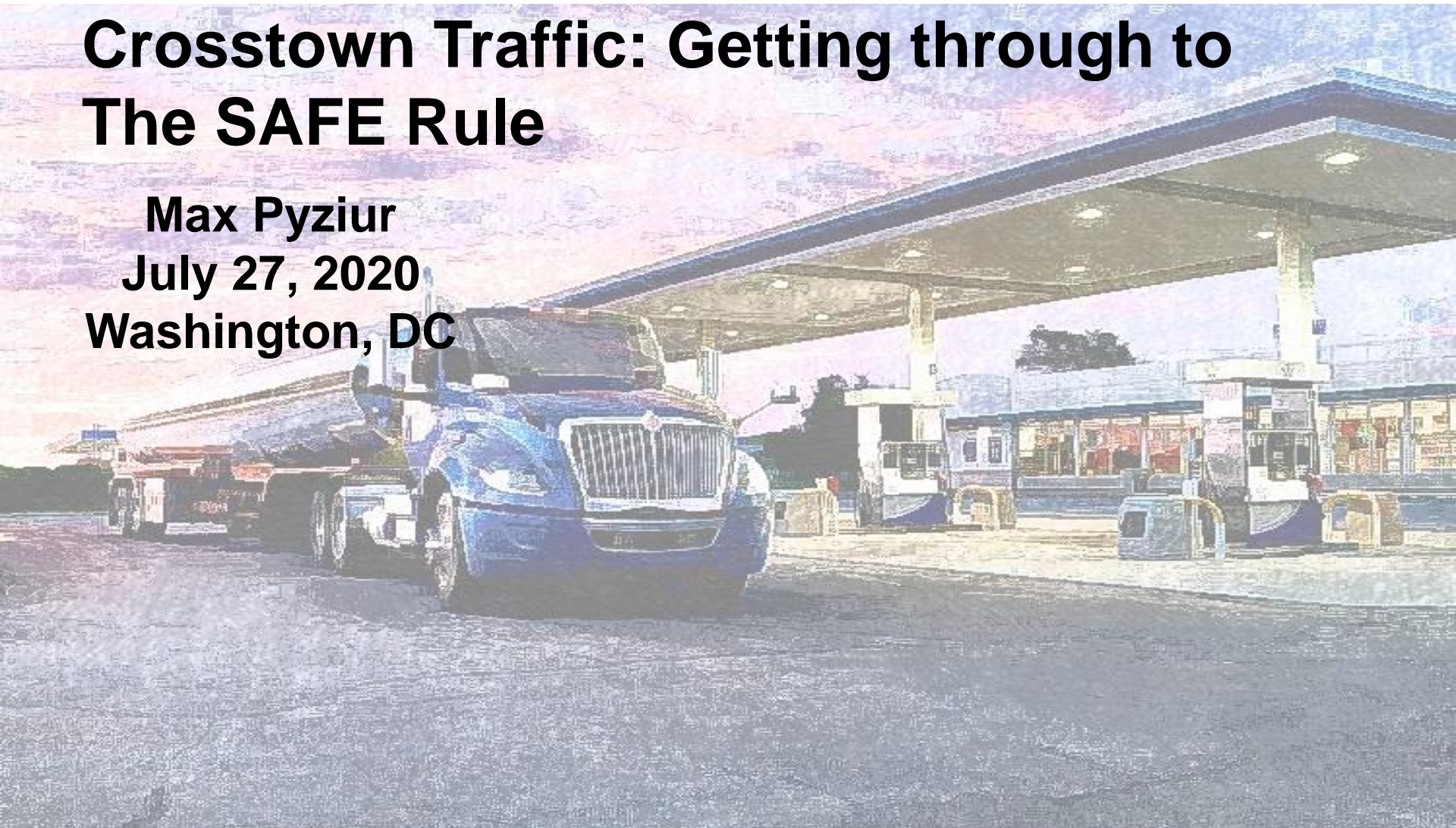


Crosstown Traffic: Getting through to The SAFE Rule

Max Pyziur
July 27, 2020
Washington, DC



— *emitte lucem et veritatem* —

Presentation Outline

- **SAFE Rule precursors: CAFE Standards and the “One National Program”**
- **The unraveling of the One National Program**
- **SAFE (Safer Affordable Fuel-Efficiency) Vehicles Rule Introduction & Features**
- **Select Issues / Considerations**

