

# Fuel Economy and Emissions Standards Enhance Auto Industry's Financial Prospects

An independent automotive analysis, prepared by Baum & Associates and commissioned by Ceres, finds that as disruption from new technologies, business models and global trends threaten financial prospects for legacy automakers, national fuel economy and emissions standards can advance the viability and international competitiveness of our domestic automakers and suppliers.

## AUTOMAKER FINANCIAL STRESS CAUSED BY TWO MAIN FACTORS

Automakers are experiencing low stock valuations and cutting jobs, expenses or both. This is due to:

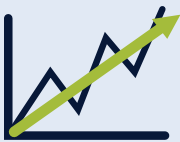
### MODESTLY DECLINING DEMAND

Overall demand for passenger cars and trucks is declining modestly. That's because of the pent-up demand from the 2007-2009 Great Recession, which resulted in record 2015 and 2016 sales, and has been largely satisfied. Even so, current auto sales and profits remain strong.

### MARKET DISRUPTION

New innovations and business models, from Tesla and Uber as well as Google and Apple, are disrupting the mobility market. Given the importance of operating costs and the synergies between autonomous vehicles and electrification, leadership in fuel efficiency and electric vehicle technology are key to success in this new world.

## HOW DO FUEL ECONOMY STANDARDS HELP AUTOMAKERS?



### CREATING MARKET CERTAINTY

Fuel economy standards provide automakers and suppliers the regulatory certainty necessary to stimulate investment in advanced technologies, such as fuel efficient and electric vehicles, that are necessary for automakers' long-term financial health.



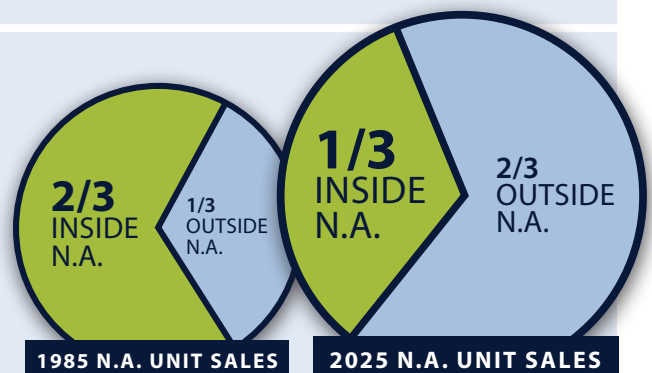
### REDUCING RISK

Fuel economy standards act as an insurance policy, providing an incentive for automakers (particularly the domestics) to produce a more advanced fleet of vehicles throughout the 2020s that can reduce their risk of lost market share and profits in the event that fuel prices rise sharply.



### IMPROVING GLOBAL COMPETITIVENESS

In 1985, more than two-thirds of Detroit Three unit sales were in North America. By 2025, we project that only one-third will be sold in North America, while two-thirds of sales will be overseas. And in those markets, governments require — and consumers demand — more fuel efficient and cleaner vehicles.



## HOW DO FUEL ECONOMY STANDARDS HELP THE AUTO INDUSTRY?



### STIMULATING INVESTMENT

Several dozen global Tier One suppliers (encompassing hundreds of facilities across the country) are reacting to automakers' decisions to increase fuel economy by pouring resources into R&D, adding production capacity, and issuing purchase orders to hundreds of their suppliers. Increased demand for suppliers will lead to higher volumes and resulting cost savings that will improve the financial performance of both automakers and their suppliers.

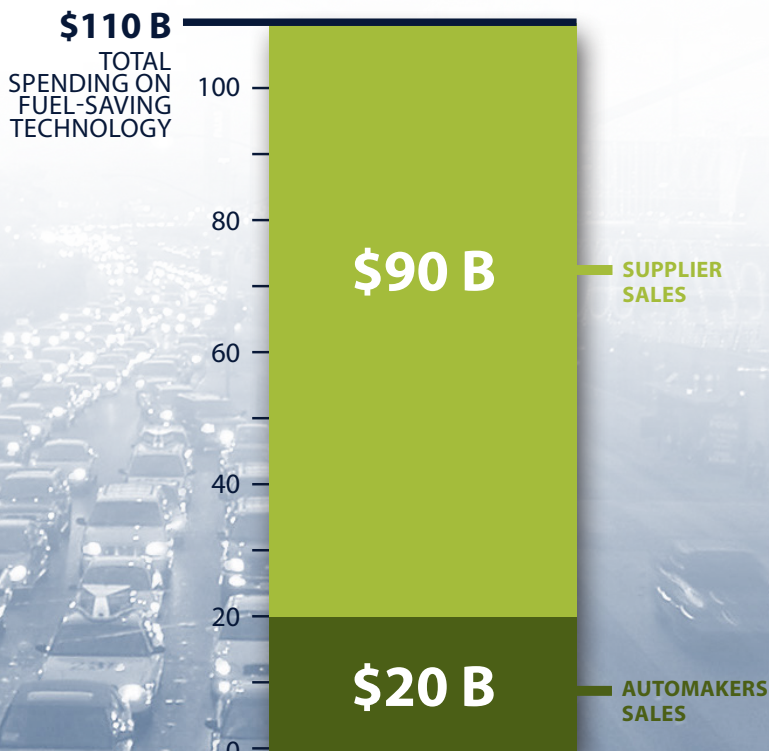


### PROTECTING INDUSTRY JOBS

Automotive suppliers have made the bulk of investments in research, development and production of fuel-saving technologies. Regulatory certainty that drives and protects these investments is extremely important for suppliers, which employ two and a half times more Americans than auto manufacturers.

### SUPPLIER SALES ARE AT SIGNIFICANT RISK UNDER WEAKER STANDARDS

Over the 12-year period between 2014-25, with the 2025 National Program standards left in place, automakers (not just the Detroit Three) will spend well over \$110 billion in fuel-saving technology, about \$90 billion of which will be provided by suppliers.



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Access more information about this analysis here:

<https://www.ceres.org/resources/reports/whats-driving-us-auto-industrys-financial-performance>



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