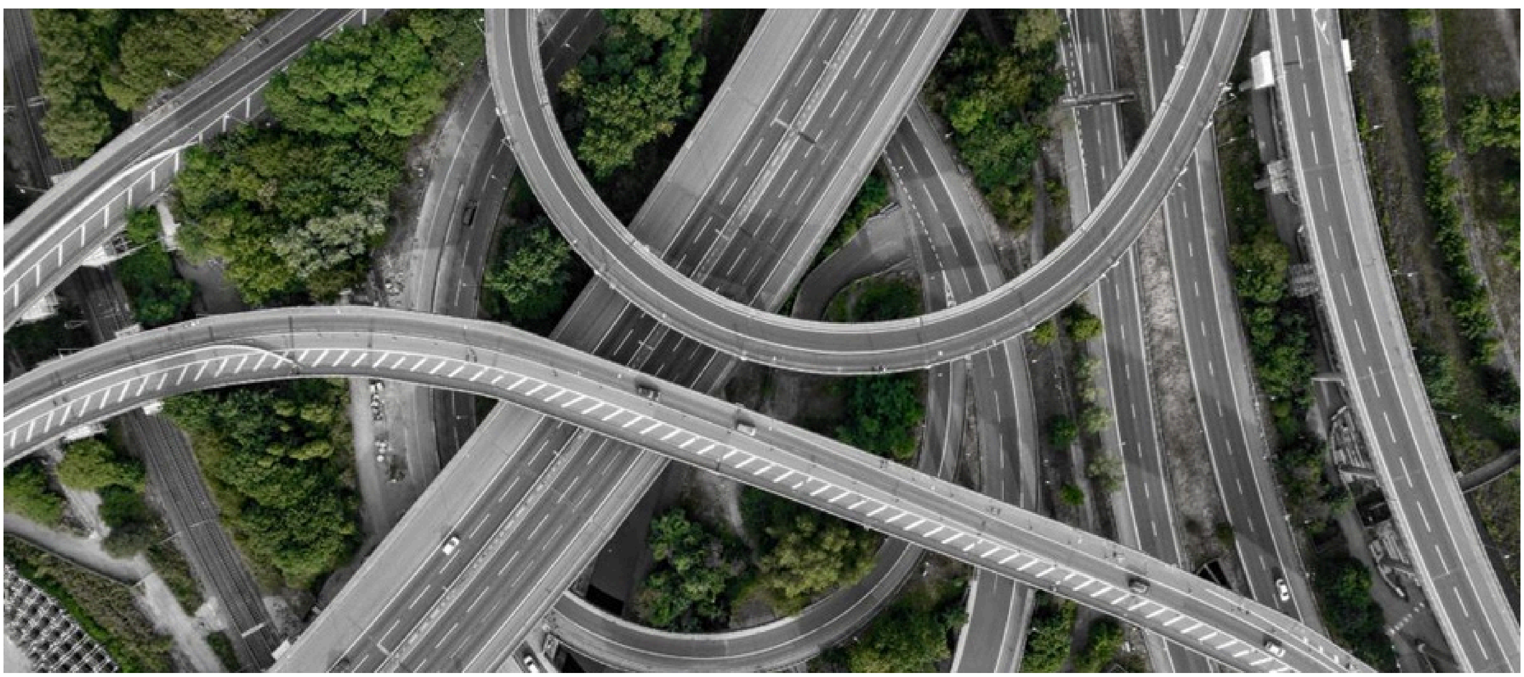
MANUFACTURING, FLEET, & DEALER IMPACT

REGULATORY ROADMAP

NAVIGATING TRANSPORTATION REGULATIONS

2019 LAWRENCE R. KLEIN BLUE CHIP AWARD WINNER

Contributor to Blue Chip Economic Indicators and WSJ Economic Forecast Panel



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Whether you're a manufacturer, dealer, fleet, or logistics provider, staying ahead of these shifting policies is crucial. The road ahead may be uncertain, but understanding the risks and opportunities now will help you navigate it successfully. This report provides a clear breakdown of selected current and proposed regulations, the potential paths forward, the critical unknowns that could reshape compliance requirements, and what industry stakeholders should be considering to stay prepared.

FEDERAL LEGISLATIVE ACTIONS

Freedom to Fix: On June 29, the president issued a memorandum to the EPA's Administrator Lee Zeldin to: (1) provide guidance on what actions individuals may take on their own vehicles to conduct (or have conducted) emission repairs, (2) consider requests from organizations capable of certifying aftermarket parts to reduce reliance on CARB certification, and (3) consider deprioritizing civil enforcement actions against anyone "who, in good faith, attempts to fix his or her own vehicle to its original configuration."

Two days later, on July 1, the EPA made related announcements. First, the EPA would recognize the Specialty Equipment Market Association (SEMA) as an alternative certification authority for aftermarket parts and use SEMA's Certified Emissions Program to show compliance with the Clean Air Act. Additionally, the EPA provided guidance to manufacturers reaffirming an individual's right to repair and ensure manufacturers make appropriate tools and data available.

