



ALLIANCE for
VEHICLE EFFICIENCY
Vehicle-Efficiency.com

THE CASE FOR TECHNOLOGY-NEUTRAL POLICIES TO ACHIEVE U.S. CLEAN AIR AND FUEL ECONOMY GOALS

THE ALLIANCE FOR VEHICLE EFFICIENCY PROVIDES TECHNOLOGICAL THOUGHT LEADERSHIP

The Alliance for Vehicle Efficiency (AVE) is an organization of automotive suppliers that advocates for technology-neutral policies to increase American leadership in automotive innovation. AVE members, representing 26,000 American jobs, are advancing the development of technology that has contributed to consistent gains in achieving greater fuel efficiency and cleaner emissions. The investment helps to secure American research and development (R&D) and manufacturing leadership in mobility and propulsion.

Automotive suppliers share the goal of developing new technologies that are cleaner, more efficient and relevant in a changing world. In fact, suppliers provide over two-thirds of the value of a new vehicle. Automotive OEMs and suppliers spend over \$100 billion a year on technology R&D to meet increasing fuel efficiency standards and reducing vehicle emissions. Auto suppliers are the largest patent recipients in this sector. The number of automotive innovations has never been greater while the likelihood of predicting where technology will lead has never been smaller.

As the federal government and State of California negotiate on the current mid-term evaluation (MTE) of greenhouse gas (GHG) and fuel economy standards for light-duty vehicles, AVE advocates for these three principles to guide all deliberations and final decisions:

1. enact technology-neutral standards;
2. separate facts from trends; and
3. ensure regulations are sustainable.

THE UNITED STATES IS AT A CROSSROADS

One National Program, a collaborative rule-making process for Corporate Average Fuel Economy (CAFE) and GHG rulemakings, was jointly developed by the National Highway Traffic Safety Administration (NHTSA) and the Environmental Protection Agency (EPA), with the California Air

INNOVATION STARTS HERE!

Our members employ
26,000 Americans and
develop and make
products for cleaner,
more efficient vehicles.



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Resources Board (CARB). Moving forward, a mutually agreed upon standard remains the best-case scenario for automotive suppliers. An agreement on future standards provides much-needed regulatory certainty and allows R&D to focus on achieving one set of standards.

If the federal government and State of California cannot agree on a common set of regulations, the national standards scenario could become an increasingly fractured reality. This outcome would be the worst-case scenario for the automotive supplier industry. Regulatory certainty is needed for long-term planning and the significant capital investment necessary to commercialize advanced technologies in communities across the country.

Across the globe, policymakers are debating and enacting more stringent GHG

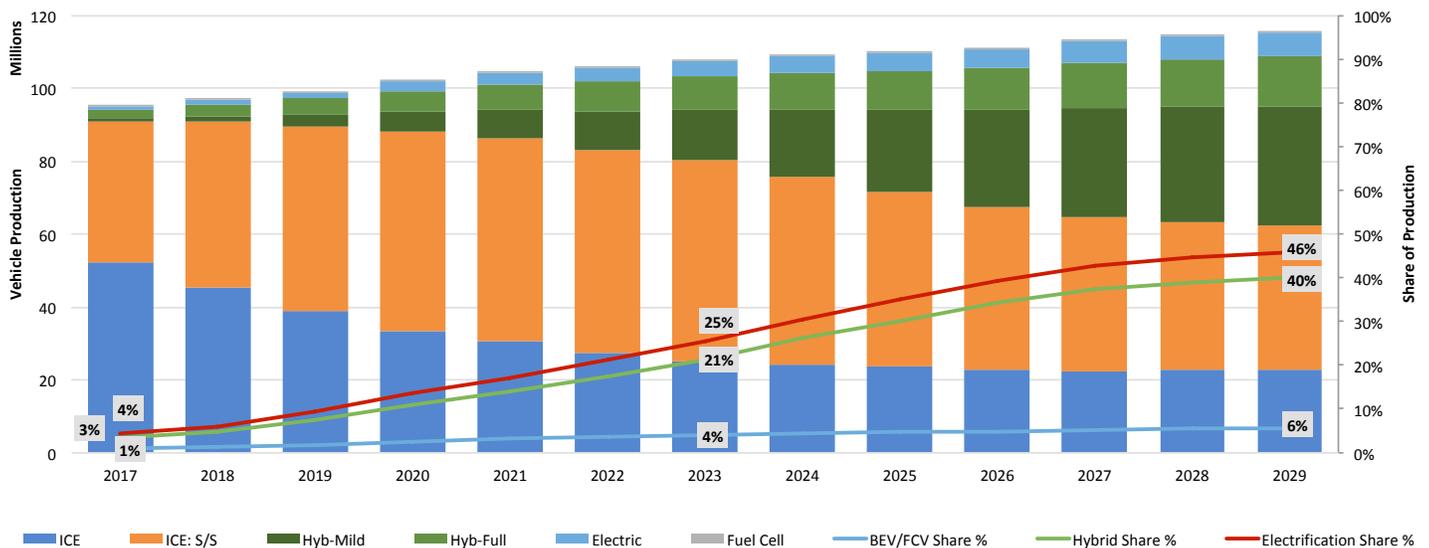
standards on future vehicles. Global regulations will drive the adoption of advanced engine technologies. American leadership in propulsion innovation in this rapidly changing global market would result from the continued collaborative rulemaking between the three regulatory agencies.

