BILLING CODE 6560-50-P

ENVIRONMENTAL PROTECTION AGENCY

[EPA-HQ-OAR-2019-0210; FRL 10010-87-OAR]

Determinations of Light-duty Vehicle Alternative Greenhouse Gas Emissions Standards for Small Volume Manufacturers

AGENCY: Environmental Protection Agency (EPA).

ACTION: Notice.

SUMMARY: The Environmental Protection Agency (EPA) is finalizing determinations of light-duty vehicle greenhouse gas emissions alternative standards for four small volume manufacturers: Aston Martin, Ferrari, Lotus and McLaren. The alternative standards in these determinations cover model years 2017-2021 and are established pursuant to small volume manufacturer provisions in EPA's light-duty vehicle greenhouse gas regulations.

ADDRESSES: The EPA has established a docket for this action under Docket ID No. EPA-HQ-OAR-2019-0210. All documents in the docket are listed on the https://www.regulations.gov web site. Although listed in the index, some information is not publicly available, e.g., CBI or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available electronically through https://www.regulations.gov.

FOR FURTHER INFORMATION CONTACT: Christopher Lieske, Office of Transportation and Air Quality, Assessment and Standards Division, U.S. Environmental Protection Agency, 2000 Traverwood Drive, Ann Arbor, MI 48105. Telephone: (734) 214–4584. Fax: (734) 214–4816. Email address: lieske.christopher@epa.gov.

SUPPLEMENTARY INFORMATION:

I. General Information

A. *How Can I Get Copies of This Document and Other Related Information?*

EPA has established a docket for this action under Docket ID No. EPA-HQ-OAR-2019-0210. Publicly available docket materials are available either electronically through www.regulations.gov. Out of an abundance of caution for members of the public and our staff, the EPA Docket Center and Reading Room was closed to public visitors on March 31, 2020, to reduce the risk of transmitting COVID-19. Our Docket Center staff will continue to provide remote customer service via email, phone, and webform. For further information on EPA Docket Center services and the current status, please visit us online at https://www.epa.gov/dockets.

B. Electronic Access

You may access this Federal Register document electronically from the Government Printing Office under the "Federal Register" listings at FDSys. (http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR).

II. Background

The EPA's light-duty vehicle greenhouse gas (GHG) program for model years (MYs) 2012-2016 provided a conditional exemption for small volume manufacturers (SVMs) with annual U.S. sales of less than 5,000 vehicles due to unique feasibility issues faced by these SVMs.[1] The exemption was conditioned on the manufacturer making a good faith effort to obtain credits from larger volume manufacturers. For the MY 2017-2025 light-duty vehicle GHG program, EPA proposed, took public comment on, and in 2012 finalized specific regulations allowing SVMs to

[1] 75 FR 25419-25421, May 7, 2010.

petition EPA for alternative standards, again recognizing that the primary program standards may not be feasible for SVMs and could drive these manufacturers from the U.S. market.[2] EPA acknowledged in the 2012 final rule that SVMs may face a greater challenge in meeting CO_2 standards compared to large manufacturers because they only produce a few vehicle models, mostly focused on high performance sports cars and luxury vehicles. SVMs have limited product lines across which to average emissions, and the few vehicles they produce often have very high CO_2 levels on a per vehicle basis. EPA also noted that the total U.S. annual vehicle sales of SVMs are much less than 1 percent of total sales of all manufacturers and contribute minimally to total vehicular GHG emissions, and foregone GHG reductions from SVMs likewise are a small percentage of total industry-wide reductions. EPA received only supportive public comments on allowing alternative standards for SVMs, including from SVMs, their trade associations, and dealers.[3] EPA adopted a regulatory pathway for SVMs to apply for alternative GHG emissions standards for MYs 2017 and later, based on information provided by each SVM on factors such as technical feasibility, cost, and lead time. [4]

The regulations established in the 2012 rule outline eligibility criteria and a framework for establishing SVM alternative standards. Manufacturer average annual U.S. sales must remain below 5,000 vehicles to be eligible for SVM alternative standards.[5] The regulations specify the requirements for supporting technical data and information that a manufacturer must submit to EPA as part of its application.[6] The regulations specify that an SVM applying for an alternative standard provide the following technical information:

[2] 77 FR 62789-62795, October 15, 2012.
[3] Docket No. EPA–HQ–OAR–2010–0799
[4] 40 CFR 86.1818-12(g).
[5] 40 CFR 86.1818-12(g)(1).
[6] 40 CFR 86.1818-12(g)(4).

