



Protecting Consumers from Pain at the Gas Pump

PROPOSED 2025 VEHICLE STANDARDS OFFER PROTECTION AGAINST RISING GAS 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 projected oil use in half over 20 years — and the production of clean, fuel-efficient vehicles is a critical first step. Setting strong vehicle fuel efficiency and global warming pollution standards through 2025 offers the best protection for consumers at the gas pump while helping to reduce oil use, increase our energy security, and address climate change. Volatile oil prices and the ongoing turmoil in the Middle East are vivid reminders of the rising cost of America's oil use. With added pressure from the continued global economic recovery, this commodity is unlikely to see long-term price reductions. The cars and trucks we drive every day consume nearly half the oil used in this country, and the only way to protect consumers is to cut oil use by making our vehicles more fuel efficient.

Strong Clean Car Standards Protect Consumers

The average vehicle on the road today achieves just 26 miles per gallon (mpg) on government tests (approximately 21 mpg on the road) and will consume more than 8,000 gallons of fuel over its life. But we can build cleaner cars that reduce oil use and protect American consumers from spiking gas prices. The Obama administration has proposed strengthening standards for new vehicles from 2017 through 2025, boosting average fuel efficiency to about 50 mpg on government tests (about 37 mpg on road). These standards could save a vehicle owner more than \$8,000 over the life of their automobile, even after paying the additional cost of the cleaner technology.¹

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Savings as Soon as You Drive Off the Lot

There is an old adage, “you need to spend money to save money,” and it's true that making our cars meet a clean car standard of about 50 mpg will moderately increase the price of a vehicle. However, the fuel savings vastly outweigh the additional costs.

For many consumers, the savings will begin 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 (by about \$40 per month, on average). Moreover, after the loan is paid off, all subsequent fuel savings will go straight into the consumer's pocket.²

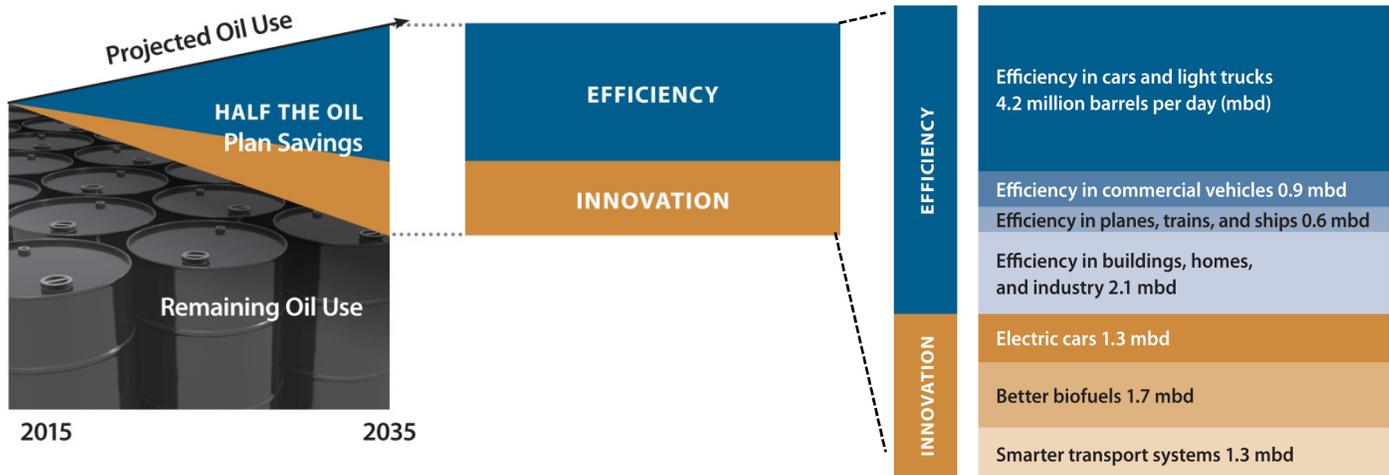
¹ Fuel saving calculation based on the following assumptions: base vehicle fuel efficiency of 26.3 miles per gallon on government tests (approx. 21 mpg on-road), with lifetime mileage of approximately 190,000 miles. The proposed standards are anticipated to achieve a fleet CO₂-e average of 163 grams per mile in 2025. If met only with fuel efficiency improvements, that would be the equivalent of 54.5 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 average of about 50 mpg on CAFE tests. A vehicle meeting this level would achieve about 37 mpg during actual operation. Future fuel costs and savings are discounted at an annual rate of 4.5% (consistent with the average annual rate of return of the Dow Jones Industrial Average, in real terms, between 1992 and 2012). A 10% rebound effect is used for mileage under increased fuel efficiency.

² Assumes a 5-year auto loan at 7% nominal interest and 3% inflation, gasoline price based on the Energy Information Administration's 2012 Annual Energy Outlook (ranging from \$3.86 to \$4.17 between 2025 and 2039), and an average incremental cost of \$2,764 compared to a 2008 baseline (comparable to today's average vehicles), or \$1,978 compared to a vehicle meeting the 2016 fleet average. Incremental costs include a 5.32% sales tax and a 1.85% insurance premium.

Moving Toward the Half the Oil Future

The only real, long-term solution to protect Americans from volatile oil prices is to drastically reduce our oil consumption. At oil prices of \$100 per barrel, about \$1 billion leaves our economy every day to pay for petroleum imports.³ That money should be invested in the United States, producing clean, fuel-efficient vehicles and the good paying jobs that go with them.

The Obama administration's proposed 2017-2025 vehicle greenhouse gas and fuel economy standards, along with recently finalized standards covering model years 2012-2016, will result in a near-doubling of the average new vehicle mpg by 2025. These standards represent, by far, the most significant increase in fuel economy in three decades. Setting strong global warming pollution and fuel efficiency standards will deliver critical oil savings, emissions reductions, and relief at the pump.



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

A number of public voices have used recent run-ups in gasoline prices to call for more domestic oil drilling.⁴ Oil companies are making record profits today by drilling in ever more dangerous and sensitive areas. But drilling for increasingly dirty and expensive oil is neither a short-term solution nor the way to provide real relief for consumers struggling at the gas pump. We consume more than 20 percent of the world's petroleum, yet hold only 2 percent of its proven reserves.⁵ According to an analysis by the Energy Information Administration, expanded U.S. off-shore drilling in the outer continental shelf would only reduce gas prices by about 3 cents per gallon 20 years from now.⁶ The only way to cut our costly oil use is to move forward on real solutions by increasing fuel efficiency, expanding low-carbon fuels, and providing other transportation options.

³ Based on EIA data for net petroleum product imports, 2007-2011 average of 10.14 million barrels per day. http://www.eia.doe.gov/dnav/pet/pet_move_net_i_a_EP00_IMN_mbbldpd_m.htm

⁴ See, for example, 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>

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

⁶ According to an EIA analysis of impacts from OCS drilling. http://www.eia.doe.gov/oiaf/aeo/otheranalysis/aeo_2009analysispapers/aongr.html

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

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