California environmental regulators have decided that even the smallest automakers will have to comply with ambitious clean-car rules that mandate the sale of zero-emission vehicles.

But the state is giving them some wiggle room.

At a May 18 hearing, the California Air Resources Board rejected a plea from Jaguar Land Rover, Mazda, Mitsubishi, Subaru and Volvo to be exempted from the mandate. They had argued that their small r&d budgets will keep them from developing and selling electrified cars as easily as full-line automakers such as Ford, General Motors and Nissan, which already must sell ZEVs.

The board's decision makes the five smaller automakers subject to the rules beginning in 2018 and affirms Gov. Jerry Brown's goal of getting 1.5 million ZEVs on California roads by 2025.

Even so, regulators did tweak the rules in their favor.

Automakers with less than $40 billion in annual global revenue -- which includes Jaguar Land Rover, Mazda, Mitsubishi, Subaru and Volvo -- now will have the option to sell plug-in hybrids only to earn "credits" toward compliance, rather than being forced to sell some all-electric or hydrogen cars. If they don't sell enough, they'll still need to buy credits from companies such as Tesla Motors Inc. that sell electric cars in large
numbers. Tesla banked $51 million in the first quarter from selling ZEV credits to other automakers.

The small automakers said they were grateful for the changes, which would help them "meet the regulations with cars, not credits," Clinton Blair, vice president of government affairs at Jaguar Land Rover North America, said during the May 18 hearing.

But to some critics, the change weakened the program.

Ken Morgan, director of business development and government affairs at Tesla, said there is an oversupply of credits in the market. Morgan said that just 600,000 ZEVs, well shy of Brown's goal, would be delivered by 2025 if the oversupply makes it cheaper to buy credits than to sell electric cars in California.

He said smaller companies shouldn't be given a break because "they have billions of dollars in operating profit and cash on hand."

It's unclear how Mazda and Subaru plan to meet their obligations under the mandate.

Mazda sells no electrified cars, aside from a hybrid Mazda3 sold in Japan with technology licensed from Toyota. A new technical "marriage" with Toyota may give Mazda wider access to Toyota's hydrogen and plug-in hybrid powertrains.

Subaru sells a Prius-style XV Crosstrek hybrid in the U.S., but it sells no plug-ins anywhere in the world. It leased an electric minicar called the Stella EV in Japan from 2009 to 2011 but discontinued it because of weak demand.

Mitsubishi, which sells a plug-in hybrid version of its Outlander in Japan and Europe, plans to launch it in the U.S. in early 2016 after a series of delays. Volvo plans to sell a potent plug-in hybrid version of its new XC90 in lieu of a V-6 or V-8. Jaguar is reportedly developing an electrified version of its forthcoming F-Pace crossover.
California still may tweak its rules further during a "midterm review" due to take place in 2016. Daniel Sperling, a University of California-Davis professor and a member of the Air Resources Board, is pushing hard for a bigger emphasis on plug-in hybrids, though some of his colleagues on the board think any solution that involves using gasoline is inadequate.

Sperling argued at the May hearing that hybrids with large batteries could run on electricity 80 to 90 percent of the time, while using gasoline for long road trips only. If they're also more palatable to car buyers, he said, they actually could reduce California's air pollution faster than pure EVs.

"The goal should be to strengthen the ZEV program," he added. "I agree that we can get more vehicles out there, but they might not be the vehicles we thought they would be a few years ago."

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