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Docket No. EPA-HQ-OAR-2018-0283 and/or NHTSA-2018-0067

Thank you for the opportunity to provide comments in response to the National Highway Traffic Safety Administration (NHTSA) and Environmental Protection Agency's (EPA) proposed ruling "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks" (referred to hereafter as the Notice of Proposed Rulemaking or NOPR). The Alliance to Save Energy is a nonprofit, bipartisan alliance of business, government, environmental and consumer leaders advocating for enhanced energy productivity to achieve economic growth, a cleaner environment, and greater energy security, affordability and reliability. We provide these comments based on our extensive experience in working to advance cost-effective and bipartisan national energy efficiency policies in partnership with a diverse set of industry and public interest stakeholders, including our 120+ corporate Associates.

Fuel Economy Standards Provide Enormous Benefits to the United States

The NOPR came to a central conclusion that MY2021-2026 fuel economy standards should be frozen at 2020 levels. The Alliance firmly disagrees with this conclusion and found it to be based on a number of assumptions that are not consistent with existing research regarding the costs and benefits of fuel economy. We respectfully recommend a reconsideration of these assumptions. For example, we understand the following to be demonstrably true of fuel economy standards:

- **Fuel economy standards support U.S. competitiveness:** The NOPR suggests the levels of fuel economy required by the original 2012 MY2021-2025 standards were impracticable. The concept that U.S. innovation will be incapable of improvement from 2021-2026 timeframe is an underestimation of the power of the U.S. industry. U.S. automakers have been global leaders in the development of more fuel-efficient vehicles for decades, as the standards encouraged them to invest resources in research, development, demonstration and deployment. Other countries have even higher commitments to fuel economy -- the current fuel economy standards in the European Union, Japan, South Korea (and soon also China), already surpass the levels of fuel economy that the U.S. vehicle fleet would reach in 2020. Falling behind in an international race for the best vehicles will raise the costs of American vehicles, reduce the number of jobs for American workers, and pass the torch to other countries that are committed to leadership in fuel economy and emissions reductions.¹
- **Fuel economy standards promote jobs:** The U.S. auto supply chain employs four times as many people as U.S. auto manufacturers, creating a significant workforce that serves to produce the technologies that support the increasing needs of cars with high fuel economy. A recent study found that the original 2012 MY2021-2025 standards would have added more than 100,000 jobs in 2025, and over 250,000 by 2035.² Allowing fuel economy standards to stagnate could result in job losses, costly redesign and movement of facilities, and encourage the import of low-cost low-quality products.³
- **Fuel economy standards are one of our most effective tools to enhance energy productivity:** Fuel economy standards have been called "one of the most impressive efficiency successes in modern memory" by experts at the National Academy of Sciences (NAS), and have delivered extraordinary benefits to the United States.^{4,5} According to the EPA's 2016 analysis, the current

2022-2026 standards were expected to reduce fuel consumption by 1.2 billion barrels of gasoline over the lifetime of the vehicles sold in those model years. Other independent estimates have suggested the NOPR would result in a 20 percent increase in gasoline use in 2035.⁶ These estimates are significantly higher than the NOPR's assertion that it would result in increases of 0.5 million barrels per day in oil consumption, which, if accurate, is still tremendous and needless energy waste. While the NOPR suggests that this number is small as it equates to only 2-3 percent of projected U.S. energy consumption, this amount is nearly equivalent to the quantity of oil the United States imports daily from Iraq. Independent analyses have found that the original MY2021-2025 standards would have also increased US GDP by more than \$16 billion in 2035.⁷