- The CO_2 reduction technologies employed by the manufacturer on each vehicle model, or projected to be employed, including information regarding the cost and CO_2-reducing effectiveness. Include technologies that improve air conditioning efficiency and reduce air conditioning system leakage, and any ‘‘off-cycle’’ technologies that potentially provide benefits outside the operation represented by the Federal Test Procedure (FTP) and the Highway Fuel Economy Test (HFET).
- An evaluation of comparable models from other manufacturers, including CO_2 results and air conditioning credits generated by the models.
- A discussion of the CO_2-reducing technologies employed on vehicles offered outside of the U.S. market but not available in the U.S., including a discussion as to why those vehicles and/or technologies are not being used to achieve CO_2 reductions for vehicles in the U.S. market.
- An evaluation, at a minimum, of the technologies projected by the EPA in a final rulemaking as those technologies likely to be used to meet greenhouse gas emission standards and the extent to which those technologies are employed or projected to be employed by the manufacturer.
- The most stringent CO_2 level estimated to be feasible for each model, in each model year, and the technological basis for this estimate.
- For each model year, a projection of the lowest feasible sales-weighted fleet average CO_2 value, separately for passenger automobiles and light trucks, and an explanation demonstrating that these projections are reasonable.

- A copy of any application, data, and related information submitted to the National Highway Traffic Safety Administration (NHTSA) in support of a request for alternative Corporate Average Fuel Economy standards filed under 49 CFR part 525.

SVMs may apply for alternative standards for up to five model years at a time. The GHG standards that EPA establishes for MY 2017 may optionally be met by the manufacturers in MYs 2015-2016.[7] SVMs may use the averaging, banking, and trading provisions to meet the alternative standards, but may not trade credits to another manufacturer.[8] The process for approving an SVM application includes a public comment period of 30 days after which EPA will issue a final determination establishing alternative standards for the manufacturer, as appropriate.[9]

SVMs applied for alternative standards due to continued concern regarding their abilities to meet the primary program GHG standards. Given that the current production MY for manufacturers is 2020, with MY 2021 starting soon, these alternative standards will provide immediate relief for SVMs as authorized under the regulation. The GHG program also allows for a 3-year carry-back provision, which is within the timeframe of this notice and the MYs under consideration.

The Energy Policy and Conservation Act (EPCA), governing the establishment of Corporate Average Fuel Economy (CAFE) standards, contains separate small volume manufacturer alternative standards provisions that are administered by the National Highway Traffic Safety Administration (NHTSA) independent of EPA's SVM alternative standards provisions.[10] Under

[7] See 40 CFR 86.1818-12(g). Manufacturers may opt to comply with their MY 2017 standard in MYs 2015 and 2016 retroactively in lieu of the Temporary Leadtime Alternative Allowance Standards used in these model years.
[8] 40 CFR 86.1818-12(g)(6).
[9] 40 CFR 86.1818-12(g)(5).
[10] 49 U.S.C. 32902(d). Implementing regulations may be found in 49 CFR part 525. EISA limits eligibility to manufacturers with worldwide production of fewer than 10,000 passenger cars.

EPCA's CAFE provisions, SVMs meeting the CAFE eligibility criteria may petition NHTSA for less stringent alternative CAFE standards. Manufacturers generally are also able to pay fines in lieu of meeting the CAFE standards, which is not an option in EPA's GHG program under the Clean Air Act. While eligible SVMs may apply for alternative standards under the CAFE program, and some of the SVMs covered by this decision document have applied for alternative CAFE standards, as of May 4, 2020, none of those SVMs have been granted alternative CAFE standards for MYs 2017-2021.[11]

III. Manufacturer Requested GHG Standards

The EPA received applications for SVM alternative standards from four manufacturers: Aston Martin, Ferrari, Lotus and McLaren.[12] Each manufacturer provided an application to EPA that contained confidential business information (CBI). Each manufacturer also provided a public version of its application with the CBI removed, which EPA placed in the public docket established for this proceeding. As part of their applications, the SVMs requested specific alternative GHG standards for five model years starting with MY 2017 based on their unique projected product mix. Table 1 below provides the standards requested by the manufacturers.

