicated it wouldn't focus on sourcing the minerals in the U.S., but instead would focus on having all substantive manufacturing occur within U.S. borders. The materials needed could be sourced from other countries, including Canada, Australia and Brazil. The administration also indicated it would conduct a yearlong review of supply chain and national security issues, to determine the best path forward in procuring minerals from outside the U.S.

The focus on producing more electric vehicles and charging stations within the U.S. opens up opportunities for automakers. We are seeing partnerships between automakers and network charging service providers, who are looking at long-term opportunities beyond the manufacturing of the vehicles.

This also opens some new sources of revenue for the automakers, who can provide fee-based services beyond auto sales of EVs, for charging stations, over-the-air updates, potential assisted or self-driving capabilities, ability to monitor drivers of fleets and ability to monitor if a car breaks down.

The push for more EVs and charging stations is also spurring development of regional utility alliances.

The electric highway coalition includes 14 utility members working together to develop an EV charging network. A utility coalition in the Midwest is expected to comprise 10 members. This is a welcome development for consumers hoping for a collaborative approach to developing charging stations.

EV penetration in U.S. markets has increased year over year for several years now, but some threshold issues must be resolved to facilitate widespread adoption — namely, issues concerning the ownership, jurisdictional status and rate impacts of network charging stations, and the impact of the electrification of transportation on the electric grid. Both the infrastructure bill and Biden's executive order address some of these threshold considerations.

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