

# **Chairman Mary D. Nichols address to SAE World Congress 2013**

Detroit, Michigan, April 16, 2013

## **INTRODUCTION**

Thank you. Congratulations to Chrysler, for setting a new company record with your 36th consecutive month of year-over sales growth in March.

That's an impressive accomplishment... and it's a testament your company's, and the industry's, commitment to efficiency and clean technology to enable continued growth.

The focus of this conference, "Achieving Efficiency," reinforces that industry-wide commitment, which is one that we share: Together, we can Achieve Efficiency – and sustainable growth in our communities and your markets – if we develop the cleanest vehicle and fuel technologies.

## **AUTOMOTIVE ENGINEERS ARE ROCKSTARS**

I could not be more proud and delighted to help open this annual gathering of rock stars.

The automotive engineers and designers behind humankind's most elegant and advanced machines... have done so much to connect our society and advance prosperity and quality of life over the past 100 years.

You have connected families, communities, and economies like never before. You have redefined culture.

And anytime the public sector has asked you to make your product safer or cleaner, while you don't always come along easily – you develop solutions that allow compliance at far lower cost than anyone imagines... and without compromising performance, comfort, or convenience.

Without exception, when provided with the certainty of regulation, you have always – ALWAYS – created technology solutions to address and overcome societal problems.

## **REGULATORS AND AUTOMAKERS NEED ONE ANOTHER**

I come to you today, representing the State of California, known around the world as an incubator of bold and sometimes wacky innovation – and for tough environmental regulations – to suggest a new way forward.

We're in the middle of a transformative era of technology, demographics, and human behavior. And we face energy, economic, and environmental challenges that are greater than those that we've conquered in the past.

Your industry, and public policy, have both come a long way. But we have further to go.

Our climate and air quality policies will only succeed if you succeed in developing and marketing the efficient and zero emission technologies that allow our communities and businesses to grow.

Your businesses will grow if our communities prosper, and grow in a sustainable way.

Your businesses will grow if we reduce the amount of money consumers spend on petroleum, environmental cleanup and congestion costs.

Your businesses will grow if smart policy clearly directs your investment and innovation toward common, social objectives.

If we collaborate, innovate, and listen to one another – we shall succeed together. If we don't, I fear that we may both fail.

## **CALIFORNIA AND CARS**

Our relationship goes way back.

From catalytic converters in the 1970s, to onboard diagnostics in the 1980s, zero emission vehicles in the 1990s, greenhouse gas emissions in the 2000's, and... who knows what else in the 20-teens (wink, wink)... California has set the rules that set engineers to work... creating the latest and greatest technologies that ultimately make your product more attractive to consumers and sustain, if not grow, your market.

## **SMART REGULATION DRIVES SUCCESSFUL MARKETS**

Smart regulation sets the benchmarks for you to design to, and helps to define the context of your future market. Smart regulation requires industry support, active listening and mutual confidence.

We continue to learn and work at our craft, just as you do, and we continue to get better, just as you do.

## **ADVANCED CLEAN CARS IS SMART REGULATION**

Some of our best work was included in our recent package of "Advanced Clean Cars Standards" that our Board adopted last year.

While California fought for and will continue to fight to retain our authority to address unique air quality challenges in the state... we worked hand-in-hand with federal agencies, consulted intensively with industry, and developed a single national standard for vehicle greenhouse gas emissions and fuel economy that the industry supported.

You've heard the announcement by now...

## **WE ARE ACTIVELY SUPPORTING MIDTERM REVIEW WITH OUR FEDERAL PARTNERS**

The rule requires a midpoint check in, and ARB is excited and committed to working with the U.S. EPA and NHSTA on the "Midterm Review." This effort will investigate costs, technology development, and market progress in the 2017 timeframe.

If technology progress is behind schedule, or – as I like to think – if markets are booming beyond initial expectation, we can make appropriate course corrections.

I think that we'll find that there are cost-effective opportunities for emissions reductions and consumer savings that have not already been captured.

The National Academies seems to agree. They recently found that greater efficiency savings are possible through 2030 than we assumed in the joint rule.

NHTSA has asked the National Academies to weigh in specifically on technology and market progress to inform the midterm review, and we are closely following that work and other efforts.

## **WE ARE WORKING WITH FEDERAL AGENCIES ON HEAVY-DUTY VEHICLE GHG REGULATIONS**

So... what's new? Well, we're building on the success of the joint rulemaking for cars, and will be applying that process to the heavy-duty sector.

The U.S. EPA took an important step when it recently established greenhouse gas standards for the heavy-duty sector.

We will adopt their rule and will work with EPA and NHSTA on the next round of heavy-duty greenhouse gas emission standards. We look forward to building on our successful collaboration with these agencies.

## **CALIFORNIA IS ALSO SUPPORTING FEDERAL CLEAN FUEL STANDARDS**

Smart regulation needs to be replicable.

With the U.S. EPA recently announcing clean fuel standards, it appears that the rest of the country will be following California's lead.

Our clean fuel standards have reduced smog-forming emissions and cancer risk from vehicles by 15% and 40%, respectively, for pennies-a-gallon.

We are excited to work with the U.S. EPA to best and most fully align our programs, as appropriate, and to help the rest of the country realize health benefits similar to those we've achieved in California.

## **THE FUELS SECTOR STILL POSES SIGNIFICANT HURDLES TO MEETING CLIMATE AND ENERGY GOALS**

Still, we need to support budding markets for biofuels, electric vehicles, and hydrogen fuel cell vehicles with strong and durable policies... and with appropriate, smart, and targeted investments.

