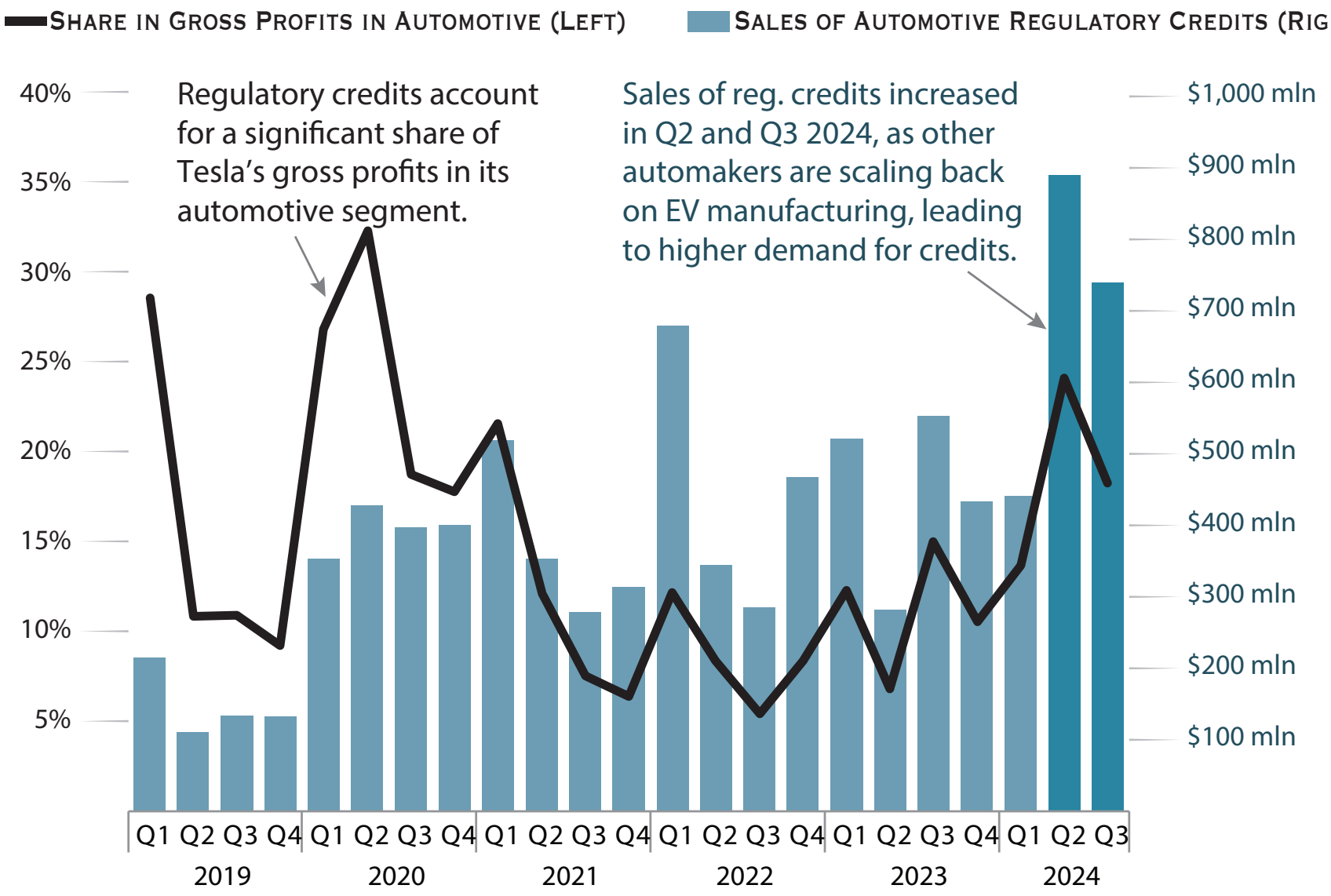
Chart of the Week #2024-46
November 20, 2024

Energy Policy Research Foundation

Regulatory Credit Contribution to Tesla's Automotive Gross Profits

TESLA Regulatory Credits



Automotive regulatory credits are awarded to companies producing zero-emission vehicles and can be sold to other manufacturers seeking to comply with environmental mandates.

Source: Energy Policy Research based on SEC Filings (as of Nov 2024)

Regulatory Credit Contribution to Tesla's Automotive Gross Profits

- A significant amount of Tesla's gross automotive profits results from government programs creating "automotive regulatory credits."
- These government programs work by requiring auto-manufacturers not producing EVs to purchase credits from EV manufacturers or face fines.
- In the U.S., the two major programs are the Corporate Average Fuel Economy (CAFE) standards at the federal level, and California et al.'s Zero Emission Vehicle (ZEV) program at the state level. Credit prices are set by the market based upon the stringency of regulations and the punitive level of fines.
- The sale of regulatory credits represents about 10-30% of Tesla's gross profits in the automotive segment, and in FY2023 was equivalent to a $990 premium on every vehicle sold. In the first three quarters of 2024, regulatory credits have already provided over $2 billion in revenue to Tesla.

This slide deck is available at: https://eprinc.org/chart-of-the-week/

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