Changing political strategies: Car manufacturers on the zero emission vehicle mandate

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Issue

Zero Emission Vehicles (ZEVs) like electric and hydrogen fuel cell vehicles are important parts of the solution to our unsustainable transportation system. The ZEV mandate, issued by the California Air Resources Board (CARB), pushes for these new technologies. Literature indicates that car manufacturers have a history of opposing such regulations to protect their core technology investments. Nevertheless, as of 2009, some car manufacturers changed their innovation strategy and started commercializing electric vehicles. We study whether this change in car manufacturers’ innovation strategy is related to a change away from their defensive political strategy, i.e. if they tempered their opposition to the ZEV mandate over the period 2000-2013. This timeframe contains four amendments to the ZEV mandate, in 2001, 2003, 2008 and 2012. We created a database documenting the industry’s political behavior and comprising 5 public hearing transcripts, 83 letters to policy makers, 263 documents from the CARB and EPA website, and 16 interviews. Our paper highlights different corporate political activities, distinguishes between engaging in individual and collective action, and links innovation to political strategies.

Policy Implications

Analysis of our database shows that throughout 2000-2013, individual car manufacturers have become less and less defensive towards the ZEV mandate and more proactive to support their innovation strategies. Yet their industry associations do not display this trend away from defensive political strategies. Because of this tendency, policy makers indicated that they interacted more with individual car manufacturers on the ZEV mandate, in order to try and “break the industry front” of opposition. The diverging innovation strategies and the lobby in support of these different innovation strategies helped break the industry front of opposition. We underline the success of this approach of turning to individual companies in trying to get industry support for regulations and challenge them to comply through different innovations with more stringent regulations, because car manufacturers’ industry associations and lobbying coalitions will provide much stronger opposition. Providing car manufacturers the flexibility to comply with the mandate through different innovations seems an effective way of maintaining competitive pressures that prevent formation of a closed industry front.

Letters to policy makers and interviewees indicated that currently, car manufacturers’ main concern with the ZEV mandate is that other states adopting the mandate have not helped sufficiently to create conditions that support ZEV demand, through policy and investments. Car manufacturers argued that, like California, these states should adopt a ‘carrot and stick’ approach and complement the ZEV mandate with measures such as financial incentives, parking incentives, high-occupancy vehicle lane access and infrastructure investments. Moreover, multi-stakeholder public-private partnerships like the California Plug-In Electric Vehicle Collaborative support information dissemination and stakeholder alignment that is crucial to these systemic innovations. The important role of intermediary organizations is supported in the Technological Innovation Systems literature. Representatives of the ZEV adopting states indicated that as of 2013, they have increasingly employed this ‘carrot and stick’ approach and implemented a number of initiatives. This approach is valuable to policy makers as it both stimulates demand for sustainable innovations and reduces industry opposition to regulations.

Research Findings

Based on our database of 1140 categorized comments, Figure 1 shows a decline in the share of car manufacturers’ comments opposing the ZEV mandate throughout the period 2000-2013. Simultaneously, the share of “proactive” comments, which refer to lobbying for more policy briefs, click here.
for provisions that either supported a small group of manufacturers (i.e. competitive proactive lobbying) or provisions that supported all manufacturers alike (i.e. general proactive lobbying), increased. Car manufacturers also became more supportive of (parts of) the mandate, indicating a trend towards compliance strategies. This suggests that their political strategies towards the mandate became less and less defensive.

The defensive corporate political activities we identified in the early 2000s include commissioning studies and lobbying to attack the mandate; proposing alternative programs to replace the ZEV mandate; having experts testify at public hearings; delaying the regulatory process with multiple requests for data; litigation. To illustrate, car manufacturers commissioned studies that indicated that 1) consumers would not buy an electric vehicle even if it were free, and 2) the ZEV mandate would increase emissions because of the fleet-turnover effect. They also successfully litigated the ZEV mandate, resulting in the 2003 amendments.

Proactive actions include commissioning studies to support lobbying for better credits and new credit categories. BMW for example convinced CARB staff to establish a new credit category to better accommodate their i3 EV. Our results indicate that while some companies lobby for provisions to support their technology investments, others may oppose these provisions to prevent their competitors from gaining competitive advantage.

Compliance actions include the introduction of different types of ZEVs. For example, especially Ford and DaimlerChrysler sold thousands of low speed Neighborhood Electric Vehicles, of which GM handed out thousands practically for free. This compliance strategy enabled them to attain numerous high credits and cheaply comply with the ZEV mandate.

Our data indicate that although car manufacturers show a trend away from defensive political strategies, their industry associations and lobby coalitions do not (see Figure 2). In line with corporate political activities literature, interviewees suggest this is because car manufacturers can hide behind their collective groups in continuing to oppose the ZEV mandate, which may reflect badly on their company image.

Car manufacturer interviewees indicated that factors contributing to their trend towards a less defensive political strategy over the timeframe of study include: technological progress, increasing consumer demand, increasing importance of the environment and oil security, company image, public policy trends and competition amongst car manufacturers. This strong competition is reflected in the competitive orientation of their proactive political strategies.

Further Reading
This policy brief is drawn from a full academic paper that is currently in press. It is available online in Transportation Research Part D: Transport and Environment. Please email j.h.wesseling@uu.nl to request a copy.