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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

January 25, 2022

Dear Colleague:

Republicans on the Finance Committee support a robust market for clean fuels and transportation. At a time when the Biden Administration's reckless policies are fueling record inflation and supply chain disruptions, we must ensure Americans can find ways to cope, including through relief at the pump.

We do not support limiting consumer freedom of choice; discrimination against American workers who choose not to unionize; subsidization of luxury vehicle purchases by the well-to-do; or hamstringing our ability to compete in foreign markets. The electric vehicle (EV) provisions in the Build Back Better bill regrettably do all of those things.

First, the EV provisions severely distort the automotive marketplace. The bill purports to provide a tax credit of up to \$12,500 to support adoption of EVs. But not just for any EV, or even most EVs. While some American consumers may prefer to continue buying the country's best-selling EV, the EV with the longest range, or perhaps the most affordable EV on the market, none of those vehicles is eligible for the full credit under the bill. Of the 50 EVs presently for sale in the United States, only two models of the same automaker's car are eligible for the full \$12,500 under the proposal. Additionally, the credit only benefits one technology (EVs), and could thus stifle development of other innovative technologies that may provide better emissions reductions solutions. *We fail, therefore, to see why the federal government should be picking clear winners and losers in the free marketplace.*

The proposed government actions arbitrarily benefit certain firms, hurt American workers, and limit consumer choice. Foreign automakers have invested tens of billions of dollars to establish operations in the United States that support over 500,000 jobs. A number of new and innovative American automakers are also investing heavily to enter the market. It makes no sense to undermine those innovators, the livelihoods of Americans who would work for them, or the accessibility of their products to American consumers. The better solution to improve the prospects of our legacy domestic automakers and that of Americans overall is to promote a fully competitive automotive market where the pressure to compete on quality, consumer service, and price remains strong.

Second, Build Back Better's EV subsidies flow disproportionately to the wealthy. Data suggest that nearly 80 percent of the existing EV tax credits have gone to taxpayers earning more than

\$100,000. The reckless proposal in the bill does not remedy this situation. Giving \$12,500 in tax credits to households making up to half a million dollars a year for the purchase of \$80,000 luxury vehicles does nothing to make EVs more affordable for the middle class.

Third, domestic content and assembly provisions in the bill undermine America's trade interests. No less than 25 Ambassadors have told Congress that those provisions violate U.S. trade obligations. At a time when America should be rallying its allies to confront China on trade policy, such provisions are needlessly driving a wedge between the United States and our allies by promoting Chinese-style industrial policy.

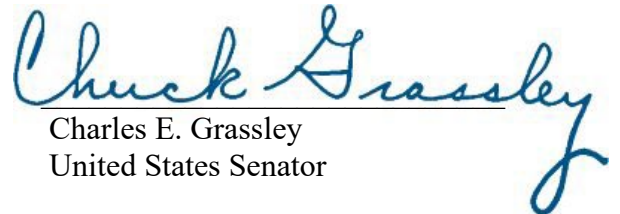
Importantly, the United States drafted and has long championed the very rules our trading partners now invoke against us. The rules flow from two premises that have been continually proven true: that Americans can compete and win against foreign competition; and that Americans should have more, not less, choice in the marketplace. Those premises are no less applicable to EVs. Annual EV exports from U.S. plants in 2020 exceeded 215,000 vehicles, *the most of any single nation*. The adoption of Build Back Better's proposed EV credit scheme threatens the United States with retaliation from our allies for breaching trade rules, and also encourages our trading partners to adopt similar schemes to the detriment of our own industry. Obvious contempt for our trade obligations does a disservice to American workers, who bear the brunt of the consequences.

The United States is home to the world's greatest auto companies precisely because Americans embrace free and fair markets, both as producers and consumers. There is no reason to turn our back on that winning formula by moving forward with proposals to undermine the foundation of what makes our markets so successful.

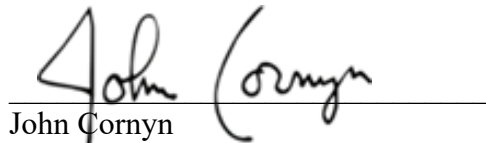
Sincerely,



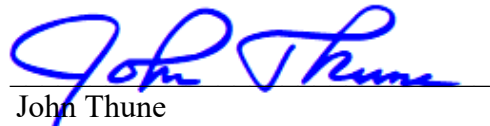
Mike Crapo
United States Senator



Charles E. Grassley
United States Senator



John Cornyn
United States Senator



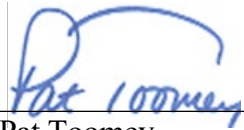
John Thune
United States Senator



Richard Burr
United States Senator



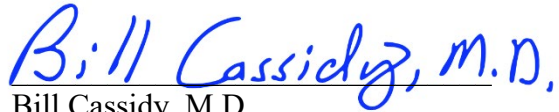
Rob Portman
United States Senator



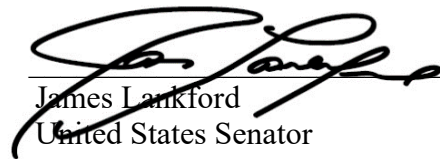
Pat Toomey
United States Senator



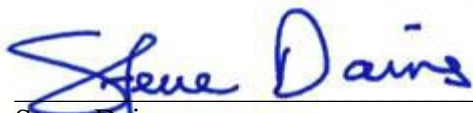
Tim Scott
United States Senator



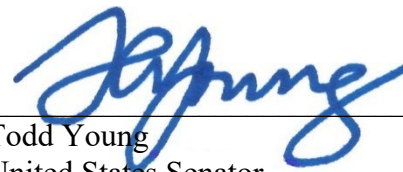
Bill Cassidy, M.D.
United States Senator



James Lankford
United States Senator



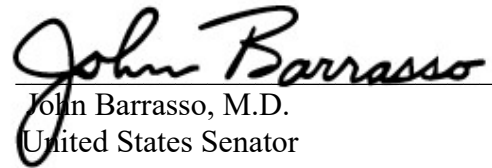
Steve Daines
United States Senator



Todd Young
United States Senator



Ben Sasse
United States Senator



John Barrasso, M.D.
United States Senator