CAFE Standards, History to the Present - 1

- Corporate Average Fuel Economy (CAFE) Standards in their original form were ...
 - Introduced through the 1975 Energy Protection and Conservation Act (EPCA)
 - In reaction to the 1973 Arab Oil Embargo that cut supplies and raised prices
 - Sought to reduce fuel consumption through the regulation of fuel-efficiency motor vehicle standards rather than through a consumption tax
 - Administered by the National Highway Traffic Safety Administration (NHTSA) (one agency, not three)
 - Key guideline: “Maximum Feasible”

CAFE Standards, History to the Present - 2

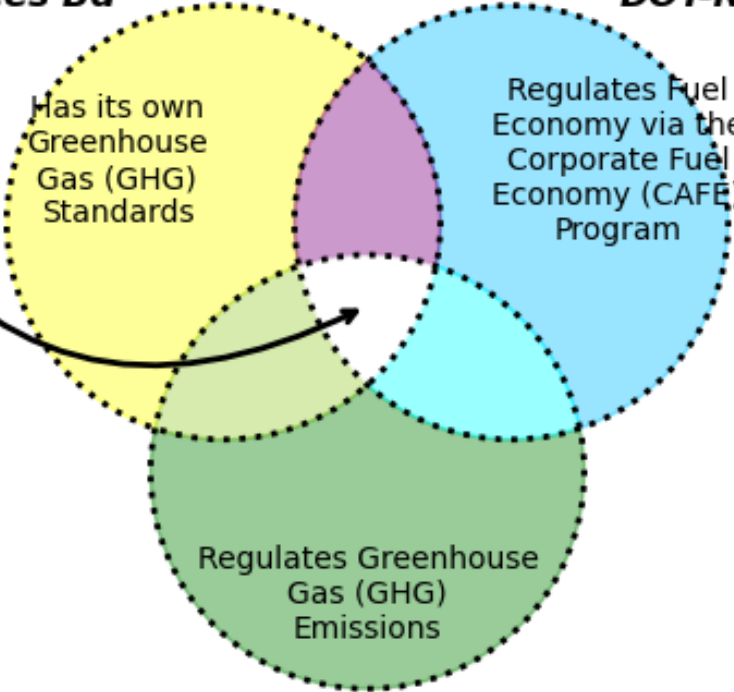
- **September 2004: California Air Resources Board (CARB) formulated GHG standards for motor vehicles to begin in MY 2009.**
- **April 2, 2007: SCOTUS decides Mass. vs EPA; this ruling effectively enabled EPA to regulate CO2**
- **May 19, 2009: the CAFE “One National Program” established; jointly administered by NHTSA, EPA, and CARB setting CAFE and GHG standards**
 - **Phase 1 for Model Years 2012 to 2016**
 - **Phase 2 for Model Years 2017 to 2025**
 - **Phase 2 required a technical assessment review (TAR) to be published in June 2016, and a Final Determination in April 2018 for MY 2022 to 2025 for MV manufacturing reassessment.**

