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Driving Economic Prosperity Through
Abundant, Affordable and Reliable Energy

EXECUTIVE SUMMARY

BEHIND THE WHEEL:

THE HIDDEN HANDS DRIVING THE EV MANDATE

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EXECUTIVE SUMMARY

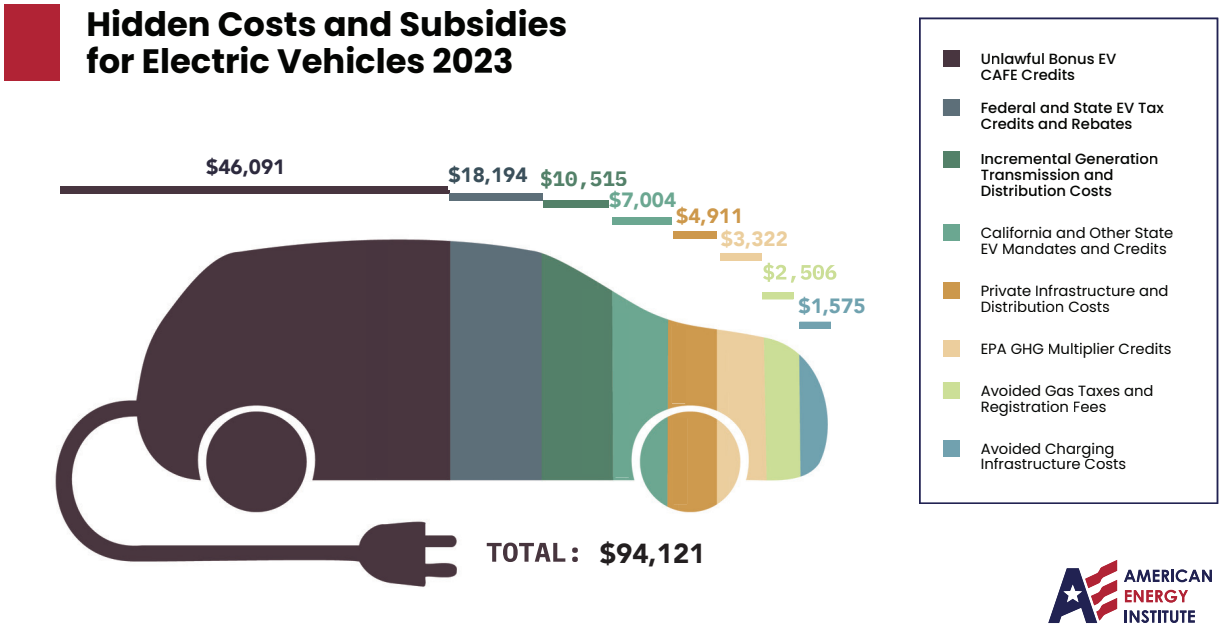
The true cost of Electric Vehicle (EV) ownership is hidden through a web of subsidies, rebates, and credits — costs that are ultimately borne by taxpayers, Internal Combustion Engine Vehicle (ICEV) buyers, and utility ratepayers. Of particular importance are the ways in which federal and state governments have tightened emission standards and illegally created and manipulated credit programs to create hidden subsidy schemes for EVs that dwarf the $7,500 federal tax credit that is most often discussed in public forums.

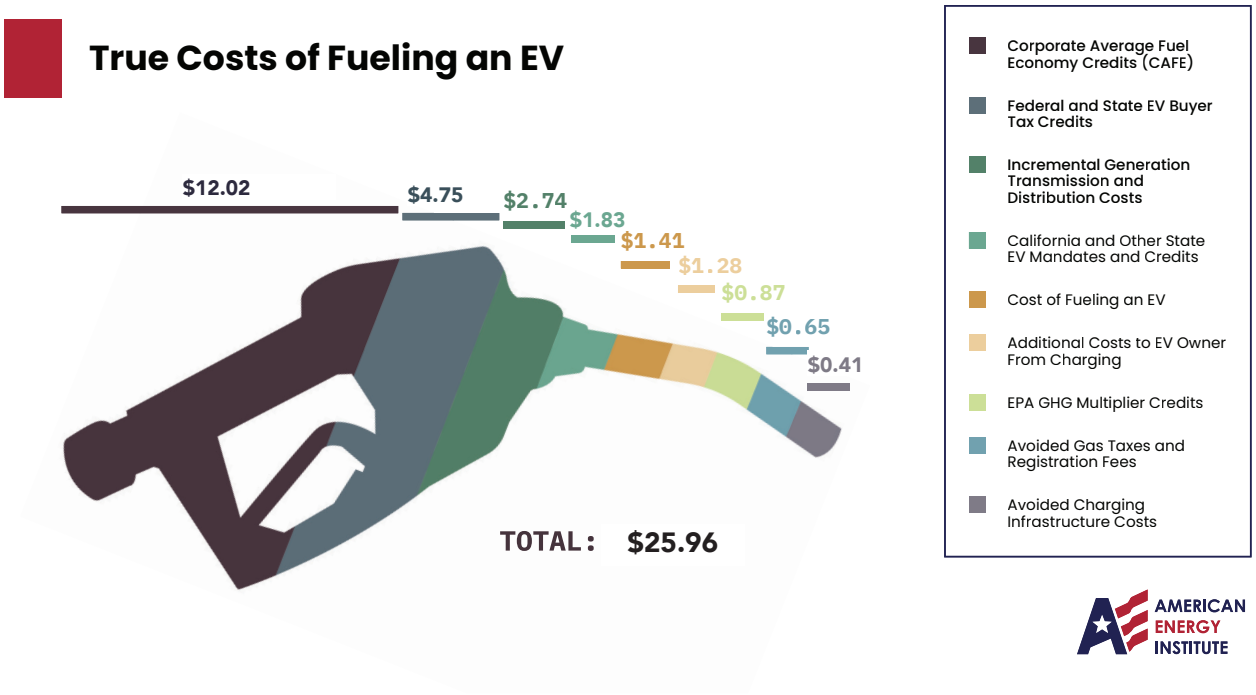
This report is a holistic examination of the subsidies EVs receive and appraises the total costs, which remain largely hidden from the public and policymakers, by design. Over a 10-year period, each MY2023 EV costs society between $94,121 and $152,695 — excluding the cost of purchasing the vehicle itself. This figure includes the actual expenses shouldered by automakers to comply with federal mandates and the losses incurred in EV production. Contrary to claims that electricity is cheaper than gasoline, when factoring in infrastructure costs, charging losses, and commercial rates, the effective cost of "fueling" an EV is equivalent to paying $25.96 to $41.24 per gallon of gasoline.

