Union of Concerned Scientists

FACT SHEET

Blunt and Upton Urge Rollback of Fuel Economy Standards

Senator Roy Blunt (R-MO), Representative Fred Upton (R-MI), and several other members of Congress have introduced legislation (S.1273 and H.R.4011) that will have significant detrimental impacts on the fuel economy program run by the National Highway Traffic Safety Administration (NHTSA).

The effects of this bill are far reaching — it will allow manufacturers to make vehicles that are on average 3 mpg less efficient in 2021 than they are able to today and put them on a pathway to missing the current targets by 8-10 mpg in 2025.[1] For example, someone who buys a car in 2021 will pay approximately $1600 more in fuel costs than they would if this bill weren't enacted.[2] In total, the bill will result in about 350 million barrels of additional oil being burned, 155 million metric tons of additional global warming emissions, and $34 billion in additional fuel costs for American drivers.[3]

This is the first bicameral attack on the Corporate Average Fuel Economy (CAFE) Standards in the 115th Congress.

Vehicle Standards Background

Vehicle fuel economy and greenhouse gas emissions are jointly regulated by the Environmental Protection Agency (EPA) and NHTSA. In 2012 the agencies promulgated standards for car and light truck model years (MY) 2017-2025. The standards were supported by automakers, state regulators, the United Auto Workers, environmental organizations and other stakeholders. This round of standards builds on the success of the MY 2012-2016 standards, which have already saved consumers more than $40 billion at the pump.[4] To-date, manufacturers have exceeded the required pace of improvement, with record sales years in 2015 and 2016.

What Does The Bill Do?

1) INCREASES THE LIFETIME OF CAFE CREDITS

Automakers that overcomply with the standard are rewarded with credits. These credits have a five-year lifetime—this helps give manufacturers some flexibility as they introduce improvements to models or invest in new vehicles, since a typical product cycle is about five years. Although automakers have been able to comply with the program to date and the 2010 and 2011 credits have already expired without being needed, the bill allows credits generated from 2010 (before the current program was in place) onward be available for use through model year 2021.

This provision will result in an additional 350 million barrels of oil being burned, thus emitting 155 million additional tons of global warming emissions, not to mention less efficient vehicles in the marketplace for consumers.[5]

2) ALLOWS RETROACTIVE OFF-CYCLE CREDITS

The purpose of off-cycle credits is to incentivize early deployment of efficient technologies that deliver fuel savings not measured in the test cycle (e.g. "highway" and "city" driving). Under the current set of standards, only one of the agencies – EPA – allowed for the use of off-cycle credits for compliance with MY 2012-2016 standards. In its rulemaking, NHTSA noted explicitly that CAFE targets would have been more stringent had the agency incorporated these technologies into its rulemaking.[6]

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The bill allows auto manufacturers to retroactively receive credit for technologies that were explicitly excluded from consideration under CAFE, which is inconsistent with the off-cycle credit program's stated purpose of bringing new technologies into the market. If automakers were able to use these credits, cars and trucks would use 280 million additional barrels of oil.[7]

3) INCREASES CREDIT TRANSFERS BETWEEN CAR AND TRUCK FLEETS

The CAFE standards were changed in the Energy Independence and Security Act (EISA) 2007 from fixed fleet-wide values to size-based values. Under the new system, cars and trucks are measured on different curves as individual fleets and each fleet is expected to improve fuel economy along its curve. To enhance flexibility in the program, auto manufacturers are allowed to trade some credits between their fleets to allow for a slightly more efficient fleet to offset a shortfall in the other. The credit transfers are subject to a cap instituted by Congress in EISA (Sec. 104) to ensure fuel economy improvements for all vehicles, regardless of their size (the cap is currently 1.5 mpg, meaning that if a manufacturer makes cars more efficient than they need to, they can make trucks up to 1.5 mpg less efficient than they're supposed to).

The transfer cap increases to 2 mpg in 2018 under statute. This bill raises the transfer cap to 6 mpg, which effectively eliminates the cap. This allows auto manufacturers to choose what fleet – cars or light trucks – to make less efficient. For example, these additional credit transfers could allow pick-up trucks to maintain the same level of fuel economy from 2016-2022. Unfortunately, some auto manufacturers may be able to exploit the much higher transfer cap due to the opening of the floodgates of early credits in the first two provisions of the bill.

What Are The Implications Of These Changes?

The winners and losers in this deal are clear — auto manufacturers and oil companies benefit at the expense of consumers and the environment. According to analysis by the Union of Concerned Scientists:

- Vehicles will consume 350 million more barrels of oil
- Drivers will pay an additional $34 billion at the pump
- The transportation sector will emit 155 million metric tons more greenhouse gases

This legislation would effectively give away more than 6% of the benefits that were anticipated for the rules from 2012-2021.[8] It will also allow auto manufacturers to stay on the same slow path of progress that they have been on for the past decade out through at least 2021, if not 2025.[9]

By eroding the standards already on the books, this bill could also be used to undermine the Mid-Term Evaluation of the program by aligning the standards not with where manufacturers promised to be, but to the minimal levels of improvement allowed through these exorbitant credits.

Automakers Are Working Every Angle

Instead of paying their engineers to make more efficient vehicles, auto industry lobbyists are working overtime to weaken the standards so that they can avoid investing in technologies that Americans want.

As this legislation is introduced, the automakers have already submitted a petition to NHTSA requesting giveaways like the ones in this bill – in fact, two of the three provisions in the bill are included in their petition to the agencies.[10] In addition, they have sent letters and met many times with the president and also with Transportation Secretary Chao and EPA Administrator Pruitt in pursuit of a rollback of these strong standards. The automakers successfully requested that this administration re-open the EPA part of the Mid-Term Evaluation that had been finalized before the inauguration. They also submitted extensive comments to the EPA anti-regulatory docket that closed on May 15, 2017 detailing all of the rollbacks they would like to see of rules that ensure that consumers are getting more efficient vehicles and that reduce the nation's oil consumption.

Automakers are taking every advantage that this administration is offering to get out of their promise to the American people that they will make more fuel efficient vehicles. Congress should oppose any effort to undermine these important standards.

ENDNOTES

1-5 Union of Concerned Scientists (UCS) analysis

6 Federal Register 75 (88), p. 25663

7 This number is not included in the total additional barrels of oil burned figure (350 million barrels) as these credits will not be able to be used under the current program because it would bring the emissions below the binding EPA levels.

8-9 UCS analysis

10 Online at http://www.globalautomakers.org/system/files/document/attachments/joint_alliance_-_global_petition_for_rulemaking.pdf

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For more information contact Jonna Hamilton at jhamilton@ucsusa.org

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NATIONAL HEADQUARTERS
Two Brattle Square
Cambridge, MA 02138-3780
Phone: (617) 547-5552
Fax: (617) 864-9405

WASHINGTON, DC, OFFICE
1825 K St. NW, Suite 800
Washington, DC 20006-1232
Phone: (202) 223-6133
Fax: (202) 223-6162

WEST COAST OFFICE
500 12th Street, Suite 340
Oakland, CA 94607-4087
Phone: (510) 843-1872
Fax: (510) 843-3785

MIDWEST OFFICE
One N. LaSalle St., Suite 1904
Chicago, IL 60602-4064
Phone: (312) 578-1750
Fax: (312) 578-1751

WEB: WWW.UCSUSA.ORG