One National Program Fuel Economy & GHG Regulators

Cali Air Resources Bd

DOT-NHTSA

One National Program

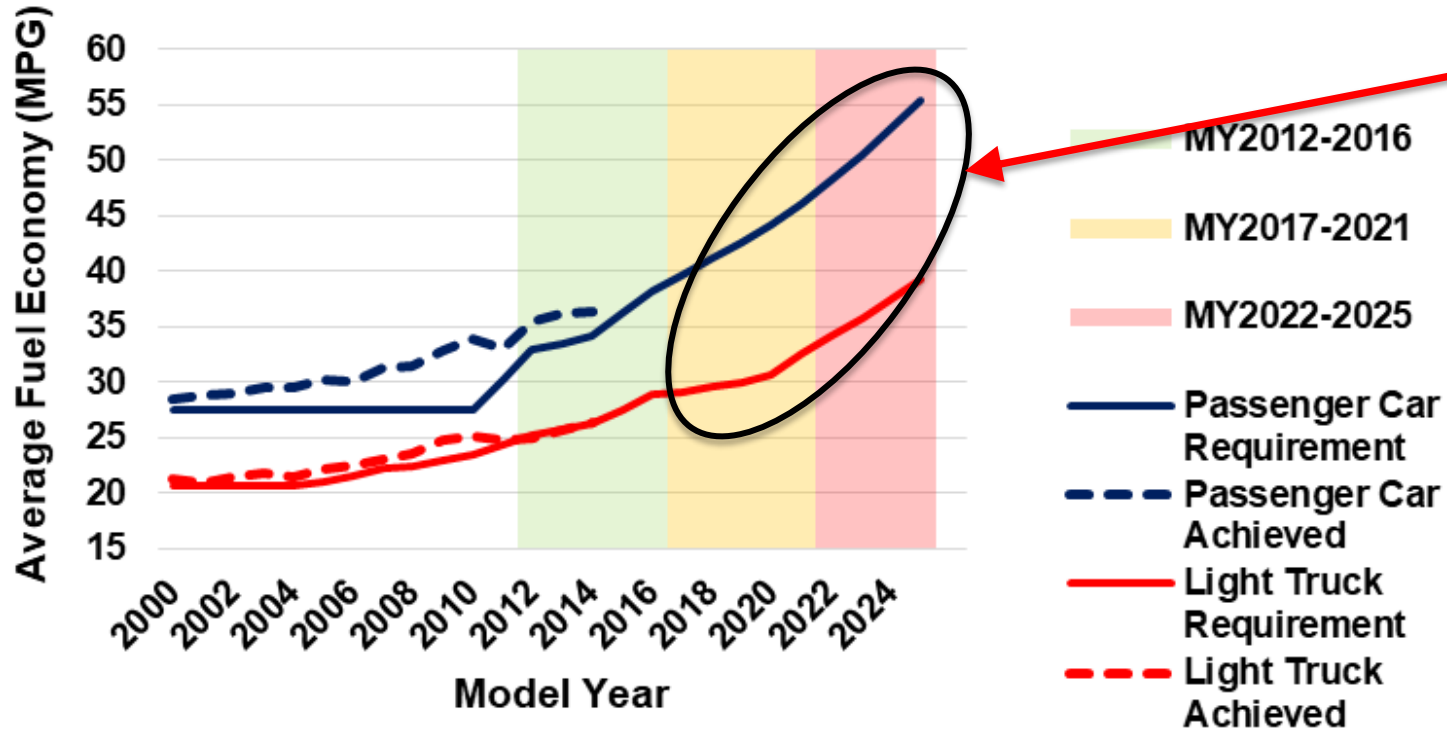


EPA - Environmental Protection Agency

EPRINC

“Can’t you see the signals turn from green to red?”

CAFE: Required vs Achieved MPG



Original Obama Administration Target of Average “54.5 MPG”

Analysis Based on NHTSA Data

EPRINC

The Great Un/Re/raveling - From TAR to SAFE (One National Program Breaks down) - 1

