

# California's Advanced Clean Cars II (ACC II) Regulation

The California Air Resources Board (CARB) issued its [“Advanced Clean Cars II” \(ACCII\)](#) regulations in 2022 to ban the sale of internal combustion engine vehicles by 2035. ACC II requires that 35% of new cars, SUVs, and small trucks sold in California must be zero-emissions vehicles (ZEV) starting in 2026. The regulation increases ZEV sales requirements by 6% to 8% annually through 2035, when 100% of new vehicles sold in California must be ZEV – eliminating the sale of any new vehicles that are gas-powered.

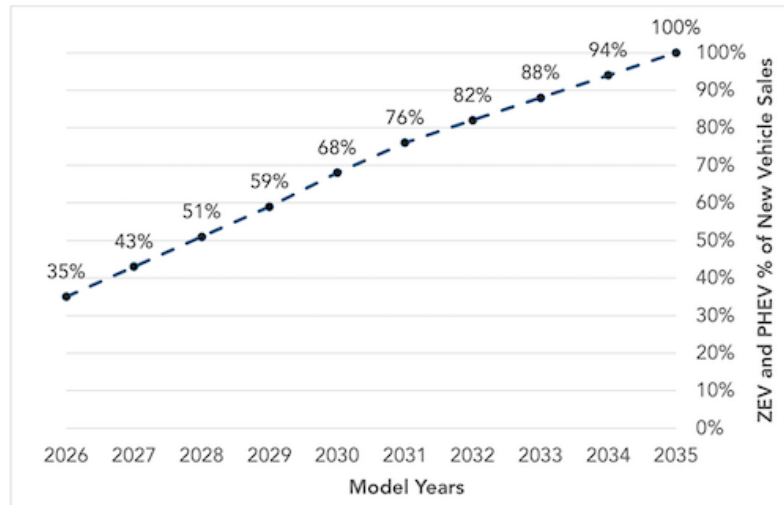
Before ACC II can be implemented, CARB must receive a waiver from the U.S. Environmental Protection Agency (EPA) for the regulations to take effect. The EPA is accepting [comments](#) through February 27, 2024 on whether it should grant a waiver for the ACC II regulations to take effect.

SEMA strongly opposes ACC II and will be submitting a comment to the EPA in opposition to California's waiver request. SEMA President & CEO Mike Spagnola and four SEMA members testified before the EPA in opposition to the regulation on January 10.

SEMA has opposed ACC II through state and federal regulatory and legislative efforts. SEMA continues to advocate for Congress to pass a bill to prohibit the EPA from issuing a waiver to California for ACC II and any other regulations that would ban the sale of new ICE vehicles. The SEMA-supported “Preserving Choice in Vehicle Purchases Act” ([H.R. 1435](#)) is a bill that passed the U.S. House of Representatives in September with bipartisan support. The bill awaits action in the U.S. Senate. Click [here](#) to send a letter to your U.S. Senators telling them to support the “Preserving Choice in Vehicle Purchases Act” ([H.R. 1435/S. 2090](#)).

## ACC II Background

- In 2020, California Governor Gavin Newsom issued an [executive order](#) to phase out the sale of new diesel- or gas-powered cars in the state by 2035.
- In April 2022, CARB released [the Initial Statement of Reasons \(ISOR\)](#) that outlined the requirements of ACC II.
- In July 2022, SEMA submitted [comments opposing the ACC II](#) proposal.
- The Advanced Clean Cars II (ACC II) regulation builds on California's 2012 Advanced Clean Cars (ACC) rule. ACC II decreases emissions by increasing electric vehicle (EV) sales via two programs:
  - The **Zero-Emission Vehicle (ZEV) program** stipulates that ZEVs, defined as battery-electric vehicles (BEVs) or fuel-cell-electric vehicles (FCEVs), must make up an increasing portion of annual vehicle sales. The program has two requirements that apply to the sales of passenger cars and light-duty trucks:
    - 35% of new cars, SUVs, and small trucks sold will be ZEV starting in 2026,
    - The annual ZEV requirements increase to 68% of all sales by 2030, and 100% of vehicles sold in California must be ZEV by 2035. The chart below shows the ZEV percentage requirements annually from 2026 through 2035.