POLICY SHOULD ENCOURAGE TECHNOLOGY TO LEAD TO THE SOLUTION

In their assessments, the regulatory agencies have stated that targets “would be met largely through advancements in conventional vehicle technologies, including advances in gasoline engines and transmissions, vehicle weight reduction, improvements in vehicle aerodynamics, more efficient vehicle accessories, and lower rolling resistance tires,” i.e. technology-neutral innovation.

GLOBAL REGULATIONS WILL DRIVE TECHNOLOGY ADOPTION

2017-2029 Global Vehicle Production by Propulsion System Design



AVE strongly agrees with this technology-neutral, outcome-based approach. AVE supports the technological development of gas, diesel and electrification of vehicles, lightweighting and advanced transmissions. Public policies should foster investments in every cost-effective technology that help make a new vehicle significantly more efficient than the model it is replacing. Scientists and engineers continue to patent new features and processes in internal engine combustion design and the exhaust system. A remarkable number of these advancements have proved effective for greater fuel efficiency and cleaner emissions over the last decade.

SOUND POLICY MUST SEPARATE FACTS FROM TRENDS.

Steve Ballmer said just 10 years ago, “There’s no chance that the iPhone is

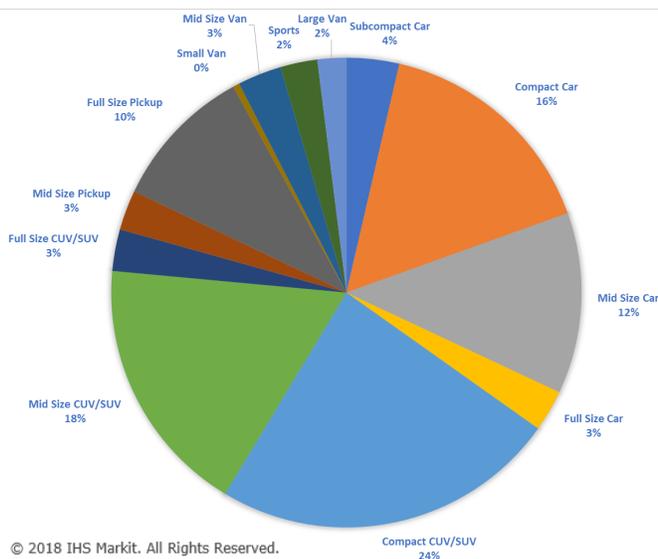
going to get any significant market share.” Ballmer, of course, would have been correct if policymakers had insisted that a different phone platform (remember the Blackberry?) was the only choice and closed the door on Steve Jobs. The stakes are much higher with GHG and fuel economy.

Innovation will continue at a rapid pace if we avoid the automotive equivalent of dictating an all-iPhone or all-Android solution. Technology specific mandates are well meaning but problematic because they:

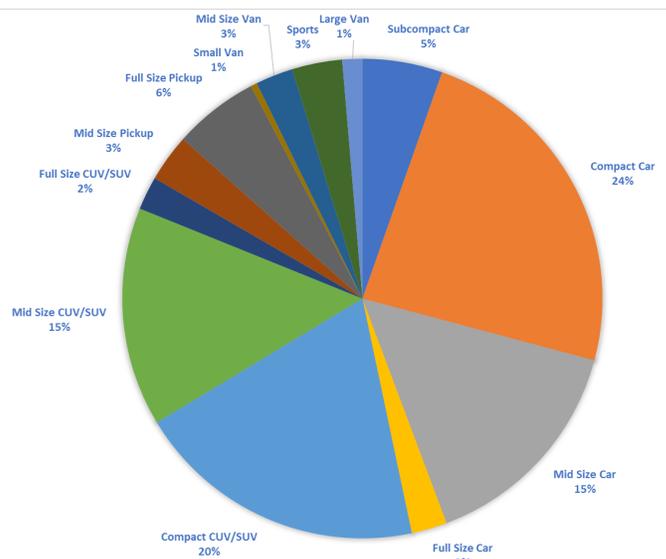
1. assume that policy has caught up with technology;
2. assume there is no other solution – known or unknown;
3. propose a “one-size fits all” solution to a complex problem; and
4. affect capital investments that are not driven by market realities.

TRUCKS AND SUV’S STILL DOMINATE THE MARKET

National Vehicle Mix



California Vehicle Mix



SOUND POLICY SHOULD BE SUSTAINABLE

Setting stringent yet achievable targets, without technology mandates, provides the industry a single goal where innovation thrives. More importantly, American consumers will maintain a variety of affordable and more efficient choices in their next vehicle. A computer programmer in San Francisco with a hybrid has different mobility needs than an electrician in Ohio with a two-ton pickup truck. Supplier innovations will offer each of these consumers a cleaner and more efficient vehicle when making their next purchase.

Outcome-based, technology policies are sound and sustainable. The benefits are widespread.

1. American consumers will have greater choice in efficient vehicles that fit their lifestyles and needs.
2. Automotive suppliers would be free to innovate and invest in many pathways to meet standards in a framework of a changing technological landscape.

3. R&D in new technologies could foster economic prosperity and meaningful jobs throughout the U.S.

AVE supports the continued collaboration of the EPA, NHTSA and CARB in support of One National Program. An agreement between the three agencies will provide regulatory and investment certainty for the automotive supplier industry. Technology-neutral, fact-based, sustainable regulations will maintain U.S. technology leadership in this globally-competitive marketplace.

SETTING MEANINGFUL AND ACHIEVABLE TARGETS, WITHOUT MANDATING TECHNOLOGY-SPECIFIC OUTCOMES, WILL CONTINUE TO PROVIDE AMERICAN CONSUMERS A VARIETY OF CHOICES IN THEIR NEXT VEHICLE.

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