



New Agreement on Fuel Efficiency & Auto Pollution Standards (MY2017-2025)

IMPORTANT STEP TOWARDS CLEANER, MORE FUEL EFFICIENT CARS & TRUCKS

The Obama administration has announced an agreement with the State of California and major automakers to strengthen fuel efficiency and greenhouse gas standards for light-duty vehicles sold in model years 2017-2025.¹ Once finalized, these standards will save consumers money at the gas pump, protect public health by curbing global warming pollution, and cut America's oil dependence. They will also help spur investments in new automotive technology, which will create jobs and sustain the recovery of the American auto industry.

While many important details must still be finalized, some of which risk eroding the benefits of the program, the agreement lays out a path to reduce the average global warming emissions of new passenger cars and light trucks to 163 grams per mile (g/mi) in model year 2025 – a level equivalent to 54.5 miles per gallon (mpg) if met exclusively with fuel efficiency improvements, or a Corporate Average Fuel Economy (CAFE) standard of 48-49 mpg assuming full use of air conditioning improvements. That would translate to a 2025 window sticker of about 36 mpg - up from 21 mpg today.

The new agreement also extends the successful National Program, which allows automakers to build a single national fleet that complies with federal and state global warming pollution requirements under the Clean Air Act and fuel economy standards administered by the Department of Transportation.

Savings at the Gas Pump, Cleaner Air, and Energy Security

If the agencies finalize standards based on the framework announced by President Obama, UCS analysis shows the following consumer savings, pollution reductions, and oil savings in 2030.

- **Cut oil consumption by as much as 1.5 million barrels per day** -- 23 billion gallons of gasoline annually -- by 2030. That is equivalent to U.S. imports from Saudi Arabia and Iraq in 2010.
- **Cut global warming pollution by as much as 280 million metric tons (MMT) in 2030**, which is equivalent to shutting down 72 coal-fired power plants for one year.
- **Lower fuel expenditures at the pump by over \$80 billion in 2030.** Even after paying for the cost of the necessary technology, consumers will still clear \$50 billion in savings in that year alone.

Standards Must Still Be Finalized through a Formal Rulemaking

When President Obama announced this effort in May 2010, he signed a memorandum² directing the Environmental Protection Agency (EPA) and Department of Transportation (DOT) to finalize standards by July 2012. Following the recent agreement, the agencies are on track to meet that target. They are expected to release a Notice of Proposed Rulemaking (NPRM) in the fall of 2011, solicit public comment, and then publish final standards by July 2012. The California Air Resources Board (CARB) will also finalize its standards under the Clean Air Act by the end of 2011. California is then expected to request a waiver consistent with the implementation of the National Program.

¹ <http://www.epa.gov/otaq/climate/regulations.htm#1-1>

² <http://www.whitehouse.gov/the-press-office/presidential-memorandum-regarding-fuel-efficiency-standards>

Key Issues that Could Erode the Benefits of the Program

Important decisions must still be made on key issues during the rulemaking. Depending on how the standards are structured, these issues could create incentives for automakers to pursue compliance strategies that would result in lower consumer savings, pollution reductions, and oil savings. The final standards must ensure that the overall program has integrity and that loopholes are not created that would allow automakers to comply with standards by using accounting mechanisms instead of clean, fuel-efficient technology.

- **Electric Vehicle Accounting:** The current proposal allows automakers to treat electric vehicles as having zero grams of pollution per mile (0 g/mi). This accounting treatment ignores global warming pollution generated by producing the electricity used to power the vehicle. On top of the 0 g/mi accounting, the proposed agreement provides credit multipliers for electric vehicles between MY2017-2021. There are better ways to accelerate the production of electric-drive technology and these measures risk eroding the pollution reductions from the standards. For instance, if electric drive vehicles account for just 5 percent of new vehicles sold in MY2025 and are treated as zero emissions, it would reduce the pollution reductions of the program 8.5 percent in 2030. The final standards should include a reasonable cap on the number of vehicles that can qualify for the 0 g/mi credit and the credit multipliers should be eliminated after MY2021, as currently outlined in the agreement.
- **Light Truck Reclassification:** In the first five years of the standards, MY2017-2021, the annual improvements required for light trucks, especially the larger ones, are weaker than those required for passenger cars. In addition, the slope of the light truck curve has become steeper since the MY2012-2016 standards. These factors could encourage automakers to reclassify passenger cars as light trucks or add size to existing light trucks to qualify for weaker standards. Automakers have pursued similar gaming strategies in the past. The agencies should make certain that the final standards guard against this loophole by ensuring that light truck definitions limit the ability to reclassify cars as trucks - as well as holding firm to strong standards across the light truck fleet from 2022-2025.
- **Mid-Term Review:** The three agencies setting standards – EPA, NHTSA, and CARB – will conduct a technical assessment of technology needed to achieve the last four years of standards (MY2022-2025). NHTSA will then conduct a rulemaking to finalize standards for those years. EPA will make a determination on whether it needs to revise its standards – either by increasing or decreasing the stringency. It is important that the mid-term review remains a technical assessment and not be used as an off-ramp to end the standards halfway through the program. Further, it is critical that all three agencies are free to make determinations at the mid-term review point and implement standards consistent with their statutory obligations.
- **Off-Cycle & Air-Conditioning Credits:** Automakers are able to achieve global warming pollution reductions by improving the efficiency of air-conditioning systems and switching to less-harmful refrigerants. The agencies estimate that manufacturers will be able to achieve approximately 20 g/mi of pollution reduction through these strategies. In addition, automakers will be able to gain credits for ‘off-cycle’ technologies that are not captured by the existing fuel economy test procedure. Both of these credits must be based on real and verifiable emissions reductions, and must be limited to avoid delays in basic fuel efficiency improvements and pollution reductions.

A fully referenced version of this fact sheet is available online at www.ucsusa.org.

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