



# Protecting Consumers from Pain at the Gas Pump

**60 MPG BY 2025 GIVES CONSUMERS THE BEST PROTECTION AGAINST RISING GAS PRICES**

The recent spike in oil prices and the ongoing turmoil in the Middle East are vivid reminders of America’s continued dependence on oil. The continued global economic recovery will only add pressure to rising oil prices. While options for short-term relief from high gasoline prices are limited, we can protect ourselves from future oil price spikes by cutting the country’s reliance on oil by building clean, fuel-efficient vehicles that protect consumers at the gas pump. Setting strong vehicle fuel efficiency and global warming pollution standards through 2025 offer the best protection against rising gas prices while helping to reduce our dependence on oil, increase our energy security, and address climate change.

## Strong Clean Car Standards Protect Consumers

Spiking gas prices hit Americans directly in the pocketbook. The average vehicle today achieves just 26 miles per gallon (mpg) on government tests (21 mpg on the road) and will consume 7,000 gallons of fuel over its life. But the Obama administration is considering strengthening standards for new vehicles up to 6 percent per year from 2017 through 2025, boosting average fuel efficiency to about 60 mpg on government tests (about 40 mpg on road). These clean car standards would save vehicle owners \$7,500 over the life of the vehicle at a gas price of \$3.50 per gallon, even after paying for the additional cost of the cleaner vehicle. That’s the equivalent of a gasoline price cut of more than a \$1.00 per gallon compared to a vehicle with today’s fuel efficiency.<sup>1</sup>

**Savings From Strong Clean Car Standards**

Fuel Price (\$/gal)	Net Consumer Savings	Payback (years)	\$ per gallon savings
\$3.50	\$7,500	4.0	\$1.10
\$4.00	\$8,900	3.5	\$1.30
\$5.00	\$11,600	3.0	\$1.70
\$6.00	\$14,200	2.5	\$2.00

Note: Based on a 143 grams per mile CO<sub>2</sub>-e standard achieving about 60 mpg on government tests compared to the current fleet average.

If gas prices rise to \$5 per gallon, these clean car standards would deliver net savings of more than \$11,500, the equivalent of a gasoline price cut of \$1.70 per gallon compared to a vehicle with today's fuel efficiency.

## Savings as Soon as You Drive Off the Lot

You may have heard before, “you need to spend money to save money” and it’s true that making our cars meet a clean car standard of about 60 mpg will increase the price of a vehicle. However, the fuel savings vastly outweigh the additional costs. At \$3.50 per gallon, consumers would recoup their investment in about 4 years.

For many consumers, the savings can happen as soon as they drive off the lot. Consumers commonly take out a loan to finance their vehicle purchase rather than paying the full price of the vehicle up front. Buying a vehicle meeting these new clean car standards would increase a car buyer’s monthly payment compared to today’s average new vehicle, but the monthly fuel savings would more than offset the additional cost. After the loan is paid, all of those extra fuel savings will go right in to the consumer’s pocket.<sup>2</sup>

<sup>1</sup> Fuel saving calculation based on the following assumptions: base vehicle fuel efficiency of 26 miles per gallon on government tests and 21 mpg during actual operation with lifetime mileage of more than 170,000 miles. The strongest standard under consideration would achieve a 6% per year reduction in global warming pollution from 2017-2025. If met only with fuel efficiency improvements, that would be the equivalent of 62 mpg on government tests. In reality, the standards will be met with a combination of improved fuel efficiency, better fuels, and improved air conditioning systems, leading to a fuel efficiency of only 56 mpg on CAFE tests. A vehicle meeting these standards would achieve about 40 mpg during actual operation. Future fuel costs and savings are discounted at an annual rate of 3% and a 10% rebound effect is used for mileage under increased fuel efficiency.

<sup>2</sup> Assumes a 5-year loan at a 5% interest rate and an average incremental cost of \$3,400 compared to today’s vehicles and \$2,400 compared to a vehicle meeting the 2016 standards. Incremental cost includes sales tax of 5.3% and a 2% incremental insurance premium.

## Drilling Doesn't Cut It – and Isn't a Short-Term Fix

Some in Congress and industry are using the recent increase in gasoline prices to call for more domestic oil drilling.<sup>3</sup> That is neither a short-term solution nor real relief for consumers struggling at the gas pump. According to an analysis by the Energy Information Agency, expanded US off-shore drilling in the outer continental shelf would only reduce gas prices by about 3 cents per gallon 20 years from now.<sup>4</sup> The United States cannot drill its way to energy independence. We consume nearly 25 percent of the world's petroleum, yet hold less than 2 percent of the proven reserves.<sup>5</sup> The only way to cut our dependence on foreign oil producers is to significantly cut our need for oil by increasing fuel efficiency, expanding low-carbon fuels, and providing other transportation options.

## It is Time to Break Our Dependence on Oil

Americans deserve real solutions to protect them from volatile oil prices. With oil prices now at \$100 per barrel, about \$1 billion leaves our economy every day to pay for petroleum imports.<sup>6</sup> That money should be invested in the United States, producing clean, fuel-efficient vehicles and the good paying jobs that go with them.

Currently, the Obama administration is developing the next phase of fuel efficiency and global warming pollution standards covering new vehicles sold in model years 2017-2025. The technology exists to raise standards to about 60 miles-per-gallon by 2025. Setting strong global warming pollution and fuel efficiency standards can build on the important first steps taken earlier this year by the administration to finalize standards raising fleetwide fuel efficiency to 34.1 mpg and cutting global warming pollution to 250 grams of carbon dioxide equivalent (CO<sub>2</sub>-e) per mile by model year 2016. This first phase of the standards will deliver critical oil and global warming pollution savings, and relief at the pump. They represent the most significant increase in fuel efficiency in nearly three decades as well as the first-ever global warming pollution standards for vehicles. In order to continue insulating consumers from rising gas prices and freeing America from its oil dependence, we must set clean car standards to 143 grams per mile CO<sub>2</sub>-e and about 60 mpg by 2025.

<sup>3</sup> Congressman Upton op-ed in *The Hill*, February 2011 available at: <http://thehill.com/special-reports/energy-a-environment-february-2011/144011-governments-red-tape-tangles-up-fuel-sources-right-in-our-backyard>

<sup>4</sup> According to an EIA analysis of impacts from OCS drilling. [http://www.eia.doe.gov/oiaf/aeo/otheranalysis/aeo\\_2009analysispapers/aongr.html](http://www.eia.doe.gov/oiaf/aeo/otheranalysis/aeo_2009analysispapers/aongr.html)

<sup>5</sup> Based on EIA data available at: <http://www.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=57&aid=6>

<sup>6</sup> Based on EIA data for 2010 net petroleum product imports of 9.44 million barrels per day [http://www.eia.doe.gov/dnav/pet/pet\\_move\\_net\\_i\\_a\\_EP00\\_IMN\\_mbbldpd\\_m.htm](http://www.eia.doe.gov/dnav/pet/pet_move_net_i_a_EP00_IMN_mbbldpd_m.htm)

A fully referenced version of this fact sheet is available online at [www.ucsusa.org](http://www.ucsusa.org).

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