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Mary D. Nichols
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June 7, 2011

Dear Assistant Administrator McCarthy, Administrator Strickland, and Chairman Nichols:

Last year, the Environmental Protection Agency (EPA), the National Highway Traffic Safety Administration (NHTSA), and the California Air Resources Board (CARB) worked together to set standards through 2016 that would raise the average fuel efficiency of new vehicles to about 34.1 miles per gallon and cut the average global warming pollution from new vehicles to about 250 grams per mile. Now, your agencies are working together to develop the second phase of standards covering new vehicles sold in model years 2017-2025 that could cut new vehicle global warming emissions up to an additional 45 percent and raise fuel efficiency standards to as much as 60 miles per gallon.

Strong, cost-effective standards will provide consumers with a wider choice of cleaner and more fuel efficient vehicles that save drivers money. In the absence of standards, market barriers prevent drivers from realizing these savings, leaving drivers without the options they need to respond to volatile and rising gasoline prices. Standards are the right policy approach given the realities of this marketplace.

Our continued dependence on oil puts our economy at risk from the effects of oil price volatility and energy insecurity. Oil price spikes were associated with most of the U.S. recessions in the past 40 years.[1] The United States currently sends $1 billion each day to foreign countries to pay for oil and other petroleum products—that is equivalent to more than half of the average daily U.S. trade deficit over the last decade.[2]

Strong standards that save drivers money can also support robust employment. Increasing standards will promote new vehicle technologies and increase investment in the auto industry, generating new jobs throughout that sector. The savings consumers realize at the pump will also shift consumer purchases away from the petroleum and wholesale industries to other parts of the economy that generate more jobs for every dollar spent.[3]

Finally, strong standards will help reduce the heat-trapping emissions that cause global warming. Current and projected climate change impacts pose significant risks to public health, the economy, and the environment. Delaying action now and waiting for the future before initiating accelerated action to reduce global warming emissions would be more costly than initiating action now.

We support these efforts to reduce global warming emissions, improve the fuel efficiency of our vehicles, reduce our dependence on oil, and protect public health by ensuring drivers have more choices for clean cars and light trucks through the use of strong, cost-effective standards.

Signed,

(All signers of this letter are economists who have a Ph.D.)

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1 Causes and Consequences of the Oil Shock of 2007–08, http://www.brookings.edu/~/media/Files/Programs/ES/BPEA/2009_spring_bpea_papers/2009a_bpea_hamilton.pdf
What is An Oil Shock, Hamilton (2003) http://dss.ucsd.edu/~jhamilto/oil.pdf

2. Cost of petroleum imports based on U.S. Energy Information Agency data, net petroleum product imports between March 19th 2010 and March 18th 2011 averaged 9.6 million barrels per day. At $100 per barrel, this equates to $960 million dollars per day. EIA data available at: http://www.eia.doe.gov/dnav/pet/pet_move_wkly_dc_NUS-Z00_mbblpd_w.htm Historical U.S. trade data from the U.S. BEA available at: http://www.bea.gov/newsreleases/international/trade/trad_time_series.xls

3. Based on data from the Bureau of Labor Statistics, http://www.bls.gov/emp/ep_data_industry_out_and_emp.htm

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