



Stop California's ZEV Mandate/Sales Ban on Gas-Powered Vehicles Which Will Harm all Vehicle Consumers

ISSUE

In December, the Biden administration granted a waiver for California's Advanced Clean Cars II (ACC II) program which requires new vehicle sales to be 35% Zero Emissions Vehicles (ZEVs) for model year (MY) 2026 and *increases to 100%* in MY2035. No legacy automaker, in California or any of the eleven states (known as Sec. 177 states) that have adopted California's ZEV mandate, is on track to outright meet this mandate for MY2026 or 2027.

California's ZEV mandate will soon start distorting the vehicle market in all states. To comply with the mandate, automakers will need to either sell more ZEVs or sell fewer gas-powered vehicles in these states. The economic distortion caused by the rationing of gas-powered vehicles will limit consumer choice and increase vehicle prices throughout the country. **Congress should pass a Congressional Review Act joint resolution to revoke EPA's waiver for California's ZEV mandate, and work towards a single, national fuel economy standard that is achievable, affordable, and maintains consumer vehicle choice.**

BACKGROUND

To comply with California's rule, automakers will have to sell increasingly fewer internal combustion engine (ICE) and hybrid vehicles in the Sec. 177 states (CA, CO, DE, MA, MD, NJ, NM, NY, OR, RI, VT, WA). Starting with MY26, which begins this fall, roughly one of every three new vehicles a dealership sells must be a ZEV. This mandate increases by approximately 8% each model year. Each automaker must individually meet this sales percentage; the requirement is not based on the state's entire fleet, and only all-electric automakers will be able to meet this mandate. For context, national EV sales were 8.1% of sales in 2024. Even conventional hybrids ("hybrids"), despite their lower emissions, would be banned under this rule.

Proponents of this mandate claim that automakers can simply "buy credits" from EV manufacturers to comply. However, buying credits is not a viable path to compliance, as the ZEV mandate increases from 35% in MY26 to 43% in MY27 to 100% in MY35, leaving an ever-shrinking number of credits EV manufacturers can sell. With slowing EV sales, the lack of availability of credits will grow in the later years of the rule. The alternative to buying credits is paying substantial penalties or sharply decreasing the allocation of gas-powered vehicles to the Sec. 177 states which have adopted California's regulation.

While dealers are ready to sell and service EVs, many Americans cannot afford or conveniently charge an EV. The average transaction price for EVs is \$55,614 vs. \$48,641 for the average new ICE vehicle. This price difference, coupled with inadequate charging infrastructure (to meet demand nationwide, an estimated 1.2 million public chargers and 20 million private chargers are needed by 2030) and long charging times (most public chargers take 8-30 hours to charge) have created market impediments which make compliance with this rule impossible.

KEY POINTS

- **California's ban on gas-powered vehicles will limit consumer choice and result in higher vehicle prices for all Americans, not just those in the affected states.** *Affordable gas-powered models* are expected to be the first to be discontinued in the ZEV mandate states. With fewer options, prices will rise on gas-powered cars, new and used, throughout the country.
- **NADA supports a single, national fuel economy standard.** The decision to ban gas-powered and hybrid vehicles is a significant national issue that should be decided by Congress, not unelected state officials in California. Also, revoking California's waiver for the ACC II rule would not hamper states from regulating criteria air pollutants.
- **California lacks the authority to ban gas powered vehicles.** The Energy Policy and Conservation Act (Sec. 32919(a)) explicitly preempts state laws, including California's, "related to fuel economy." California's rule to completely ban all ICE vehicles is "related to" fuel economy.

STATUS

Members of Congress should pass legislation that would disapprove EPA's waiver for California's ACC II rule and stop the banning of gas-powered and hybrid vehicles.

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