June 19, 2007

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

To Whom It May Concern:

The Association of International Automobile Manufacturers (AIAM) is pleased to provide comments on the California Air Resources Board (CARB) proposed regulations establishing greenhouse gas (GHG) emissions labeling requirements for new motor vehicles. AIAM is a trade association representing 14 international motor vehicle manufacturers that account for about 50 percent of the passenger cars and light trucks sold annually in California. AIAM members have invested almost $3 billion in California facilities, directly employ 18,000 Californians, and generate an additional 62,000 California jobs in dealerships.[1] AIAM member companies are leaders in producing fuel-efficient and therefore low GHG-emitting vehicles.

AIAM supports the intent of CARB's proposal to provide additional information for consumers to weigh in choosing which new vehicles best meet their needs. We believe that some consumers will find information related to GHG emissions helpful in making purchase decisions, and we believe it is important to provide clear and accurate information on this subject.

As we have noted many times in the public record, GHG emissions from vehicles are primarily a function of fuel consumption. In fact, every gallon of gasoline burned in a vehicle results in about 20 pounds of carbon dioxide emissions, one of the primary GHG of concern. Carbon dioxide emissions account for approximately 95 percent of the GHG emissions from vehicles. Therefore, the GHG emissions of a vehicle are directly related to and inextricably tied to that vehicle's fuel economy. Pursuant to 49 U.S.C. section 32908, the U.S. Environmental Protection Agency (EPA) has required manufacturers to label new vehicles since the 1975 MY with fuel economy information. Such information is directly correlated to GHG emissions and has been available to consumers for over 30 years. In addition, EPA's fuel economy (www.epa.gov/fueleconomy) and green vehicle

[1] AIAM members include Aston Martin, Ferrari, Honda, Hyundai, Isuzu, Kia, Maserati, Mitsubishi, Nissan, Peugeot, Renault, Subaru, Suzuki and Toyota. AIAM also represents original equipment suppliers and other automotive-related trade associations. For more information, visit our website at www.aiam.org.

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(www.epa.gov/greenvehicles) websites, which millions of consumers use each year, reinforce the linkage between fuel economy and GHG emissions.

Labeling requirements for disclosure of fuel economy information are governed by federal law. Section 32919 of Title 49 of the U.S. Code, subsection (b) reads as follows (emphasis added):

> (b) Requirements Must Be Identical. - When a requirement under section 32908 of this title is in effect, a State or a political subdivision of a State may adopt or enforce a law or regulation on disclosure of fuel economy or fuel operating costs for an automobile covered by section 32908 **only if the law or regulation is identical to that requirement.**

CARB's GHG emissions labeling requirements, as currently drafted, therefore, could be construed as preempted under federal law because they are not identical. This is particularly problematic here due to the specific reference to and reliance by CARB on the California AB 1493 GHG emissions regulations currently under legal challenge in various federal courts.

AIAM Proposal

Given the existence of the longstanding EPA fuel economy labeling program, the direct correlation of the fuel economy information to GHG emissions levels and in particular the 1-to-10 rating approach proposed for the CARB GHG label, and the extensive use of the EPA information by consumers via the fuel economy label and EPA websites, we believe it is possible and in the best interests of California consumers for CARB to harmonize its program with the EPA fuel economy labeling program. Specifically, we request that CARB base its 1-to-10 GHG ratings on carbon dioxide values arithmetically derived from EPA's approved fuel economy label values for each vehicle model in lieu of or as an option for the methods proposed by CARB. The process we envision would work as follows:

1. As prescribed by EPA regulations, auto manufacturers would collect the necessary data during the vehicle certification process to determine fuel economy label values. Under EPA's program, EPA must approve fuel economy label values for each vehicle model in every model year, including California models.
2. As currently done, manufacturers would submit the proposed fuel economy label values to EPA for approval.
3. Once EPA approves a manufacturer's fuel economy label values for a particular vehicle model, the approved values would be arithmetically converted using EPA's prescribed formula to a carbon dioxide value.

   Because there is an exact mathematical relationship between a particular fuel economy value and a specific carbon dioxide emissions label, CARB could easily construct a conversion table in its regulation to use for this step. Similarly, the 1-to-10 rating scale could be determined via a conversion table either directly from the fuel economy label value or the equivalent carbon dioxide emissions value.

There are several advantages to the AIAM proposed approach.

1. The AIAM approach is administratively simple for manufacturers. The only extra step over that already done in the vehicle certification process is the last step of converting the fuel economy label value to a 1-to-10 rating value, which can be done using a conversion table. As a result, there would be no additional administrative cost for manufacturers.

2. The AIAM approach would be administratively simple for CARB for the same reasons explained in paragraph 1 above, thus resulting in no extra cost to CARB for administration.

3. The consumer information, i.e., the 1-to-10 GHG ratings, would be for all intents and purposes the same as the proposed CARB processs, since 95 percent of GHG emissions are based on fuel economy.

4. The AIAM approach yields more accurate GHG emissions levels because of EPA's recently adopted five-cycle methodology for calculating fuel economy label values. See 71 FR 77872, December 16, 2006. This would result in a much more accurate estimate of GHG emissions than the CARB proposed approach, because the EPA five-cycle testing ensures that the fuel economy label values (and thus GHG emissions) are much closer correlated to real world driving patterns than the more limited certification data which CARB proposes to use. The EPA five-cycle testing includes cold temperature operation, air conditioning (AC) usage, and higher speed driving. None of these conditions are included in the proposed CARB methodology. The inclusion of AC usage in the new EPA testing is particularly important, since nearly all new cars are equipped with AC and AC usage is an important factor affecting fuel economy and GHG emissions.

