

# Bloomberg

## EPA, NHTSA Finalize Rule on Fuel Economy, Carbon Emissions for Cars,

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The Environmental Protection Agency and the National Highway Traffic Safety Administration increased average fuel economy requirements for cars and light-duty trucks to 54.5 miles per gallon by 2025 in a final rule released Aug. 28.

The rule sets combined greenhouse gas emissions and corporate average fuel economy requirements for model year 2017 through 2025 cars and light-duty trucks, nearly doubling the existing fuel efficiency requirements.

“Between this new rule and the administration’s previously issued standards, the average car’s fuel economy will nearly double by 2025, rising to 54.5 mpg,” Transportation Secretary Ray LaHood told reporters. “This will cut oil consumption by 12 billion barrels and save consumers more than \$1.7 trillion at the pump.”

EPA set an average carbon dioxide limit of 163 grams per mile by 2025, which would equate to 54.5 miles per gallon if emissions are reduced primarily through fuel economy improvements. EPA set separate standards for cars and trucks, increasing the emissions standards for trucks at a slower rate.

Additionally, NHTSA plans to require automobile manufacturers to achieve a fleetwide average of 41 mpg in 2021.

The administration projects the fuel efficiency standards will increase to between 48.7 mpg and 49.7 mpg in 2025. Those standards will not take effect until NHTSA completes an additional planned review prior to the 2022 model year. That review will be subject to a separate notice and comment period.

EPA and NHTSA jointly proposed the rule in December (76 Fed. Reg. 74,854; 231 DEN A-16, 12/1/11).

The agencies in 2010 issued a rule to increase the greenhouse gas and fuel economy standards for cars and light trucks from a combined 25 mpg to 35.5 mpg by model year 2016, an increase of 40 percent (75 Fed. Reg. 25,324).

The rule will take effect 60 days after it is published in the Federal Register. The rule amends 40 C.F.R. Parts 85, 86, and 600 and 49 C.F.R. Parts 523, 531, 533, 536, and 537.

### Fuel Savings Outweigh Price Increases.

EPA and NHTSA estimate the rule will increase the average price of a

vehicle by \$1,800 in 2025. However, consumers would save an estimated \$5,700 to \$7,400 in gasoline over the life of the vehicle.

EPA Administrator Lisa Jackson told reporters the rule is a “critically important part of protecting our consumers from prices spikes in fuel.”

The rule will save 4 billion barrels of oil and reduce greenhouse gas emissions by 2 billion metric tons.

As part of its greenhouse gas emissions standards, EPA will allow automobile manufacturers to use emissions credits they accrued as part of the model year 2012 through 2016 standards to meet the latest requirements. Manufacturers also will receive credits for improvements to air conditioning systems that reduce greenhouse gas emissions.

The credit program also includes incentives for manufacturers to produce more electric vehicles, plug-in hybrid electric vehicles, fuel cell vehicles, and hybridized full-size pickup trucks.

### Manufacturers, Unions Support Rule.

The Obama administration negotiated the fuel economy

standards with automakers, unions, California, and environmental groups as part of a push to set a single, national program for vehicle emissions.

“It’s not every century that the auto industry and the environmental movement agree on anything, but everyone on the spectrum from G.M. to environmentalists supports these rules,” Daniel Becker, director of the Center for Auto Safety’s Safe Climate Campaign, said in a statement. “Under these rules, the auto industry can build cleaner, safer cars for Americans and a competitive future for itself.”

United Autoworkers President Bob King said in a statement that the standards “provide certainty for manufacturers in planning their investments and creating jobs in the auto industry as they add more fuel-saving technology to their vehicles.”

### **Environmental Group Wants Stronger Standards.**

Although environmental groups largely praised the rule, the Center for Biological Diversity said the standards are not stringent enough to keep up with China and Japan, which are moving more aggressively to improve fuel efficiency. The flexibility and credits built into the rule effectively lower the mandated fuel efficiency, Vera Pardee, an attorney at the Center for Biological Diversity, told BNA Aug. 28.

“When you think about flexibility, the 54.5 rule is really a fictitious number,” she said. “The standard should be stronger. When you subtract the flexibility and credits already given, the standard is really closer to 47 mpg. The flexibility

isn’t getting us where we need to go. These rules need to be tech-forcing.”

The rule also creates incentives for carmakers to build larger vehicles because they are subject to less stringent emissions standards, Pardee said. The more stringent standards for smaller cars will increase their retail prices, narrowing the price difference between them and larger vehicles, she said. That could actually lead more consumers to buy heavier, less efficient vehicles, she said.

“What we need to do is get the most reductions as quickly as possible,” Pardee said.

### **Automakers ‘Strong-Armed,’ Issa Says.**

Although automobile manufacturers and unions both supported EPA and NHTSA’s regulations, House Oversight and Government Reform Committee Chairman Darrell Issa (R-Calif.) accused the Obama administration of “strong-arming” manufacturers into accepting the rules.

“The administration drafted these standards in secret, strong-arming automakers and short-circuiting the deliberative regulatory process to achieve a purely political result, abandoning sound science and objectivity to appease its political allies in the extreme environmentalist lobby,” he said in a statement.

Issa criticized the standards in an Aug. 10 report, saying the rule would increase vehicle costs, limit consumer choice, and compromise safety. The report also criticized the role environmental groups and the California Air Resources Board

played in negotiating the vehicle standards (155 DEN A-4, 8/13/12).

EPA had given California two Clean Air Act waivers that would have allowed it to set its own greenhouse gas emissions standards. Automobile manufacturers said they favor the single national standard rather than a patchwork of state regulations.

“The Auto Alliance has called for a single, national program because conflicting requirements from several regulatory bodies raise costs, ultimately taking money out of consumers’ pockets and hurting sales,” the Alliance of Automobile Manufacturers said in a statement. “We all want to get more fuel-efficient autos on our roads, and a single, national program with a strong midterm review helps us get closer to that shared goal.”