Credit: California Air Resources Board

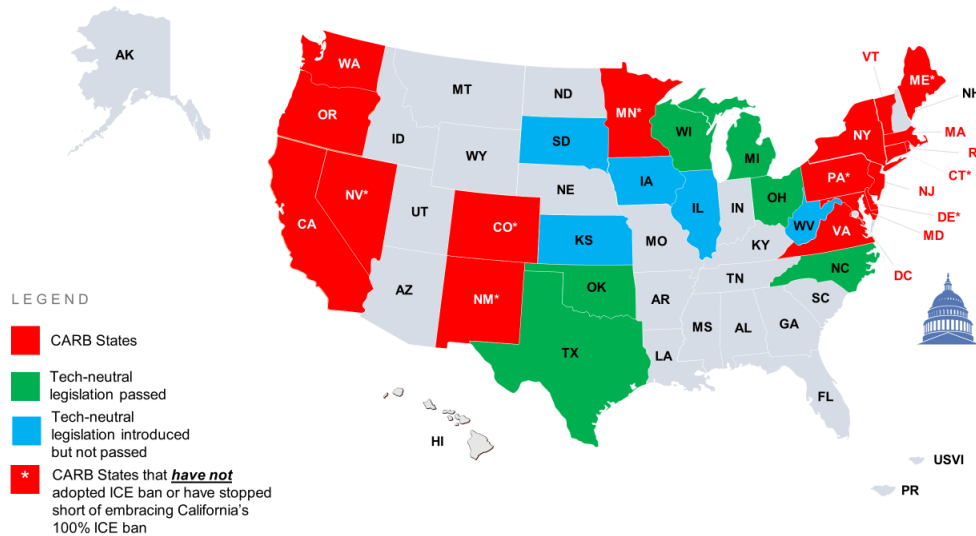
- The **Low-Emission Vehicle (LEV) program** regulates vehicle emissions by strengthening pollutant emissions standards and modifying the emissions test procedures required for compliance. Its requirements apply to light- and medium-duty vehicles:
  - OEMs must certify that their vehicles' tailpipe emissions meet emission standards. ACC II provides more stringent emissions standards, lowering the maximum level of criteria pollutants for non-methane organic gas and oxides of nitrogen, carbon monoxide, formaldehyde, and particulate matter starting with model year 2025.
- All Original Equipment Manufacturers (OEMs) that sell more than 4,500 light- and medium-duty vehicles per year must comply with ACC II.
- Low-volume OEMs that produce less than 4,500 vehicles per year are exempt until 2035, when the state's 100% ZEV mandate comes into effect.

### California Emissions Laws Background

- Because California's emissions standards predated federal regulation of emissions, Section 177 of the Clean Air Act (CAA) allows California to seek a waiver of the federal law's preemption, which prohibits states from enacting emission standards for new motor vehicles. California is able to seek EPA's approval to set vehicle emissions standards that are more stringent than federal standards.
- EPA must grant a waiver before California's rules may be enforced. When California files a waiver request, EPA publishes a notice for public hearing and written comment in the Federal Register. The written comment period for ACC II is open until February 27, 2024. The EPA will then review the comments and determine whether the requirements for obtaining a waiver have been met.
- It is critically important that the EPA does not permit the ACC II regulations to take effect, as it could lead to 17 other states and the District of Columbia, which have followed all or part of California's previous clean-car rules, adopting similar proposals.
  - To date, nine states and the District of Columbia have already adopted ACC II;

- Three states have adopted ACC II through 2032, which requires 87% of new motor vehicle sales to be ZEV; and
- Two states have started the regulatory process to adopt ACC II.
- The graphic below denotes states that have adopted California’s motor vehicle emission standards (red).

## State of the States: Vehicle Technology Choice



### Why SEMA opposes ACC II

- The ACC II regulation leaves automakers with almost no choice but to produce EVs to meet the rapidly increasing annual ZEV sales requirements.
- While the automobile’s roots are tied to the internal combustion engine, SEMA prides itself on maintaining a forward-looking vision that embraces new technology, including EVs and other zero-emissions vehicles. The specialty automotive aftermarket has led the way with alternative fuel innovations, from replacing older engine technologies with newer, cleaner versions to converting older ICE vehicles to electric, hydrogen, and other alternative fuels.
  - Cummins recently debuted a 15-liter fuel-agnostic engine platform, capable of running on hydrogen, natural gas, or diesel. Walmart + Cummins + Chevron, to debut this engine running on Renewable Natural Gas (RNG).<sup>1</sup>
  - ClearFlame Engine Technologies develops conversion kits for diesel engines to run on alternative fuels such as ethanol, reducing emissions by 42%.<sup>2</sup>
  - Loop Energy is offering hydrogen fuel cell crate engines.<sup>3</sup>
  - Alliance AutoGas offers propane conversion kits.<sup>4</sup>

<sup>1</sup> [Cummins Fuel-Agnostic Engine Platform capability comes to Con-Expo | Cummins Inc.](#)

<sup>2</sup> [Our Total Cost of Ownership \(TCO\) Analysis | ClearFlame](#)

<sup>3</sup> [Hydrogen cost-parity with diesel cut by up to eight years with new Loop Energy fuel cell - Loop Energy](#)

<sup>4</sup> [Key Facts About Propane Autogas - Alliance AutoGas](#)