GHOSTRUCK Act: On June 18 the "Guarding Hours-of-Service Oversight and Stopping Tampering by Remote Unofficial Carrier Keeper (GHOSTRUCK) Act" was introduced in the House. The GHOSTRUCK Act would require ELD edits or annotations to be made by carrier's authorized employees or agents physically located in North America. Prosecution can sometimes be challenging when ELD tampering occurs from foreign actors outside North America. This bill would allow any "bad actors" to be more easily prosecuted in the event of ELD tampering. The bill has been referred to the House Committee on Transportation and Infrastructure.

FET Repeal: On June 2, Senators Todd Young (R-IN) and Angela Alsobrooks (D-MD) introduced the "Modern, Clean, and Safe Trucks Act." It would repeal the 12% FET. A repeal of the FET is introduced almost every year and never goes anywhere, but it is heavily supported in the industry by the likes of the ATA and NTEA among others.

BUILD America 250: On May 19, the "BUILD America 250 Act" was introduced in the House. The bill is the next piece of surface transportation authorization legislation (following the Biden administration's 2021 Infrastructure Investment and Jobs Act) which authorizes $580 billion over five years (FYs 2027–31) to invest in infrastructure, transportation, and highway and carrier safety programs. Just over $474 billion is guaranteed through the Highway Trust Fund with the remaining $106 billion subject to annual appropriates. Funds include $5 billion for FMCSA programs and grants, CDL implementation, and enforcement training. If passed, it will become the first piece of legislation to establish a federal framework for autonomous commercial vehicles.

The bill also has several provisions relating to the CV workforce. It would extend the Safe Driver Apprenticeship Pilot Program and create a workforce development program related to supporting the CV workforce in adapting to new technology (like AVs). It mandates the removal of noncompliant CDL training providers from the Training Provider Registry and updates the CV operator training grant program to prioritize quality providers. It also directs FMCSA to align certification and training standards for roadside inspectors and instructors with those currently required by the CVSA.

BUILD America 250 also tackles certain CV safety issues. Grappling with the ongoing ELD issues FMCSA is dealing with, this bill would require verification of the contact information of the certification applicant and the technical specs of the ELD and cross reference the certification application against revoked ELDs that have not met the certification criteria. And a running list of ELDs that do and do not meet the criteria would need to be maintained.

It would also allow motor carriers to access safety records for prospective and current drivers with any serious driver-related violations flagged in a federal database. The bill would also require employers to retain records of post-accident alcohol or controlled substance tests for a minimum of five years. There are also requirements for a new transportation rulemaking committee to assess potential minimum knowledge requirements for carriers registering with DOT.

The BUILD America 250 Act has been approved by the House Transportation & Infrastructure Committee with markup amendments. A notable amendment would establish a voluntary pilot program that would allow states to raise GVW limits on federal interstates. Participating states could opt to raise the limit from 80,000 to 91,000 pounds. However, any truck operating at the higher limit must be equipped with a sixth axle.

The current surface transportation authority expires at the end of September and will require funding extensions as it is highly likely the new bill will not work its way through Congress in time. The Senate has yet to officially review or put out its counterpart bill, but it is working on stopgap funding to extend most of the current federal highway and transit programs operating through December 11 (if approved).

CARB Waiver Review: On June 12, 2025, three joint resolutions of disapproval from Congress—to overturn CARB's EPA waivers for Advanced Clean Trucks, Advanced Clean Cars, and HD Omnibus—were signed by the president. This means that, effectively, the waiver determinations are rescinded and those rules are unenforceable.

California (and the 10 other states that had adopted Advanced Clean Trucks) filed a lawsuit against the federal government and EPA the same day the resolutions were signed. The case is ongoing.

EPA's GHG PHASE 3 & 2009 ENDANGERMENT FINDING

On February 12, the EPA announced that it finalized the rescission of the 2009 Endangerment Finding, the basis for the EPA's many vehicle GHG emission standards. Without the Endangerment Finding in place, the EPA also finalized the rescission of all GHG emission standards for light-, medium-, and heavy-duty on-highway vehicles. For the CV industry, this means that GHG Phase 1, GHG Phase 2, and GHG Phase 3 are all repealed and unenforceable.