   The improved accuracy of the new EPA five-cycle methodology would more than offset the very slight effect that AC refrigerant leakage, which is not included in the five-cycle testing, could have on GHG emissions. Additionally, the AC refrigerant leakage issue is not a problem for new vehicles. AC refrigerant leakage is much more related to the maintenance, or lack thereof, of a vehicle over its useful life than it is to differences in one new vehicle model or another. When looking at new vehicles, it is impossible to predict which will have higher AC refrigerant leakage over its useful life. Not all vehicles will ever experience AC refrigerant leakage; therefore, it is speculative at best, and meaningless at least, to try to account for AC refrigerant leakage in a GHG emissions label for a new vehicle.

5. The AIAM approach would ensure harmonization and avoid possible confusion between the EPA labeling and the CARB labeling, both of which are intended to assist consumers, thus ensuring no conflicting results which could confuse consumers rather than help them.

6. The AIAM method is based on EPA's regulations in effect today, while CARB's proposal is based in part on the AB 1493 regulations which are facing legal challenges and for which EPA has not yet issued a waiver of preemption under section 209 of the Clean Air Act. Using the AIAM approach would ensure that the labeling requirement could move ahead on the schedule CARB is proposing.

In summary, the AIAM proposed approach benefits auto manufacturers, CARB, and consumers. Therefore, we respectfully request that CARB adopt the AIAM proposed approach in lieu of the CARB proposal for determining GHG label values.

If CARB is unwilling to accept the AIAM proposal as a direct substitute for the CARB proposal, then we request that CARB, at a minimum, accept the AIAM proposal as a compliance option for the first three years of the program, at the manufacturer's option. During these three years, manufacturers will work with CARB to evaluate the AIAM proposal versus the CARB approach, after which a report can be made to the Board. Based on these findings, the Board could assess whether to continue to provide manufacturers the flexibility of the AIAM proposal.

Other Comments

Effective Date – While the draft proposal discussed at CARB's public workshops contained an aggressive January 1, 2008 effective date, which AIAM could not endorse, the current CARB proposal would require that the new GHG labeling requirements be effective for vehicles manufactured on or after October 1, 2008. AIAM can support this effective date. We believe it provides manufacturers sufficient lead-time to modify applicable labels, order new print stocks, use up old print stocks, and implement any needed assembly line changes.

However, we have one suggestion to improve the proposed regulation in this regard. We recommend it be amended to allow manufacturers the option of opting into the new labeling program voluntarily earlier than October 1, 2008. This would allow for a smooth transition and avoid cases where a manufacturer might be forced to continue to use the old Smog Index label even though they are ready early to implement the new combined label.

Two-Color Requirement – AIAM was initially concerned that requiring two-color labels would create extra expense and other difficulties. However, we now believe that most manufacturers will be able to comply by having the needed colored portions of the label pre-printed on the label print stocks, resulting in little extra cost for having the two-color label. In nearly all cases, the current assembly line printing process will be unchanged.

Label Size – The CARB proposal would require a minimum label size of four inches by six inches (4" x 6"). If a manufacturer chooses to have a separate CARB label, then this minimum size is acceptable. However, we believe CARB should provide flexibility for a smaller label for manufacturers which are planning to integrate the CARB label into the Monroney label. As you probably know, the Monroney label is the primary vehicle label of interest to consumers, because it includes the vehicle pricing information and the descriptions of the major features of the vehicle, including safety, performance, convenience, fuel economy, and emissions aspects of the vehicle. Since the intent of the CARB label is to improve consumer information, it follows logically that the best place for this information to appear is on the Monroney label to maximize the likelihood it is being seen by consumers. However, given the space limitations on the Monroney label, it is difficult, if not impossible, for manufacturers to allocate a 4"x6" space for the CARB label. Because of the advantages derived by manufacturers placing this information on the Monroney label, we believe it is in the public interest for CARB to provide manufacturers placing the information on the Monroney label some flexibility on the label size requirement as long as the information is presented in a prominent and readable manner. A minimum label size

could still be required; AIAM recommends a minimum label size of two-and-a-half inches by four-and-a-half inches (2.5”x4.5”) if the CARB label is integrated into the Monroney label. We understand that this size is about the maximum size label that can be integrated into a Monroney label.

There is also a cost consideration for having the CARB label as part of the Monroney label for imported vehicles for some of AIAM’s member companies. For certain imported vehicles, labels are applied at the port of entry by outside contractors. In this case costs for applying labels at the port are generally on a cost per label basis. Therefore, if the CARB label cannot be integrated into the Monroney label, there will be additional costs associated with applying the separate CARB label for those manufacturers.

If CARB is unwilling to accept AIAM’s proposed minimum label size, we request that, at a minimum, the proposed regulation be amended to retain the option for a smaller label size if it is integrated with the Monroney label with the label having to be approved by the Executive Officer on a case-by-case basis.

Thank you for the opportunity to provide comments on the CARB proposal. If you have any questions, please contact John Cabaniss of my staff at (703) 247-2107.

Sincerely,

Michael J. Stanton
President & CEO

cc: Members of the Board
Craig Duehring
Gerhard Achtelik