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Key Questions for Proposed Fuel Economy Regulations

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The National Highway Traffic Safety Administration (NHTSA) today proposed new regulations for vehicle fuel economy standards. The regulations are the first phase of implementing new standards mandated by Congress in the energy bill it passed in December.

According to a new report by the Union of Concerned Scientists, the new standards, if properly implemented, could lead to a vehicle fleetwide average of more than 50 miles per gallon (mpg) by 2030.

Below are a number of key questions NHTSA officials should answer regarding the new proposed regulations.

Will the Fleet Average Reach 35 Miles Per Gallon in 2020?

If you kept raising fuel economy standards at the same pace as you are proposing for the last two years in this proposed rule, would the fleet reach a 35-mpg average in 2020? Would your agency set standards lower than 35 mpg by 2020?

Details: This is only the first set of rulemakings. The next president will have to set fuel economy standards for 2016 through 2020. While NHTSA is not likely to discuss a rulemaking it has not started, this perspective is important for understanding how much farther the fleet might go at this pace. If NHTSA is not strengthening standards at a pace sufficient to reach 35 mpg by 2020, it implies that the agency could be in violation of the law. It also would indicate that there could be problems with its analysis given UCS analysis indicates that cost-effective technology can go well beyond 35 mpg by 2020.

What is NHTSA Assuming for the Car and Truck Mix?

What is your estimate for the combined fuel economy of your car and truck standards in 2015? Is that based on today's average fleet mix of cars and trucks or some future mix? If it is based on a future mix, what did you base that on and can we see the data?

Details: Congress required NHTSA to ensure that standards for 2020 were at least a combined 35 mpg and to achieve steady, or "ratable," progress toward that fuel economy standard along the way. To understand how far NHTSA has come along that path, we need information on where it predicts the fleet mix will be, not just the numbers.

Is NHTSA'S Proposal Consistent with the EPA's Public Comments?

The Environmental Protection Agency recently noted that its analysis indicates that the fleet could reach an average of 35 mpg by 2018. Are the standards NHTSA is proposing consistent with being on a path to realize that fuel economy level?

Details: Various news reports indicate that an EPA analysis shows that a 35 mpg fleet average by 2018 is cost effective. To accomplish that, NHTSA's standard would have to be around 31.7 mpg by 2015 and increase at a rate of 1.1 mpg per year. If NHTSA's numbers are lower than that or if they increase at a slower rate in the later years of the rule, they will fall behind the EPA's projections.

What Limited the Stringency of the Proposed Regulations?

What limited your fuel economy standards to the level they achieve in 2015? Was it the availability of technology, a marginal cost/marginal benefit analysis, a total cost/total benefit analysis, or your predictions for

how this would affect the automakers? Did your analysis indicate that consumers would still save money with an even higher standard?

Details: In its last rulemaking, NHTSA said it used a marginal cost/marginal benefit analysis, but even after increasing the cost of gasoline, its analysis did not change. This indicates that something other than the agency's marginal cost/marginal benefit was the actual limit, perhaps how much it believed a single automaker could spend or the impact on sales for a particular automaker. If this is how the agency limited its values again this time, that amounts to basing the standard on the least capable automaker. If a higher fuel economy standard would still save consumers money, then NHTSA's standard is clearly not the maximum feasible—as required by law.

How Stringent are the Proposed Regulations When Accounting for Loopholes?

If all automakers took full advantage of the dual fuel loophole, which allows an extra 1.2 mpg credit through 2014 and a 1.0 mpg credit in 2015 for selling flex-fuel vehicles, what would the fleetwide fuel economy be and how much lower would your projected oil savings be?

Details: While substantial efforts were made to eliminate the dual fuel loophole, Congress instead expanded the loophole, but did not allow NHTSA to account for the loophole in setting standards. As a result, any standards are actually as much as 1.2 mpg lower than the values NHTSA will present because many automakers already are taking advantage of the loophole. UCS analysis indicates that the loophole could cut oil savings by as much as a quarter of a million barrels of oil per day, or nearly 4 billion gallons per year.

How Does the Gas Price in Your Analysis Compare with Today's?

What value did NHTSA use for the price of gasoline and how does that compare with current gasoline prices of about \$3.40 per gallon?

Details: Historically, NHTSA has used the very inaccurate predictions of gasoline prices from the Energy Department's Energy Information Administration. EIA has consistently done a poor job predicting future gasoline prices. In 2005, it predicted 2006 gasoline prices would be \$1.41 per gallon. In 2006 it increased the projection to \$1.84 per gallon. The actual price was \$2.61 per gallon. In its 2008 Annual Energy Outlook, EIA predicts a 2008 price of slightly less than \$3 per gallon even though gasoline prices have been higher all year.

How Much of a Problem Does this Administration Consider Global Warming?

What monetary value did NHTSA use for avoided global warming pollution due to increased fuel economy standards?

Details: In NHTSA's last fuel economy rulemaking it assumed the value of reducing global warming pollution was zero. This would imply that global warming causes no harm, a claim that runs squarely against scientific consensus. Because of this, the 9th Circuit Court noted that NHTSA's last rulemaking amounted to an arbitrary and capricious process. Currently, carbon dioxide is hovering around \$40 per ton (about 50 cents per gallon of gasoline) on the European trading market. Less than that would indicate that NHTSA is undervaluing global warming pollution.

What was the EPA'S Role in Developing the Proposed Regulations?

How involved was the EPA in the cost, benefit and final standard calculations for this proposal? Was the EPA consulted, what were its comments and how did you respond? What about the Energy Department? Are the comments from these agencies available in the docket?

Details: By law, NHTSA must consult with the EPA and the Energy Department before issuing its proposed rule. Further, press accounts have indicated that the EPA worked closely with NHTSA when EPA was working

on its vehicle global warming pollution regulations. It is important to understand how much of that work went into this rulemaking and whether or not NHTSA fulfilled its legal obligations.

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The Union of Concerned Scientists is the leading science-based nonprofit organization working for a healthy environment and a safer world. Founded in 1969, UCS is headquartered in Cambridge, Massachusetts, and has offices in Berkeley, California, and Washington, D.C. For more information, go to www.ucsusa.org.