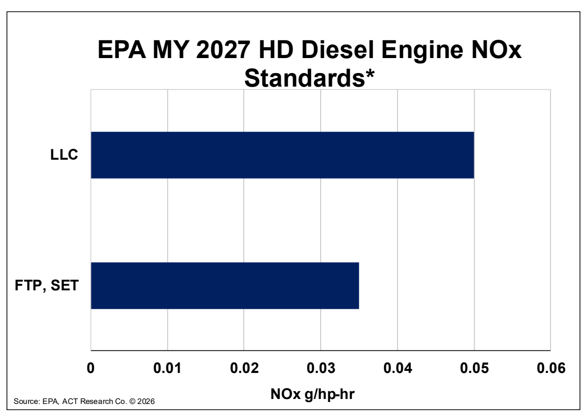
However, this does not mean this is the last we will hear about the Endangerment Finding and GHG emission standard rescissions. A large group of health and environmental organizations sued the EPA over its determination it is not responsible for regulating vehicle GHG emissions. The groups argue that the Clean Air Act requires the EPA to limit vehicle emissions of any air pollutant (not just NOx and PM) that the agency determines endanger public health or welfare. A second lawsuit filed March 19 by 24 states, a dozen cities, and some counties, argues similarly. This group also argues that the EPA should retain its authority to regulate GHGs even if it doesn't choose to exercise that authority.

EPA 2027 HD LOW NOX RULE

Recent Updates (July 2026)

On July 9, the EPA published its NPRM "Amendments and Nonconformance Penalties for Model Year 2027 and Later Heavy-Duty Highway Engines and Amendments to Inducement Provisions for SCR-Equipped Diesel Engines," (aka, the amendments to the 2027 HD Low NOx Rule that the industry has been waiting for since March 2025 when Lee Zeldin announced it was under review). Key points of note in the NPRM:

- No proposed change to the NOx emissions standard. It remains 35 mg/hp-hr.



*Values do not include the .015 g/bhp -hr in-use compliance allowance

- Establishes scaling nonconformance penalties (NCPs) for both MHD and HHD engines. The penalty is higher the further an engine is from the standard (see adjacent chart) and the compliance year 2027. Each additional year of noncompliance will incur an adjustment factor considering inflation and the number of engines (within a class) that use NCPs to certify across OEMs, up to a certain limit.
- Proposes to undo the extension to emissions-related warranty. This was a key area of added cost in the original rule.
- Proposes to delay the start of extended regulatory UL from 2027 to 2030.

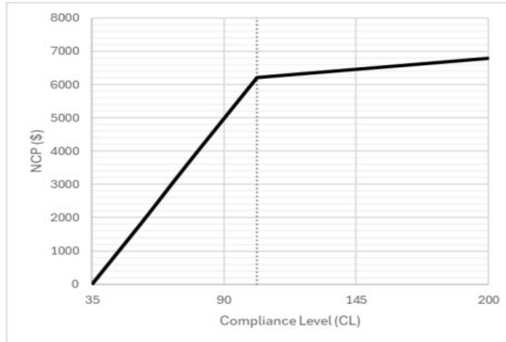


Figure IV-3 – Per-Engine Penalty Value as a Function of NOx Compliance Level for Heavy HDE

Source: EPA

These are just a handful of proposed changes. While the proposed amendments to the UL and warranty provisions and NCPs for MHD engines were expected, proposed NCPs for HHD engines were not a firm expectation. The maximum NCP is around $6,900 per engine (Class 8 at 200 mg/hp-hr compliance level) in 2027. Engines nearing compliance, but just missing the mark, may only see NCPs of a couple thousand dollars (well below the cost of complying with the new standard). The first-year penalty comes across as additional compliance flexibility rather than punishing.

In the Draft Regulatory Impact Analysis that was published alongside the proposed amendments, the EPA also published the manufacturers' banked NOx credits as of MY 2024. Cummins, DTNA, and PACCAR all have some credits to work with, though their banks vary (DNTA has >17k Mg, PACCAR has 64 Mg).

The EPA is open to comments on all its proposals, so even the bulleted items could change by the time the EPA finalizes its amendments. There are additional areas surrounding compliance flexibility, like use of old NOx credits, FEL caps, and ABT (averaging, banking, trading) families, among others, where the EPA has not made its own official proposals, but seeks comments on several options. Comments on the NPRM must be received by August 29. The EPA will likely then spend another few months considering all comments and crafting the final version of the rule amendments.

CARB ADVANCED CLEAN TRUCKS (ACT) & HD LOW NOX OMNIBUS (HD Omnibus)

Now that the president has signed Congress' resolutions to revoke the EPA waivers for HD Omnibus and ACT, the waivers are rescinded, and the rules are unenforceable. California has challenged the resolutions. This means that HD Omnibus is tied up in the courts while it is determined whether the use of the CRA holds up.

CARB ADVANCED CLEAN FLEETS (ACF)

CARB is still enforcing the state/local public fleet portion of the rule (which does not require a waiver).

California state and local government agencies of all kinds that own, lease, or operate vehicles with a GVW over 8,500 pounds must comply. Some exceptions are built in for school buses, emergency vehicles, military tactical vehicles, and snowplows, among others. Amendments include additional compliance flexibility. Public utilities that use highly specialized vehicles are allowed to continue purchasing ICE vehicles when ZEVs cannot meet their operational requirements. Additionally, the ZEV purchase requirement timelines have been extended to ease the introduction of ZEVs into public fleets:

- 50% ZEV required for new purchases extended through 2029 (previously through 2026)
- 100% ZEV required for purchases beginning 2030 (previously 2027)

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