- **Consumers still care about fuel economy, and standards insulate against oil price volatility:** The NOPR states that consumers that “value fuel economy and low CO₂ emissions above other attributes” are “a relatively small percentage of buyers;” it also assumes that fuel prices will remain low and constant through 2050, citing Energy Information Administration (EIA) projections. This may be one of the most dangerous assumptions of the NOPR. First, recent surveys have found that, on average across all experimental conditions and during a period of low fuel prices, customers are still willing to pay about \$690 more for each additional mile per gallon, or \$10,730 more to save \$1,000/year in fuel costs.⁸ Second, dramatic volatility has remained a consistent feature of oil markets since the 1970s (and largely inspired the creation of our organization). EIA takes a transparently conservative approach in modeling future oil prices, and does not speculate on changes in international policy or geopolitics. As a result, their projections are an inappropriate measure of future fuel prices. As an illustration, Brent crude oil prices have risen by nearly 300 percent since January, 2016; even in the short period of time since this request for comment was posted on August 24, 2018, they have fluctuated by 16 percent.⁹ Should fuel prices rise again, consumers may find themselves “trapped” with fewer options to insulate themselves from price shocks.
- **Fuel economy standards save families money:** Freezing fuel economy targets at MY 2020 will cost the average American family \$500 per year after 2026, with the greatest costs borne by low-income states; under previous standards, owners of MY2025 cars were expected to see net savings of up to \$5,000 over the lifetime of their cars compared to model year 2020 vehicles, and truck owners could save up to \$8,000 compared to MY2020 vehicles.¹⁰ Numerous other studies have confirmed that the benefits of the standards outweigh the costs, especially for low-income families.^{11,12,13}
- **Fuel economy standards do not significantly increase vehicle prices in the long term:** While fuel economy standards have increased significantly since the 1970s, the cost of vehicles has increased only slightly on a real basis over the last 20 years. Economic research has shown that while short-term price increases may occur, they are expected to be short-lived, and still result in net benefit for consumers and society.^{14,15} Reflecting this, vehicle purchases have been rising steadily since the 2008 recession, with record levels of vehicle sales already observed for the first half of 2018 – this occurred over a period of tightening fuel economy standards.^{16,17}
- **Efficient cars are safe:** a significant branch of research – including work by NHTSA, the California Resources Board, and the NAS -- has found that more efficient vehicles are safe to drive.^{18,19,20} Indeed, travel fatalities have decreased sharply from 1.46 in 2005 to 1.18 per hundred million miles of travel in 2016.²¹ The NOPR's assumption that more fuel-efficient vehicles will result in

greater loss of life is not substantiated.

- **Fuel economy standards reduce greenhouse gas emissions:** It is estimated that freezing 2021 standards for MY2022-2026 will result in 234 million tons of additional CO₂ in 2050.²² The Economist magazine estimated that these original 2012 vehicle emissions and fuel economy standards – alone – would have constituted the 6th largest cause of *global* greenhouse gas (GHG) emissions reductions.²³

Recommendations Regarding the California Waiver and Alternative Fuels

- **Continue to work with the State of California:** The implementation of the NOPR’s preferred option of freezing MY2021-2026 fuel economy standards undermines state authority and would likely lead to split fuel economy standards with those states adopting the California standard,^a which make up 40 percent of the U.S. auto market. Going a step further and eliminating the California waiver would lead to greater damage, including a protracted legal battle and years of chaos uncertainty for U.S. automakers and parts suppliers, which could cause lasting damage for the industry, U.S. competitiveness abroad, and drive jobs out of the country.²⁴ This is a startling disruption to legal precedent and the National Program.
- **Protect incentives for more efficient hybrid and electric vehicles:** Hybrid and electric vehicle technologies (hybrids, plug-in electric hybrids, battery-electric vehicles and fuel cell electric vehicles) provide “game changing” opportunities to enhance fuel economy. While these vehicles still constitute low levels of existing vehicle stocks, their adoption is growing quickly, both within the United States and internationally.²⁵ Given the critical benefits that energy efficiency can provide to society, these technologies should be encouraged to the maximum extent. The NOPR recommends phasing out incentive multipliers for compliance after MY2021; we recommend maintaining them through MY2021-2026. The NOPR’s reasoning that reduced fuel economy standards and incentives for electric vehicles would actually stimulate their growth -- because regulatory streamlining would result in lower oil prices, stimulating greater sales of conventional vehicles that in turn support automakers’ developments of electric vehicles -- is bewildering.

Conclusion

We affirm that it is critical to establish fuel economy standards within the reasonable bounds of economic feasibility to maximize societal benefit. But the preferred solution in this proposal -- to freeze model year 2020 fuel economy standards through 2026 and withdraw the California Clean Air Act waiver – is unjustified and would significantly undermine one of the most impactful energy efficiency policies in U.S. history. It would cost American families thousands of dollars in added fuel expenses over the life of a vehicle, increase our dependence on volatile global oil markets, and potentially create a chaotic, fragmented vehicle market that would undermine long-term investment certainty, U.S. competitiveness, and job creation. We also affirm the importance of the National Program and a coordinated and cooperative process with agencies, the State of California, automakers, and other stakeholders to establish a unified path with all stakeholders to progressively strengthen national fuel economy standards into the future.

