Putting Tesla's $2.8 billion SCAM side hustle under threat

Tom Carter

- **Tesla made almost $2.8 billion off cars its rivals didn't sell last year.**
- **Tesla sells regulatory credits to automakers that haven't sold enough EVs to meet emissions rules.**
- **That lucrative side hustle is now under threat, with Trump vowing to scrap electric vehicle targets.**

Elon Musk may have won the status of President Donald Trump's "first buddy" — but the new president could jeopardize one of Tesla's most lucrative side hustles.

Tesla has made billions of dollars selling regulatory credits to rivals in the past decade, but with Trump seeking to scrap federal electric vehicle targets, that revenue stream is under threat.

The automaker's regulatory-credit business, in which it sells emissions credits to automakers who haven't sold enough EVs to meet strict federal and state targets, made $692 million in the fourth quarter of 2024.

That strong performance, along with bumper sales of energy-storage systems and an unexpected bitcoin windfall, added a bit of shine to what were otherwise disappointing results.

Tesla's total automotive revenue dropped by 8% from the same period in 2023 as rising competition and slowing EV sales growth hit the company hard. Musk rallied investor enthusiasm by focusing on Tesla's robotaxi rollout and its Optimus humanoid robot.

While robotaxis and robots haven't affected Tesla's balance sheet, selling credits to rivals that haven't moved enough EVs is a money-spinner for the company.

Tesla made $1.8 billion from its regulatory-credit business in 2023, and that figure grew to almost $2.8 billion last year as other automakers rolled back ambitious EV strategies amid stuttering demand for EVs.

But with Trump back in the White House — with an assist from Musk — that income stream could grind to a halt.

The president has vowed to roll back emissions targets, signing an executive order last week to revoke a Biden-era target that 50% of new vehicles sold in the US be electric by 2035.

"Tesla has relied on the credits to help really boost profitability," Stephanie Valdez Streaty, a director of industry insights at Cox Automotive, told Business Insider.

"If federal guidelines are less stringent, then other manufacturers have more time, and they're not going to need those credits as much, so I think it'll definitely impact it," she added.

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Environmental Protection Agency rules mandate targets for automakers to cut the average emissions of their vehicle fleets each year. Those that don't face substantial fines, which they can avoid by buying credits from automakers that sell a lot of EVs.

Because Tesla sells only EVs, this system allows the company to make money from something it's doing anyway. Tesla's credits business was responsible for more than a third of its net income in 2024.

Tesla may continue to make money off the practice in Europe, where the automaker could bank as much as $1 billion from credit sales, and in US states with their own emissions rules.

But Trump has signaled his intention to challenge state-level rules too, issuing an executive order last week that sought to terminate state rules designed to phase out combustion engine vehicles.

Musk has expanded his role and influence in the Trump administration; he's set to take on a key cost-cutting role and even occupy office space in the White House.

Musk has kept his status as "first buddy" even as Trump has targeted EV incentives and subsidies that Tesla directly benefits from.

The Tesla CEO has expressed support for scrapping a $7,500 tax incentive for new EVs, a move that Trump's team is said to have considered. Musk has said he thinks it would hurt Tesla's rivals more than his own company.

Alongside regulatory changes, Tesla could be stung by Trump's proposed tariffs on China. The company's chief financial officer, Vaibhav Taneja, said on Wednesday's earnings call that the tariffs would "have an impact on our business and profitability."

Tesla did not respond to a request for comment sent outside normal working hours.