

There's big news coming out of Washington and Detroit this week about the fate of U.S. automakers. Rumors surfaced yesterday that [G.M. will furlough](#) its U.S. factories for most of the summer due to declines in auto sales. And the Obama Treasury Department is said to be [pressuring Chrysler to prepare for bankruptcy](#), to be filed as early as next week.

I have long wondered whether the financial woes of the auto industry would lead the Obama Administration to back away from its commitment to allow California to issue stringent new standards to reduce greenhouse gas emissions from passenger cars. The Clean Air Act allows California to issue its own auto emissions standards but only if the federal Environmental Protection Agency grants the state a waiver. All signs to date suggest that Obama's EPA will in fact let the California standards go forward: the [EPA, at Obama's request, is reconsidering](#) the Bush Administration's decision to deny California's waiver request.

But a little noticed news item has me continuing to wonder. Michigan Governor Jennifer Granholm, an Obama ally (she [played Sarah Palin](#) in Biden's primary debate preparations), told a reporter in March that California may in fact not get its waiver. When the reporter asked her about whether the Obama Administration would grant the waiver, [according to the Wall Street Journal's Environmental Capital blog](#) Granholm said, "I'm not sure they will. I think there's an interest in making sure there's a unified standard."

Couple the Granholm comment with the fact that Obama could have just ordered the EPA to overturn the Bush waiver denial outright rather than asking the agency to reconsider the decision and there's at least room for speculation about what the administration will do. The [L.A. Times argues](#) that, by not granting the waiver immediately but instead asking for reconsideration, Obama is buying time in order to "develop rules that would accommodate some of [the auto industry's] immediate concerns about the California regulations."

It's no secret that the automakers want the waiver denied. [They're still waging legal battles](#) in various courts arguing that California is preempted under two separate federal laws from regulating greenhouse gas emissions from cars. You can bet the car companies are also waging private battles to pressure the EPA to use its power to prevent California from acting. If I were betting I'd bet on the Obama administration to grant the waiver. But Granholm's comments combined with the increasingly bad news about domestic auto manufacturers would make me bet less than I would have a couple of months ago.

