As we move ever deeper into an all-out legal war between California and the Trump Administration over rollbacks of automobile emissions standards (something Ann, Cara, and Julia have been covering very well), I want to explore in a little more depth why the automakers have been so resistant to Trump's rollback efforts.

The auto industry resistance is ironic, since, of course, it is their initial request to the incoming Trump Administration to weaken the Obama/California standards that got them into this mess in the first place. The industry's reluctance has been generally explained by outside observers as a fear that California will end up with a separate standard from the federal standard, and that a bunch of other states will continue to adopt the California standard. That in turn would fracture the North American automobile market. That in turn is a disaster for auto manufacturers because the substantial difference in fuel economy between the California standard and the Trump Administration proposals essentially means auto manufacturers have to run two different assembly lines for two different cars – something that destroys economies of scale for auto production in the North American market. Moreover, the legal uncertainty from the ongoing litigation over the standards is creating real headaches for the industry as it makes investment decisions, particularly in a business that has very long lead times for developing and producing models.

But I wonder if there is more to it than this – and one data point that I would draw on here is the recent announcement by Amazon that it will be buying 100,000 electric delivery vans from Rivian, a start-up electric car company – a few months after Amazon announced it was investing $700 million in the company. That in and of itself is an example of the rapid rise of electric vehicles, and how that rise might power new entrants into the industry like Tesla or Chinese auto manufacturers (and indeed, that is precisely the play the Chinese government is making in advancing EVs, based on the theory that this is the dominant new technology in automobiles, and leading that transition will allow Chinese manufacturers to find their place in global markets).

Even more fascinating, however, is the news that Ford is investing $500 million in Rivian at the same time. That is just one more data point of the extensive investments that most of the incumbent global auto manufacturers have made in electrification. The Trump rollback on emission standards is not in the interest of a company that has made hundreds of millions of dollars of investments in a transition to a new form of transportation technology that would gain significant advantages in a high emission standard world.

Of course, the US auto manufacturers have a short-term problem – their consumers are increasingly demanding SUVs and pick-up trucks that traditionally have had low mileage. So they are caught between a short-term pressure from consumers, and a long-term pressure from their perception (and investments) that the future is electric. (That might be a clue as to Ford’s investment in Rivian, since Rivian’s main play is that it will provide electric SUVs and pick-ups that will appeal to North American consumers.)

If this dynamic is really happening, it is an excellent example of a concept that I and others have been working on for a number of years. Legal and policy approaches that force/encourage industry to invest in climate-friendly technology (here, EVs) over time cause that industry to push for more stringent climate policy, so that industry can reap greater benefits from the investments it has already made. In fact, I wouldn’t be surprised in a few years if global automakers start pushing for more aggressive electrification requirements for transportation – if only so they can sell more of the new EVs that they are producing.