Table 1: Manufacturer Requested GHG Standards (g/mile)

Manufacturer	MY 2017*	MY 2018	MY 2019	MY 2020	MY 2021
Aston Martin	431	396	380	374	376

[11] See https://one.nhtsa.gov/cafe_pic/CAFE_PIC_Mfr_LIVE.html

[12] Ferrari was previously owned by Fiat Chrysler Automobiles (FCA) and petitioned EPA for operationally independent status under 40 CFR 86.1838-01(d). In a separate decision EPA granted this status to Ferrari starting with the 2012 model year, allowing Ferrari to be treated as an SVM under EPA's GHG program. Ferrari has since become an independent company and is no longer owned by FCA.

Ferrari	421	408	395	386	377
Lotus	361	361	344	341	308
McLaren	372	372	368	360	334

* Manufacturers may optionally meet MY 2017 standards in MYs 2015-2016 (40 CFR 86.1818-12(g).

In November 2017, subsequent to submitting a request for SVM alternative standards, Lotus was acquired by Zhejiang Geely Holding Group (Geely) which also owns Volvo Car Company. Under the SVM regulations regarding eligibility,[13] Lotus remains eligible for alternative standards for MY 2017. However, it is possible that Lotus will no longer be eligible for SVM standards starting in MY 2018 as Lotus may exceed the 5,000 vehicles eligibility threshold under the aggregation provisions of the regulations, based upon sales volume figures and other information provided by the manufacturer. While EPA is establishing alternative standards for Lotus through MY 2021, in order to use the alternative standards for MYs 2018-2021 Lotus would need to either demonstrate that they remain eligible for SVM alternative standards under the aggregation provisions or apply and be granted operational independence status.[14] EPA is not including any determination of SVM eligibility for Lotus for MY 2018 and beyond in this SVM alternative standards determination notice.

The regulations require SVMs to submit information, including cost information, to EPA as part of their applications, as detailed above. Each SVM provided its technical basis for the requested standards including a discussion of technologies that could and could not be feasibly applied to their vehicles in the time frame of the standards. As noted above, the non-CBI

[13] 40 CFR 86.1818-12(g)(1)(i).
[14] 40 CFR 86.1838-01(d).

information provided by the SVMs is included in the docket for this proceeding. However, much of the data and information provided by the manufacturers regarding future vehicles and technology projections is claimed as CBI and not included in the public versions of the applications.[15]

IV. EPA Determinations of SVM Alternative Standards

On July 31, 2019, EPA issued proposed determinations of SVM alternative standards, including background information and EPA's assessment of the proposed standards, and requested public comment.[16] As discussed below, EPA is finalizing the SVM alternative standard determinations as proposed. EPA received only supportive comments concerning the proposed alternative standards and no commenter suggested any adjustment to the proposed standard levels. EPA has also placed a Response to Comments document in the docket for this proceeding.[17]

For the first four model years of the program, MYs 2017-2020, EPA proposed and is adopting the alternative standards requested by the SVMs. These model years are completed or underway and therefore lead-time is a primary consideration. Based on the lack of lead-time available for these model years and EPA's review of the manufacturers' submissions and assessment of the capability of each product and its associated technology adoption, EPA believes this approach is appropriate for MYs 2017-2020.

For MY 2021, EPA considered the levels requested by the manufacturers and compared them to levels each SVM would achieve under an approach where the manufacturers achieved year-

[15] For more information about how EPA addresses claims of Confidential Business Information, see 40 CFR part 2, subpart B.
[16] 84 FR 37277.
[17] "Determinations of Light-duty Vehicle Alternative Greenhouse Gas Emissions Standards for Small Volume Manufacturers: Response to Comments," EPA-420-R-20-009, June 2020.

over-year reductions from their MY 2017 baseline through MY 2021, analogous to the overall declining fleetwide standards in the primary program. The primary program standards for passenger cars are equivalent to approximately five percent year-over-year improvements. Although the regulations do not mandate a specific year-over-year percent reduction for SVMs, EPA considered an approach based on a minimum level of steady improvement of three percent year-over-year emissions reduction from each SVM's baseline CO_2 levels. This pace of change is not as aggressive as the annual improvement in the passenger car standards in the primary program for these model years, but EPA believes it represents a reasonable minimum pace of meaningful improvements for SVMs under the SVM alternative standards regulatory provisions, given the SVMs' limited product lines and limited ability to average among high and low emitting vehicle models. Historically, EPA has set standards designed to reduce emissions while providing vehicle manufacturers compliance flexibility through averaging. Table 2 below provides the projected CO_2 levels for each manufacturer based on three percent annual improvements, using MY 2017 as the baseline or starting model year.