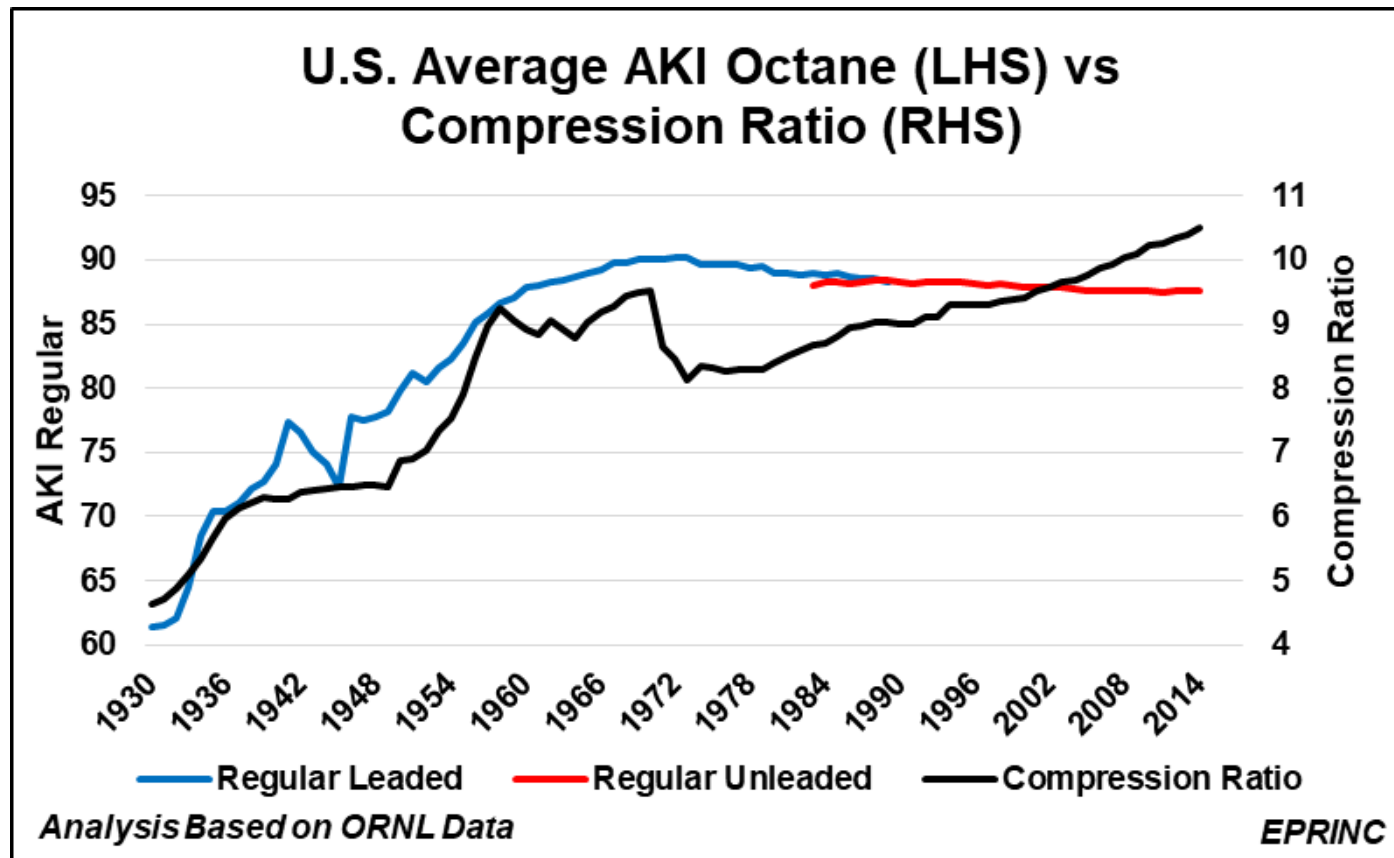
- **July 2016: Draft TAR issued one month late; the public comment period closed early in December 2016**
- **November 30, 2016: EPA Administrator McCarthy proposes that original standards are appropriate, and that a rulemaking to change them is not warranted**
- **January 12, 2017: Less than two weeks before a change in administration Administrator McCarthy signs the Determination to maintain the original standards**
- **March 15, 2017: Joint announcement by EPA Administrator Pruitt & DOT Secretary Chao to reconsidered final Determination**

The Great Un/Re/raveling - From TAR to SAFE (One National Program Breaks down) - 2

