Image from California Air Resources Board

According to the Washingston Post:

Obama will instruct the Environmental Protection Agency to reconsider whether to grant California a waiver to regulate automobile tailpipe emissions linked to global warming, sources said, and he will order the Transportation Department to issue guidelines that will ensure that the nation's auto fleet reaches an average fuel efficiency of 35 miles per gallon by 2020, if not earlier.

The car industry has challenged the California regulation previously on preemption and commerce clause grounds. The two main challenges failed in the district courts, and they are less likely to succeed on appeal because they will no longer be supported by the federal government.