Table 2: Three Percent Annual Improvement from MY 2017 Baseline (g/mile)

Model year	Aston Martin	Ferrari	Lotus	McLaren
2017 Baseline	431	421	361	372
2018	418	408	350	361
2019	406	396	340	350
2020	393	384	329	340
2021	382	373	320	329

Table 3 below compares the levels projected for MY 2021 under the three percent per year reductions with the levels requested by the manufacturers. For Aston Martin and Lotus, their requested standards for MY 2021 are more stringent than the levels represented by the three percent year-over-year reductions, as shown in Table 3. EPA believes that the requested MY 2021 standards for Aston Martin and Lotus are appropriate, and, as proposed, is finalizing the requested alternative standards with no adjustment.

For Ferrari and McLaren, EPA proposed and is finalizing MY 2021 standards reflecting the 3 percent year-over-year reductions shown in Table 3 below. This approach requires Ferrari and McLaren to achieve a MY 2021 standard that is minimally more stringent than that requested by the manufacturers. The differences are small, 5 g/mile or less, and based on EPA's review of the information provided by the manufacturers, EPA believes this additional emissions reduction can be achieved through the use of credits, including air conditioning and off-cycle credits, and the use of program flexibilities including credit carry-forward and credit carry-back within the lead-time available. As discussed above and in the proposal, EPA believes that MY 2021 standards based on 3 percent year-over-year reductions represent reasonable progress over time for SVMs and a reasonable balance between the program goal of GHG reductions and the degree of challenge the standards pose to SVMs, based on EPA's assessment of the information, including cost information, provided to the agency.

Table 3: Comparison of Three Percent per Year Reductions with SVM's Projections for MY 2021 (g/mile)

Model year	Aston Martin Requested Standards	Aston Martin 3% per year	Ferrari Requested Standards	Ferrari 3% per year reduction	Lotus Requested Standards	Lotus 3% per year reduction	McLaren Requested Standards	McLaren 3% per year reduction

		reduction						
2021	376*	382	377	373*	308*	320	334	329*

* Indicates final standard.

As discussed in the notice of proposed determinations, EPA recognizes that the three percent annual improvement approach for SVM alternative standards for MY 2021 described above differs from the approach for the primary program for MY 2021 in the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks rulemaking.[18] However, the SVM alternative standards for MY 2021 remain significantly less stringent than the primary program standards as revised by the SAFE Vehicles rulemaking and represent significant relief for the SVMs.

V. Summary of Final Alternative SVM Standards

A summary of the case-by-case alternative SVM standards and associated per-manufacturer GHG reductions is provided in Table 4 of this document. As discussed above, the MY 2017-2020 standards for all four SVMs are the manufacturers' requested alternative standards due to lead time concerns. For Aston Martin and Lotus, the MY 2021 standards also are their requested standards. For Lotus, the MY 2018-2021 standards are conditional based on its ability to either demonstrate that it remains eligible for SVM alternative standards under the program's aggregation provisions or apply and be granted operational independence status, as discussed in Section III above. For Ferrari and McLaren, the MY 2021 standards are based on three percent year-over-year reductions from their respective MY 2017 baselines.

[18] Proposed rulemaking, 83 FR 42986 (August 24, 2018); Final rule, 85 FR 24174 (April 30, 2020).

Table 4: Summary of Standards and Per-Manufacturer GHG Reductions (g/mile)

	Aston Martin	Ferrari	Lotus	McLaren
MY 2017	431	421	361	372
MY 2018	396	408	361	372
MY 2019	380	395	344	368
MY 2020	374	386	341	360
MY 2021	376	373	308	329
g/mile Reduction	55	48	53	43
% Reduction (MY2017 to MY2021)	12.8%	11.4%	14.7%	11.6%

Andrew Wheeler,

Administrator.

[FR Doc. 2020-14099 Filed: 6/30/2020 8:45 am; Publication Date: 7/1/2020]