- **April 2, 2018: EPA deemed that the targeted MY2022-2025 were inappropriate and should be revised**
- **August 2, 2018: Announcement of proposed Rulemaking, renamed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for MY 2020-2026**
- **August 2, 2018: EPA & NHTSA propose revocation of California's waiver authority**
- **July 25, 2019: California separately from EPA & NHTSA signs an agreement with four automakers: Ford, Volkswagen, Honda, and BMW**
- **March 31, 2020: EPA & NHTSA release final SAFE Rule**

Octane as a Path to a Grand Comprise - 1

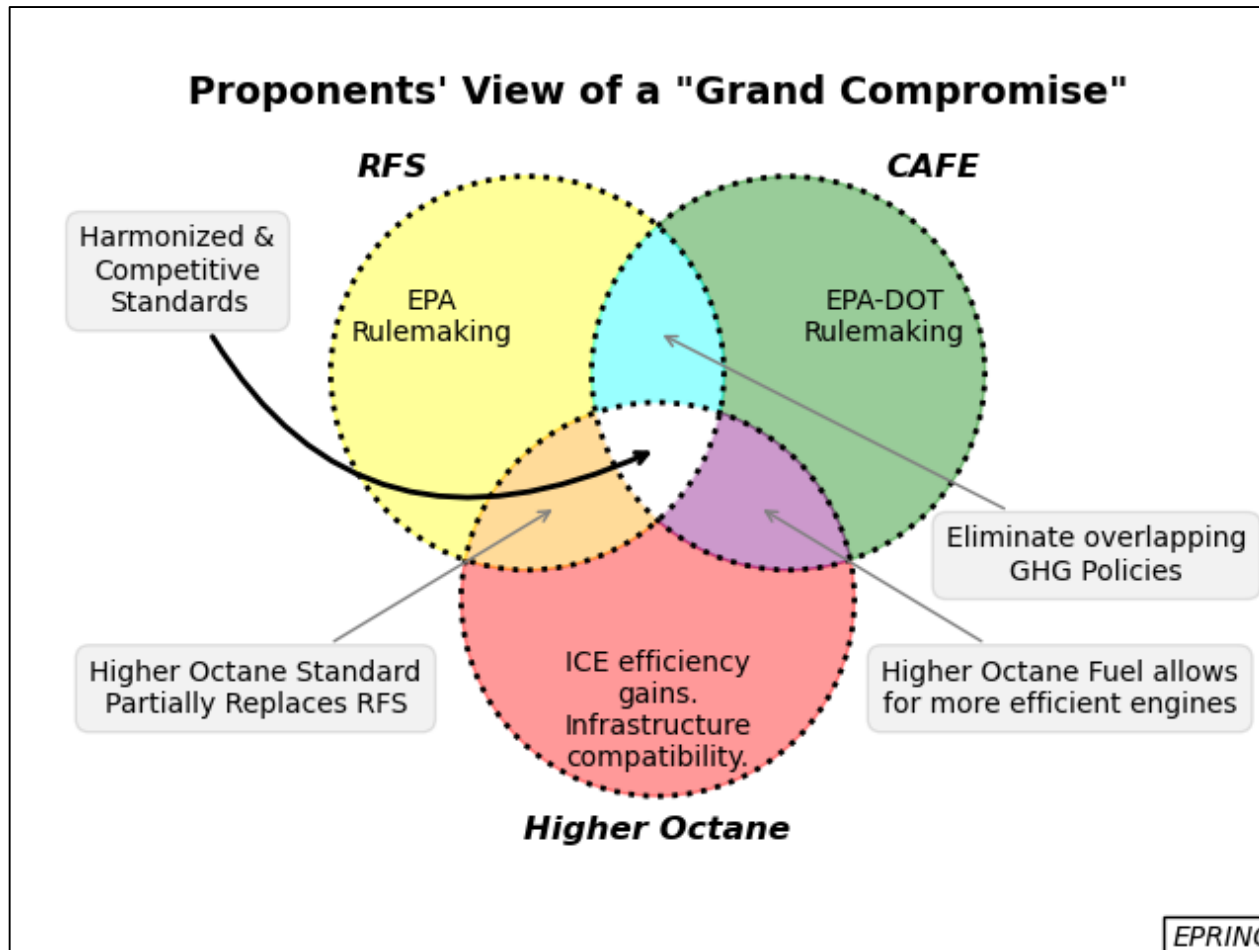
(Trying to Get Humpty Dumpty Back Together, and Then Some ...)
Congressmen Shimkus/Flores 21st C. Transportation Act



