The Trump administration is preparing to issue a proposal to freeze fuel efficiency standards for cars and light trucks at 2020 levels through at least 2025 and challenge the right of California and other states to set their own tailpipe standards. Not only will this amount to one of the biggest regulatory rollbacks of the Trump administration but it could have far-reaching consequences on a wide variety of fronts.

1. **It sets the stage for a high-stake courtroom battle between the federal government and California, and creates significant regulatory uncertainty in the process.**

Under federal law, California has long been allowed to set tougher tailpipe emission rules than the federal government. Other states are allowed to adopt California’s standards, and currently 13 other states plus D.C. follow its lead. Together these states account for 35 percent of the U.S. auto market and 35 percent of the nation’s population.

In 2012, the Obama administration finalized tougher standards that would have increased fuel economy to the equivalent of 54.5 miles per gallon (this equates to about 40 mpg in real-world driving) for cars and light-duty trucks by Model Year 2025. California and the major automakers agreed to the newer standards, setting a single national fuel economy standard.

Any move to freeze the fuel efficiency standards and revoke the California waiver is certain to be met with legal challenges. California, along with 16 other states and D.C., has already sued the EPA In May 2018 over the Trump administration’s intention to weaken fuel efficiency standards. The state has signaled its intention to use every legal tool at its disposal to protect the current vehicle emission standards and defend its authority to set more stringent rules.

The legal battle between California and the Trump administration could lead to two different emissions standards—one for California and the states that follow it, and another for the rest of the country. That prospect has already raised concerns among automakers who would naturally prefer a single, harmonized market.

Furthermore, a protracted, multi-year legal battle will result in significant regulatory and manufacturing uncertainty that will impact not only the major automakers but also the entire U.S. auto supply chain, which employs some 1.5 million people. A prolonged legal battle would force automakers to delay making long-term investments in future product innovation as they wait to see what kind of vehicles they will be called upon to manufacture.

1. **It would cost American consumers hundreds of billions of dollars.**

New research from Energy Innovation finds that the clean car rollback would cost American consumers $450 billion through 2050. If California retains its ability to set stringent vehicle emissions standards, the loss would be limited to $274 billion through 2050.
Another analysis by the Rhodium Group [9] estimates that the Trump administration’s proposal would result in additional fuel costs of $193 billion to $236 billion cumulatively between now and 2035 depending on oil prices. This is because freezing the fuel efficiency standards at 2020 levels would increase U.S. oil consumption by between 126,000 and 283,000 barrels per day in 2025 (depending on oil prices). By 2035, daily consumption would be between 252,000 and 881,000 barrels higher. Those higher gasoline costs will likely be borne by American consumers.

These findings are not surprising given the strong body of evidence supporting the fact that fuel efficiency standards are cost-effective for consumers and that money saved from fuel savings more than compensates for any costs associated with fuel-saving technologies. A recent study by David Greene at the University of Tennessee [10] found that fuel economy improvements to cars and light trucks since 1975 have saved American consumers a cumulative 1.5 trillion gallons of gasoline, along with an estimated $4 trillion, spread across all income groups. Another analysis by the Union of Concerned Scientists [11] reached similar conclusion. Between 1980 and 2014, improvements in vehicle efficiency saved low-to middle-income households up to an average of 2 percent of their income and saved the average middle-income household as much as $17,000. These savings are especially significant for low-income households for whom fuel costs are a much larger share of income.

Even though critics of stricter fuel efficiency standards argue that it imposes onerous costs on automakers who will pass it on to American consumers, the evidence doesn’t appear to support that. Data on automaker compliance [12] shows that the auto industry is not having trouble complying with the U.S. fuel economy and greenhouse gas standards, with most automakers beating their standards every year. This has happened at the same time that automakers have introduced more makes and models of cars at little net cost to consumers. In fact, nearly half of all new 2017 vehicles cost less to buy and fuel [13] than their 2011 counterparts and fuel savings exceeded fuel economy technology costs for 94 percent of all new 2017 models.

1. **It will increase transportation sector emissions.**

The transportation sector recently surpassed the power sector as America’s biggest source of greenhouse gases, accounting for 28 percent of total U.S. greenhouse gas emissions in 2016 [14]. Tailpipe emissions also contribute to local air quality pollution that has been linked to many public health problems. Unlike the electricity sector, in which market forces have pushed utilities towards cleaner energy, including natural gas and renewable sources, relatively low gasoline prices in recent years have led consumers to pay less attention to fuel economy when they buy new cars. As a result, the external pressures of government standards represented the most powerful action the United States has taken to reduce greenhouse gas emissions.

Weakening fuel economy standards would increase transportation sector greenhouse gas emissions. According to Energy Innovation analysis [8], the Trump administration’s proposal would lead to 1,432 million metric tons (MMT) of carbon dioxide equivalent in 2035, as opposed to 1,239 MMT under current policy, an increase of 11 percent.

1. **It will imperil the U.S. auto industry, compromising its ability to succeed in a highly competitive global market.**

Weaker federal fuel efficiency standards, rather than helping the U.S. auto industry, will hurt its long-term competitiveness in the form of lost market share to more innovative foreign competitors. China,
which has the biggest car market in the world, and Europe are pressing ahead with greater fuel efficiency and vehicle electrification. **Bloomberg New Energy Finance forecasts** [15] Chinese vehicle sales to rise to more than 33 million units per year by 2030, while the U.S. market will grow more slowly to 18.5 million. China, which has a serious air pollution problem, insists that any automaker doing business within its border sell a significant share of zero- and low-emission vehicles [16]—10 percent starting in 2019, rising to 12 percent in 2020. The European Union will require more stringent standards in 2021 than the 2022-2025 standards currently under threat. Weakening U.S. fuel efficiency standards would only undermine the global competitiveness of the U.S. auto industry at a time when the rest of the world is moving in a different direction.

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Policy Area [17]›Energy [18]
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