

# THE THREE-AGENCY REGULATION OF LIGHT-DUTY FUEL ECONOMY

## SUMMARY

In 2012 the Obama administration issued fuel-economy standards that set a light-duty target fleet-wide standard of 54.5 mpg by 2025 at an average per vehicle cost of nearly \$3,000. This rule made a significant change: Instead of having one regulator (the National Highway Traffic Safety Administration [NHTSA]) designated by Congress, the Obama administration empowered the Environmental Protection Agency (EPA), and the California Air Resources Board (CARB) to also regulate fuel economy. The total cost of all the Obama administration fuel-economy regulations is \$209 billion.

The 2012 standards included a mid-term evaluation of model year (MY) 2022 through MY 2025 mandates to review their appropriateness, based on updated information, by April 2018. Following the 2016 election, EPA rushed through an evaluation, stating in January 2017 that no changes to the mandates were necessary.

## STATUS

On March 15, President Trump announced that he was negating the Obama administration’s January 2017 decision and that the mid-term evaluation process would resume as originally contemplated. On August 24, NHTSA and EPA jointly proposed new standards for MY 2021-26, including potentially freezing the standards at 2020 levels (43.9 mpg for cars, 31.3 for light-duty trucks). The proposed rulemaking also stated that state regulation of fuel economy (i.e., by CARB) was preempted under federal law and was thus void. A final decision on the new standards is expected around March 30, 2019.

## SUMMARY OF OBAMA LIGHT-DUTY EPA, NHTSA, CARB FUEL-ECONOMY RULES

ISSUE	RESULT
<b>Average price increase for consumers</b>	The average price of a new vehicle will increase by about \$3,000 in 2025: MY 2011 rule ..... \$95 price increase <sup>1</sup> MY 2012-2016 rule ..... \$945 price increase <sup>2</sup> MY 2017-25 rule ..... \$1,836 price increase <sup>3</sup> Total average vehicle price increase: approximately \$3,000. <sup>4</sup>
<b>Impact on consumers</b>	According to a 2012 study, 6.8 million licensed drivers will be unable to qualify for an auto loan and will be shut out of the new-car market because of the regulatory cost of these rules when fully implemented. <sup>5</sup>
<b>Total costs</b>	MY 2011 rule ..... \$1.46 billion <sup>6</sup> MY 2012-16 rule ..... \$51.5 billion (second most expensive light-duty rule ever) <sup>7</sup> MY 2017-25 rule ..... \$156 billion (most expensive light-duty rule ever) <sup>8</sup> Total cost of Obama fuel-economy rules: \$208.96 billion.

<sup>1</sup> 74 Fed. Reg. 14413 (Mar. 30, 2009)—prices adjusted to 2010 dollars

<sup>2</sup> 75 Fed. Reg. 25635 (May 7, 2010)—prices adjusted to 2010 dollars

<sup>3</sup> 77 Fed. Reg. 62852 (Oct. 15, 2012)

<sup>4</sup> Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations for 2013, 112th Cong., 2nd Session, pg. 35, (March 8, 2012) (question by Rep. John Carter to Secretary Ray LaHood)

<sup>5</sup> Wagner et al, The Effect of Proposed MY 2017-2025 Corporate Average Fuel Economy (CAFE) Standards on the New Vehicle Market Population, NADA, pg. 5, (Feb. 13, 2012).

<sup>6</sup> 74 Fed. Reg. 14206 (Mar. 30, 2009)

<sup>7</sup> 75 Fed. Reg. 25348 (May 7, 2010)

<sup>8</sup> 77 Fed. Reg. 62657 (Oct. 15, 2012)

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ISSUE	RESULT
<b>Affordable vehicles</b>	Vehicles that currently cost \$15,000 and less will be regulated out of existence. <sup>9</sup>
<b>Potential fuel savings</b>	To achieve the agencies' estimated fuel savings, consumers would need to drive the average car 212,000 miles and the average light truck 224,000 miles. <sup>10</sup>
<b>Size of vehicles</b>	Mass reduction of up to 20 percent relative to MY 2008 levels. <sup>11</sup>
<b>Type of vehicles</b>	According to the agencies, "by model year 2025, 26-49% of the fleet may have some sort of electrification." <sup>12</sup>
<b>Limited vehicle choice</b>	Performance cars with V8 engines will become as "rare as white flies." <sup>13</sup>
<b>Number of fuel economy regulators</b>	Three—NHTSA, EPA and the CARB. Each agency has different requirements that must be complied with separately. Note: Congress has specifically authorized only NHTSA to regulate fuel economy. <sup>14</sup>
<b>Sales impact</b>	The rule does "not provide quantified estimates of potential sales impacts..." <sup>15</sup> However, the Energy Information Administration predicted that automobile sales will be 355,000 units lower in 2025 as a direct result of the MY 2017-2025 regulations. <sup>16</sup>
<b>Job loss</b>	In 2012, EPA stated: "Because...we have not quantified the impact on sales for this rule, we do not quantify the demand effect [on employment]." <sup>17</sup>

<sup>9</sup> U.S. Energy Information Administration, Annual Energy Outlook 2011, pg. 27 (April 2011).

<sup>10</sup> EPA and NHTSA, Technical Service Document, pg. 4-17, (Aug. 2012)

<sup>11</sup> 77 Fed. Reg. 62704 (Oct. 15, 2012)

<sup>12</sup> 77 Fed. Reg. 62632 (Oct. 15, 2012)

<sup>13</sup> Snavely, "V8 engines to become as 'rare as white flies,' under new fuel economy standards," Detroit Free Press, Aug. 29, 2012.

<sup>14</sup> Energy Independence and Security Act of 2007, Pub. L. 110-140, 121 Stat. 1492, 42 U.S.C. 30102(b)(3)

<sup>15</sup> 77 Fed. Reg. 62946 (Oct. 15, 2012)

<sup>16</sup> U.S. Energy Information Administration, Annual Energy Outlook 2012—Interactive Table Viewer, June 2012.

<sup>17</sup> 77 Fed. Reg. 62955 (Oct. 15, 2012)