— emitte lucem et veritatem —

Octane as a Path to a Grand Compromise - 2

Congressmen Shimkus/Flores 21st C. Transportation Act



— emitte lucem et veritatem —

SAFE Rule Select Summary

Overall Impact:

- **increase stringency of CAFE and CO2 emissions standards by 1.5% each year through model year 2026, as compared with the CO2 standards issued in 2012, which would have required increases of about 5% per year**
- **\$1,400 reduction of total consumer cost of ownership per new vehicle**
- **More than \$1,000 reduction in sales price per new vehicle**
- **2.7 million additional new vehicles sold**
 - **Source: NHTSA/EPA**

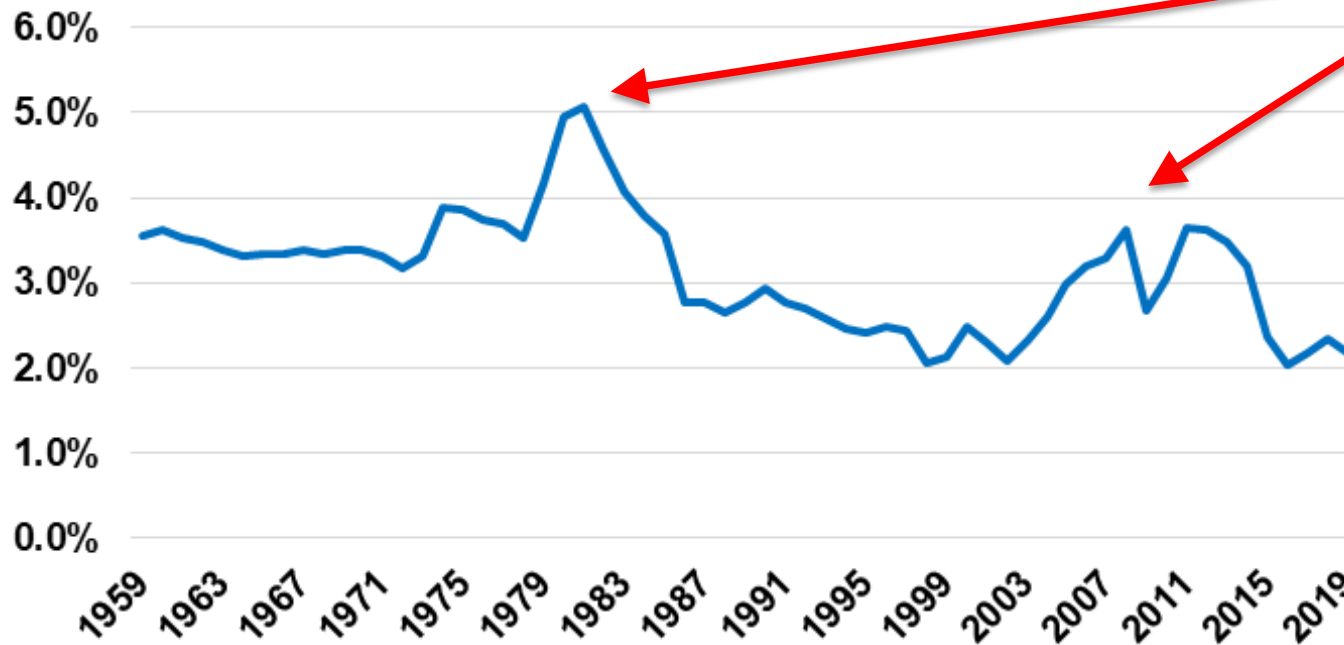
Select Issue 1: CAFE/SAFE Rule Algebra

OO > NewCARB > SAFE

- **Where:**
 - **54.5 = Original Obama Administration "MPG" target by 2025 (OO)**
 - **50.0 = California 2019 "MPG" target by 2026 (NewCARB)**
 - **40.4 = SAFE Rule "MPG" target by 2026 (SAFE)**