- SEMA opposes ACC II because it does not adequately consider the full life cycle of emissions of vehicles and fuels to ensure the light-duty transportation sector achieves greenhouse gas (GHG) emissions reductions.
  - Argonne National Laboratory’s Greenhouse Gases, Regulated Emissions and Energy Use in Technologies (GREET) model found that manufacturing an EV generates more carbon than producing an ICE vehicle, mainly due to the extraction and processing of minerals in EV batteries and production of the power cells.
  - Reuter’s analysis of the Argonne Model found that a Tesla Model 3 that is charged using coal-fired power would need to be operated 78,700 miles to reach “carbon parity” with a gasoline-fueled Toyota Corolla.<sup>5</sup>
- ACC II fails to calculate the emissions impact on the raw materials needed to make batteries for BEVs or the power plant generating the electricity, or its future recyclability:
  - The amount of raw materials in one BEV could instead be used to make six plug-in hybrid electric vehicles or 90 hybrid electric vehicles; and
  - The proposed rule aims to reduce GHG emissions, but it does not consider that those 90 hybrid vehicles reduce carbon 37 times as much as a single-battery electric vehicle over the lifetime of the vehicles.<sup>6</sup>
- This regulation flies in the face of consumers having the freedom to purchase the vehicles that best suit their personal needs and the needs of their families.
  - The average cost of a battery-electric vehicle (BEV) is over \$53,000, while the average cost of a non-BEV is \$48,000, which puts an undue financial burden on American consumers.<sup>7</sup>
  - Many U.S. consumers do not want to purchase an EV. A March 2023 JD Power survey showed that while 26.9% percent of the population is very likely to consider an EV for their next vehicle, 21% of those surveyed said they were very unlikely to consider an EV. Top concerns over purchasing include lack of charging availability and purchase price and limited driving distance per charge.<sup>8</sup>
  - Pew Center Research found that about 6 out of 10 (59%) American’s oppose phasing out the production of new gas-powered vehicles by 2035.<sup>9</sup>
  - It hurts consumers in rural markets with limited EV infrastructure and consumers who drive long distances for work and other daily necessities, making EV charging stations less accessible.
  - To make BEV charging convenient, 28 million American homeowners must install their own chargers at an average cost of \$1,300.<sup>10</sup>
  - Urban consumers will also be heavily disadvantaged in an EV-centric market with limited access to charging stations for those who park on streets or parking garages that can’t fully equip themselves with necessary charging stations.
- Marketplace realities show that ACC II is out of step with marketplace realities:

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<sup>5</sup> [Reuters: When do electric vehicles become cleaner than gasoline cars?](#)

<sup>6</sup> [Here's Why Toyota Isn't Rushing to Sell You an Electric Vehicle \(jalopnik.com\)](#)

<sup>7</sup> [When Will Car Prices Drop? \(Kelley Blue Book\) Dec. 15, 2023](#)

<sup>8</sup> [EV Divide Grows in U.S. as More New-Vehicle Shoppers Dig in Their Heels on Internal Combustion](#)

<sup>9</sup> [Pew Center Research: How Americans view electric vehicles \(Jul. 2023\)](#)

<sup>10</sup> [What Does an EV Home Charger Cost? \(jdpower.com\)](#)

- Two of the Big three automakers announced they are slowing down EV production and investments citing slower consumer demand in the fall of 2023.<sup>11</sup>
- Nearly 4,000 auto dealerships sent a letter to the Biden Administration stating the EV mandate is unrealistic given the waning EV demand.<sup>12</sup>
- Specialty aftermarket businesses need the government to embrace forward-looking policies that use innovation rather than draconian mandates to reduce vehicle emissions. Government should embrace technology-neutral solutions that factor in the existing infrastructure, consumer preferences, and the lifecycle emissions of a vehicle rather than just what comes out of the tailpipe.
- The decision before the EPA will have a real impact on consumer choice and the American people's ability to purchase an affordable vehicle of their choice for decades to come.

### **ACC II Impact on Small Business**

- 95% percent of SEMA's business members are small businesses.
- The specialty automotive aftermarket employs over 1.3 million Americans and contributes \$337 billion annually to the U.S. economy.
- 25% of the manufacturer brands in SEMA Data make ICE-related components, consisting of parts for air & fuel, ignition, emission control, and engine and exhaust.
- 33% of consumer spending on performance and accessory products goes toward upgrading ICE engines and drivetrains. ACC II, if implemented, would adversely impact a segment of the industry that contributes \$112 billion annually to the U.S. economy.
- CARB's far too-fast mandate will create a seismic shift in the automotive industry that will hurt small businesses that can't make the shift this quickly.
- Small businesses will be most vulnerable to the disruptions caused by a seismic shift to battery-electric vehicles. They employ American workers with technical skills and create the often politically celebrated blue-collar jobs.
- The specialty automotive aftermarket has led technology innovation, making vehicles more fuel efficient, safer, and more appealing to consumers.
- Large automakers are losing billions a year in their electric-vehicle programs despite the massive financial infusion of taxpayer dollars they receive from the government and subsidies to purchase EVs.
- If the large manufacturers are struggling, how are small businesses expected to survive?

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<sup>11</sup> [EV transition cools as demand slows and automakers trim production \(Washington Post\)](#)

<sup>12</sup> [Nearly 4,000 Auto Dealers Sign Letter to Urge President Biden to Tap Brakes on EV Mandate](#)