



Bob Nardelli

Chairman & CEO

May 17, 2009

The Honorable Ray LaHood
Secretary
U.S. Department of Transportation
1200 New Jersey Ave, SE
Washington, DC 20590

The Honorable Lisa Jackson
Administrator
Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Dear Secretary LaHood and Administrator Jackson,

Chrysler LLC (“Chrysler”) recognizes the benefit for the country of a National Program to address greenhouse gases and fuel economy and the historic announcement of Environmental Protection Agency (EPA) and National Highway Traffic Safety Administration’s (NHTSA) intent to jointly propose a rule to set standards for both. Chrysler fully supports proposal and adoption of such a National Program, which we understand will be subject to full notice-and-comment rulemaking, affording all interested parties, including Chrysler, the right to participate fully, comment, and submit information, the results of which are not pre-determined but depend upon processes set by law. Chrysler fully supports proposal and adoption of such a National Program. Chrysler welcomes this opportunity to be a partner in helping to advance a harmonized National Program. Chrysler also commits to working with EPA and NHTSA, the states, and other stakeholders to help our country address global climate change and the need to reduce oil consumption by developing this kind of strong, coordinated national program for the model years after 2016.

In order to promote the adoption of the National Program, Chrysler commits to take the following actions, subject to the understandings described below. Chrysler also stands ready to enter into any appropriate agreements to effectuate these commitments. Chrysler’s agreements are subject to any required approvals of the bankruptcy court in its chapter 11 cases.

(1) Chrysler commits to have all pending litigation in the various state courts, U.S. District Courts, and U. S. Circuit Courts of Appeals challenging California’s regulation of GHG emissions, including

litigation concerning preemption under EPCA of California's and other states' GHG standards stay upon issuance of the May, 2009 Notice of intent to conduct rulemaking.

(2) Chrysler commits to dismiss all such litigation (and not to renew any such litigation with respect to MYs 2009-2016) if

- (i) EPA proposes national GHG standards and NHTSA proposes CAFE standards for MY 2012-2016 as substantially described in the May, 2009 Notice of intent to conduct rulemaking.
- (ii) California takes the following two actions, in a manner that is binding on states that adopt and enforce California's GHG standards under Clean Air Act (CAA) section 177:
 - (a) California revises its standards on GHG emissions from new motor vehicles for MYs 2009 through 2011, such that compliance with the standards can be demonstrated based on the GHG emissions from the fleet of vehicles sold in California and the states that adopt and enforce California's GHG emissions standards under section 177 of the CAA. This would expand the averaging pool for compliance purposes from the fleet of vehicles sold in California to the larger fleet of vehicles sold in California and these other states;
 - (b) California revises its standards on GHG emissions from new motor vehicles for MYs 2012 through 2016, such that compliance with the GHG emissions standards adopted by EPA shall be deemed compliance with the California GHG emissions standards; and
- (iii) California confirms that under its standards for GHG emissions from new motor vehicles for MYs 2009 through 2011 manufacturers have the right under California's current regulations to use data generated by the CAFE test procedures, vehicle selection, and other testing protocols, including substitution of CAFE test data for previously submitted test data, to demonstrate compliance. If California does not make such confirmation, then California revises its standards to this effect. In addition, California confirms that a 45 day condition on the MY 2009 Executive Orders means that if a waiver is granted under CAA section 209, then a manufacturer has to be in compliance with all of the data submission or other requirements, related to issuance of the Executive Order, that would have applied on or before that 45 day date if the waiver had been granted previously. This does not accelerate in any way any other requirements under the regulations, for example manufacturers can continue to provide CAFE test data after that date and through the year under the CAFE testing protocols, and do not need to demonstrate compliance with the annual average until after the end of the year.

(3) Chrysler commits that it will not contest any final decision by EPA granting California's request for a waiver of preemption under section 209 of the CAA for its GHG emissions standards for motor vehicles for MYs 2009-2016, if California revises its regulations as described above.

(4) If EPA proposes national GHG standards and NHTSA proposes CAFE standards for MY 2012-2016 as substantially described in the May, 2009 Notice, and the agencies adopt standards as substantially proposed, Chrysler will not contest these rules.

Chrysler believes that the actions discussed in the letter could occur under a timeline as follows:

- EPA and DOT issue the Notice of Intent and various companies and other parties stay pending litigation
- EPA makes a final decision upon reconsideration of California's request for a waiver.
- EPA and DOT issue a Notice of Proposed Rulemaking
- California issues a final rule that revises its regulations
- Companies dismiss pending litigation upon final adoption of regulatory changes by California
- EPA and DOT issue a Notice of Final Rulemaking

Sincerely,

Robert L. Nardelli
Chairman and CEO
Chrysler LLC