We are committed on all these fronts in California, with a suite of policy measures that will reduce the carbon intensity of our fuel mix and ensure that clean fuels supplies are available to power the cleanest vehicles that you put on the market.

## **CALIFORNIA'S UNIQUE AIR QUALITY CHALLENGES PROVIDE UNIQUE MARKET OPPORTUNITIES**

We do this all in California, not to drive you crazy, but because of our unique air quality problems and commitment to comprehensively and responsibly address climate change.

The Governor has committed to reducing transportation greenhouse gas emissions to 80% below 1990 levels by 2050, and we have to reduce smog-forming emissions by 90% within 20 years to comply with federal air quality laws.

Addressing these co-equal, and similar, challenges requires nearly eliminating both criteria pollutant and greenhouse gas emissions from the transportation sector in the coming decades.

Nearly eliminating emissions by 2030 and 2050 requires developing and selling the cleanest, zero emission vehicle and fuel technologies today, rapidly expanding the market, and perhaps even accelerating fleet turnover.

California serves as an incubator for emerging technologies, a demand driver for the cleanest commercial technologies, and a constant force for innovation and technology progress.

Our rules drive demand and market certainty for your cleanest products.

For example, Tesla Motors, a 10-year old startup, is now the zero emission vehicle leader. They are actually manufacturing their vehicles in California, in no small part due to their ability to capitalize on the opportunity provided by our zero emission vehicle regulations.

California's zero emission vehicle rule... which we updated as part of the Advanced Clean Cars package last year, and with the support of virtually all automakers, I'll add... requires 1 in 7 new vehicles sold in California in 2025 to be a plug-in hybrid, battery electric, or fuel cell vehicle.

Our Governor, Jerry Brown, who has been a strong and visionary champion of low carbon technologies since his first stint in the Statehouse in the 1970s, reinforced that target with an Executive Order that calls for 1.5 million zero emission vehicles to be on California roads by 2025. And he followed it up with a detailed, specific Action Plan.

Adding in a dozen states who have adopted our rule under Section 177 of the Clean Air Act, there is a national market requirement for more than 3 million of these vehicles to be sold by 2025.

You cannot ask for more certainty from government than that.

## **CALL OUT ALLIANCE FOR ZEV WAIVER REQUEST**

Now, here comes the sour note.

One month ago, the Alliance of Automobile Manufacturers and the Association of Global Automakers filed a petition with the U.S. EPA, asking them to reconsider the waiver that allows California to help pull the market for zero emission vehicles forward.

In March of this year, when monthly zero emission vehicle sales in the U.S. had already jumped to more than 5 times the level they were just 14 months ago – when we adopted the rule with automaker support – the two big trade associations of the automobile industry began working to undermine progress and the commitment of a dozen states to fully support YOUR growing market for zero emission vehicles.

Talk about shooting yourselves in the foot... or tripping over your own halo!

We don't have time anymore for this kind of retrograde, business-as-usual Washington game.

We don't have time to delay the diffusion of technologies that we all know will power our continued

growth and prosperity in the 21st Century.

So stop. Rather than rehashing the same, tired legal battles of our past, let's work together to collectively support and develop this market.

## **WE WANT TO HELP YOU SELL CARS**

In California, we want to help you sell cars. Here's a few ways we are working to do so:

- The Governor's Zero Emission Vehicle Action Plan, which was released in February, outlines more than a hundred actions state agencies will take to support the budding market.
- We are committed to building an initial set of hydrogen stations to accommodate the commercial launch of fuel cell vehicles within the next few years.
- In fact, we have bills pending in both branches of our legislature (SB 11 and AB 8) that would extend existing incentive programs to:
  - Fund this initial hydrogen station development,
  - Continue providing state financial incentives for purchasing zero emission vehicles and advanced heavy-duty vehicles, and
  - Help to develop other low carbon fuels and associated infrastructure.
- If the legislature reauthorizes these existing programs, it will essentially create an Energy Security Trust of the size and scope proposed last month by the President, but whose benefits would be focused entirely in California. We need your support.
- We are working with industry and private sector stakeholders to address barriers and collaboratively support consumer experiences with zero emission vehicles.
- All relevant state agencies, including my own, are members of California's Plug-In Electric Vehicle Collaborative, which is a truly unique collection of automakers, utilities, service providers, nonprofit organizations, and government agencies who are working together to accelerate market growth in California.

We are also members of the California Fuel Cell Partnership, which is a similar collection of stakeholders committed to rolling out fuel cell vehicles in California.

- Finally, we are exploring ways that we can better engage car dealers, including helping them to educate their salespeople about new technologies. This is a project that really deserves our attention.

## **WE NEED TO HELP OTHER STATES TO ACCELERATE THE MARKET**

These efforts, plus natural advantages, have made California the market leader, with almost 40% of U.S. zero emission vehicle sales.

We take pride in our successful market, but we know we can only succeed if other states are also successful.

So we are working directly with states in the Northeast and others, to make sure that not only California, but all Section 177 states – and others! – are hospitable homes to the rapid expansion of zero emission vehicle sales.

There is no doubt in my mind that a dedicated commitment from your industry will drive technology and market progress far beyond the requirements of public policy. Even far beyond our wildest imagination. As you always have done.

I hope I can leave you with the belief that success in "Achieving Efficiency" needs both push and pull – and that together, we can make it happen. Thank you.