This represents a significant increase over Texas Public Policy Foundation's 2023 study (Bennett and Isaac, 2023), which appraised refueling costs for EVs sold in 2021 at $17.33 per gallon. The rise is fueled by stricter Corporate Average Fuel Economy (CAFE) standards and heightened civil penalties under the Biden administration, pressuring automakers into costly EV production commitments. In Q3 2024 alone, Tesla disclosed receipt of $739 million from regulatory credit sales (Tesla, 2024), reflecting real costs that distort market dynamics and place a heavier burden on the broader economy.

Most analyses overlook these hidden costs and focus only on EV owners' residential electricity cost, which accounts for less than 4% of the true cost of EV ownership.

Despite billions in subsidies and aggressive marketing, most consumers remain reluctant to adopt EVs. A June 2024 McKinsey survey reported that 40% of U.S. EV owners experienced buyer's remorse, with many planning to return to ICEVs upon trade-in (McKinsey & Co., 2024). This lack





of consumer demand has even led some dealers to refuse delivery of EV inventory (King, 2023). Nonetheless, federal regulators continue to pursue EV mandates with unwavering commitment, aiming for 67% of all new vehicle sales to be electric by 2032. Automakers now face a costly choice: absorb billions in production losses underpinned by taxpayer subsidies or confront steep regulatory compliance penalties.

KEY POINTS

1. Hidden Costs, Subsidies, and Regulatory Manipulation Driving the EV Mandate
Federal regulators have distorted fuel economy and emission standards to create a **de-facto EV mandate**—without Congressional approval. This includes an **illegal 6.7x credit multiplier for EVs**, granting them credit for non-existent fuel economy and forcing automakers into costly compliance measures. ICE manufacturers must either **purchase credits from EV makers, face steep financial penalties, or produce EVs at a loss** to meet increasingly stringent Corporate Average Fuel Economy (CAFE) and greenhouse gas (GHG) tailpipe emissions standards.

At the same time, automakers benefit from **federally backed accounting practices** that obscure the true costs of EVs. These hidden subsidies, combined with regulatory credit systems, impose **billions of dollars in costs on taxpayers, utility ratepayers, and ICEV buyers**. Over 10 years, each MY2023 EV benefits from **$94,121 to $152,695 in hidden subsidies**—equivalent to paying **$25.96 to $41.24 per gallon of gasoline** over its lifetime.

These manipulated regulatory credit systems, including **EPA's GHG credits and National Highway Transportation Safety Administration's (NHTSA) CAFE standards**, provide EV manufacturers with **up to $114,991 in subsidies per vehicle**, creating an **opaque compliance system that distorts markets** and places heavy financial burdens on the broader economy.

2. Burdens on ICE Vehicle Manufacturers
NHTSA's compliance subsidies for EVs are not funded by taxpayers directly but are paid by internal combustion engine (ICE) manufacturers and their customers. ICE manufacturers face steep penalties or must purchase costly credits to meet tightening fuel economy standards.

3. Inflated Consumer Incentives for EV Adoption
Federal, state, and utility programs provide up to $18,194 in rebates and tax credits per EV, while utilities pass infrastructure costs onto ratepayers, driving up electricity rates. EV owners also avoid an estimated $2,506 in fuel taxes and registration fees, shifting these costs to gasoline and diesel drivers.

RECOMMENDATIONS

Recommended Executive Actions:
- Reverse NHTSA's increased CAFE Standards.
- End the illegal use of the 6.67 petroleum equivalency factor (PEF) for EVs.
- Direct EPA to repeal the Clean Air Act (CAA) Section 117 waivers allowing California's Advanced Clean Cars II program.
- Eliminate EPA's GHG tailpipe emission standards.

Recommended Congressional Actions:
- Revoke NHTSA's authority to set CAFE Standards to prevent future misuse.
- Repeal Inflation Reduction Act's EV tax credits (30D, 45W: $7,500 consumer & $40,000 commercial).
- Reclaim the Bipartisan Infrastructure Law's $5B in EV charging grants.
- Reform CAA Section 117 to prohibit future waiver approvals.
- Eliminate the PEF.
- Prohibit utilities from shifting private EV charger costs onto ratepayers.

Recommended State & Local Actions:
- Ban utilities from passing private EV charger costs to ratepayers.
- Repeal subsidies and incentives for EV purchases and chargers.
- Prohibit restrictions on vehicle sales, use, or ownership based on fuel type.
- Prevent air quality plans from limiting consumer vehicle choices.
- Align EV registration fees with road-use contributions of ICE vehicles.

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