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Supreme Court Holds that Fuel Producers Have Standing to Challenge EPA's Approval of California Vehicle Emission Standards

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Today, the Supreme Court held 7-2 in *Diamond Alternative Energy, LLC v. EPA* that producers of gasoline and other liquid fuels have Article III standing to challenge the EPA's approval of California's vehicle emission standards. The Court reversed the D.C. Circuit, which had dismissed the suit for lack of standing.

The Clean Air Act allows California to seek EPA approval for more stringent vehicle emissions standards than federal law permits—an exception to the Act's general preemption clause. Over the past two decades, California has increasingly used this authority to mandate the production of more electric vehicles (EVs) and fewer gasoline-powered vehicles in an effort to reduce greenhouse gas emissions.

After the EPA reinstated California's 2012 EV and emissions rules in 2022, several fuel producers challenged the decision in the D.C. Circuit. The challengers alleged that the regulations would reduce demand for liquid fuels, harming their businesses. The D.C. Circuit dismissed the case, concluding that the plaintiffs had not satisfied the redressability requirement of Article III standing. The court found it speculative whether automakers would change their production behavior if the regulations were vacated.

In a 7-2 opinion authored by Justice Kavanaugh, the Supreme Court reversed the D.C. Circuit's decision. The Court began by noting that neither the EPA nor California had meaningfully challenged that the fuel producers could establish injury-in-fact or causation, instead focusing solely on redressability. With respect to redressability, the Court emphasized that the fuel producers "must simply show a predictable chain of events" likely to follow judicial relief and were not required to provide specific evidence such as expert affidavits or declarations from third parties. The Court emphasized that "even one dollar of additional revenue" for the fuel producers would satisfy the redressability requirement.

Relying on "commonsense economic principles," the Court found it predictable that invalidating the challenged regulations would result in at least some increased fuel sales. The Court explained that this case involved the "familiar circumstance where government regulation of a business may be likely to cause injuries to other linked businesses." Because the emissions standards force automakers to produce a fleet of vehicles that uses significantly less gasoline and other liquid fuels, the Court held that the regulations were likely to "cause downstream or upstream economic injuries to others in the chain, such as producers of gasoline and other liquid fuels" that would be redressable through a decision invalidating the regulations.

The Court also rejected the claim that California's emission regulations had become irrelevant given recent market dynamics, such as increased consumer demand for EVs. In reviewing the record evidence, the Court found that the challenged regulations were still likely to depress the demand for liquid fuel, and noted that this finding was further supported by California's continued effort to keep enforcing and defending the regulations. The Court made clear that courts should "exercise caution before denying standing because of a claimed lack of redressability rooted in questionable economic speculation."

Justices Sotomayor and Jackson filed separate dissents. Justice Sotomayor wrote that the majority had inappropriately resolved a fact-intensive question that the D.C. Circuit did not fully address in the first instance given its apparent misinterpretation of the relevant regulations. In her view, the Court should have simply remanded the case to the D.C. Circuit without reaching the merits of the redressability issue. Justice Jackson's dissent separately criticized the majority for granting certiorari in a case essentially involving an issue of error correction and for selectively applying the Court's standing precedents to find redressability in this case. In Justice Jackson's view, the majority applied a "remarkably lenient approach to standing in this case [that] contrasts starkly with the stern stance it has taken in cases concerning the rights of ordinary citizens."

The decision is an important victory for challengers to administrative action. The decision clarifies that plaintiffs who are indirectly burdened by government regulation—such as upstream or downstream market participants—need not provide extensive third-party evidence to establish standing. Indeed, the ruling confirms that the "redressability requirement should not be misused . . . to prevent the targets of government regulations from challenging regulations that threaten their businesses." Finally, the ruling makes clear that standing should not be denied based on speculative assertions that a market has evolved independently of regulation, particularly where the government continues to enforce and defend the challenged rules.

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