

# Regulatory Brief

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TM&C provides technical, commercial and strategic consulting services to clients globally in the crude oil, midstream, refining, refined products, and biofuels industries.



## Regulatory Showdown: The Future of California's Clean Air Act Waivers and U.S. Vehicle Emissions Policy

The Trump administration has taken a significant step to limit California's influence over national automotive regulations by sending the Clean Air Act waivers—specifically, the Advanced Clean Cars II and Advanced Clean Truck programs—to Congress for review. On February 15, 2025, the Environmental Protection Agency (EPA), under Administrator Lee Zeldin's leadership, referred these waivers for potential repeal. These waivers had previously allowed California to enforce stricter regulations on vehicle greenhouse gas emissions, including an electric vehicle (EV) mandate, which could have reshaped the entire automotive industry.

California has long exercised its authority under the Clean Air Act to set its own vehicle emissions standards. In recent years, the state has expanded its regulatory reach by banning new internal combustion engine vehicles by 2035 and imposing zero-emission vehicle quotas for automakers—policies that could push the nation toward an all-electric market by 2050. As of June 2024, 17 states and the District of Columbia have adopted California's vehicle emissions standards under Section 177 of the Clean Air Act, collectively accounting for more than 40% of new light-duty vehicle sales in the United States. This widespread adoption has effectively made California's policies a dominant force in shaping automakers' production strategies.

Now, under the Congressional Review Act (CRA), lawmakers have the opportunity to nullify the EPA's approval of California's waivers through a simple majority vote. If successful, this action would not only revoke California's ability to enforce these specific emissions mandates but also set a precedent preventing future administrations from reinstating similar waivers without congressional approval. The CRA provides Congress with a streamlined process to overturn recent federal regulations, and its use in this case could mark a shift in federal oversight of state-led environmental policies.

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## The Future of California's Clean Air Act Waivers and U.S. Vehicle Emissions Policy (cont.)

The debate surrounding this issue will focus on the balance between state and federal regulatory authority, the feasibility of California's aggressive emissions targets, and the broader implications for the automotive industry, economic growth, energy security, and consumer choice. Supporters of repeal argue that a uniform, federally managed approach to emissions regulation is necessary to prevent market fragmentation and reduce regulatory burdens on manufacturers and consumers. They contend that California's unilateral actions have effectively dictated national policy, forcing automakers into costly compliance measures that may not align with broader energy and economic priorities.

Conversely, proponents of California's regulatory authority argue that states should retain the right to implement environmental policies addressing local pollution concerns and climate change. They believe that revoking the waivers would undermine progress toward cleaner transportation and slow EV innovation.

A repeal under the CRA would signal that federal policymakers intend to curb California's influence over national vehicle standards and reinforce a more centralized approach to emissions policy. It would also limit future administrations' ability to grant similar waivers, ensuring that major shifts in emissions regulations require congressional approval. Given the stakes for the auto industry, consumers, and environmental advocates, the outcome of this decision will shape U.S. vehicle emissions policy for years to come.

The CRA vote could result in several possible outcomes:

- **Repeal of California's Waivers & Federal Precedent Set** – If Congress votes to overturn the waivers, California would lose its ability to enforce stricter emissions mandates, including EV quotas, on automakers. This would set a precedent limiting future administrations' ability to grant similar waivers, shifting regulatory power toward a more centralized federal approach to emissions policy.
- **Waivers Upheld & California's Regulatory Influence Continues** – If the CRA vote fails, California's stricter emissions mandates would remain in effect, reinforcing the state's influence over national vehicle standards. Automakers would continue to adjust production strategies to comply with California-led regulations, potentially accelerating the transition toward electric vehicles across the U.S.
- **Legal & Political Challenges Regardless of Outcome** – Whether the waivers are repealed or upheld, the decision is likely to face legal challenges from states, automakers, and industry groups. A repeal could lead to lawsuits from environmental advocates and state governments arguing for California's regulatory rights, while upholding the waivers

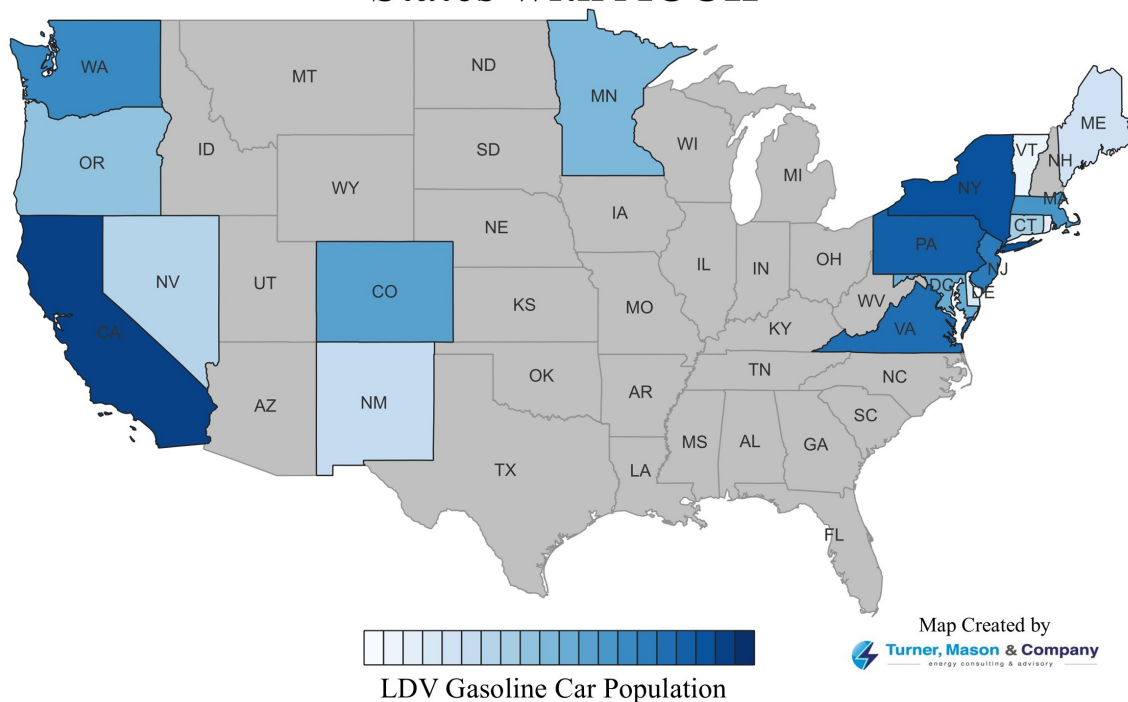
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# The Future of California's Clean Air Act Waivers and U.S. Vehicle Emissions Policy (cont.)

could prompt litigation from industry stakeholders seeking relief from compliance costs and market constraints.

This decision will have far-reaching implications for the future of U.S. automotive regulations, shaping the trajectory of emissions policy, state versus federal authority, and the pace of EV adoption across the country.

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