^a Connecticut, District of Columbia, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont, Washington

The NOPR states that “our goal is to establish standards that promote both energy conservation and safety, in light of what is technologically feasible and economically practicable, as directed by Congress.” We urge the NHTSA and the EPA to work closely with all stakeholders to identify a path forward that fulfills this critical mandate. The proposed solution in the NOPR neither promotes energy conservation nor safety to the maximum ability of technological feasibility or economic practicability and would result in irreversible costs for society that would compound over decades.

Thank you for the opportunity to comment.

Sincerely,

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¹ (2018) *Chart Library: Passenger vehicle fuel economy*. International Council on Clean Transportation. Retrieved from <https://www.theicct.org/chart-library-passenger-vehicle-fuel-economy>

² Allison, A., Hall, J., Ackerman, F. (2018) *Cleaner Cars and Job Creation*. Synapse Economics. Retrieved from <http://www.synapse-energy.com/sites/default/files/Cleaner-Cars-and-percent20Job-Creation-17-072.pdf>

³ Helper, S., Miller, J.S., Muro, M. (2018) *Why undermining fuel efficiency standards would harm the US auto industry*. Brookings. Retrieved from <https://www.brookings.edu/blog/the-avenue/2018/07/02/why-undermining-fuel-efficiency-standards-would-harm-the-us-auto-industry/>

⁴ *CAFE Standards*. What You Need to Know About Energy, a blog of the National Academies of Sciences, Engineering, Medicine. Retrieved from <http://needtoknow.nas.edu/energy/energy-efficiency/cale-standards/>

⁵ (2018) *Factsheet: Corporate Average Fuel Economy (CAFE) Standards*. Alliance to Save Energy Factsheet. Retrieved from <https://www.ase.org/sites/ase.org/files/resources/Media-percent20browser/cale-standards-factsheet.pdf>

⁶ Rissman, J., Orvis, R. (2018) *Un-SAFE: Trump Clean Cars Rollback Would Cost \$450 Billion by 2050, Increase Emissions 11 percent by 2035*. Forbes. Retrieved from <https://www.forbes.com/sites/energyinnovation/2018/07/25/un-safe-trump-clean-cars-rollback-would-cost-u-s-450-billion-cause-13000-deaths-through-2050/#5639a8fc17d9>

⁷ Allison, A., Hall, J., Ackerman, F. (2018) *Cleaner Cars and Job Creation*. Synapse Economics. Retrieved from <http://www.synapse-energy.com/sites/default/files/Cleaner-Cars-and-percent20Job-Creation-17-072.pdf>

⁸ Kormos, C., Sussman, R. (2018) *Auto Buyers' Valuation of Fuel Economy*. Simon Fraser University and ACEEE, Submitted to Consumers Union. Retrieved from <https://consumersunion.org/wp-content/uploads/2018/06/FINAL-Kormos-and-Sussman-2018-percentE2-percent80-percent93-Auto-buyers-valuation-of-fuel-economy.pdf>

⁹ (2018) *Petroleum & Other Liquids: "Europe Brent Spot Price FOB."* U.S. Energy Information Administration. Retrieved from <https://www.eia.gov/dnav/pet/hist/RBRTED.htm>

¹⁰ (2018) *Clean Car Roll-back: Estimated costs for American families if U.S. climate pollution and fuel economy standards are relaxed*. MJB&A, powerpoint presentation. http://blogs.edf.org/climate411/files/2018/07/Clean-Car-Rollback-FINAL-20jul18.pdf?_ga=2.91971101.601765003.1540327622-717414882.1540327622

¹¹ Comings, T., Allison, A., Ackerman, F. (2016) *Fueling Savings: Higher Fuel Economy Standards Result in Big Savings for Consumers*. Synapse Energy Economics, Inc.

¹² Gillis, J. (2017) *An Analysis of Consumer Savings and Automaker Progress On the Road to 2025 CAFÉ Standards*. Consumer Federation of America. Retrieved from <https://consumerfed.org/wp-content/uploads/2017/07/on-the-road-to-2025-cale-standards.pdf>

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