Select Issue 2: Consumer Fuel Expenditures

Consumer Expenditures on Motor Fuel As Percentage of Disposable Income

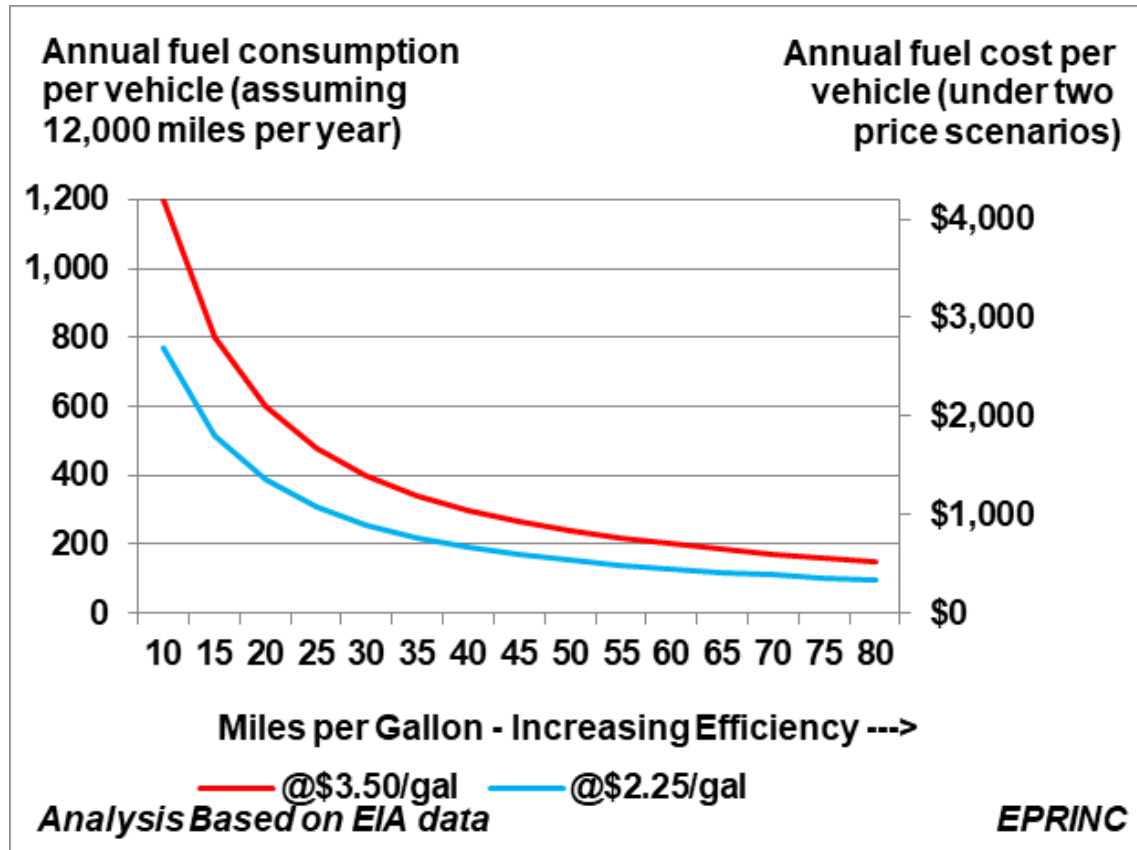


Key fuel policy initiatives take place when expenditures are rising as a percentage of income

Analysis Based on BEA Data

EPRINC

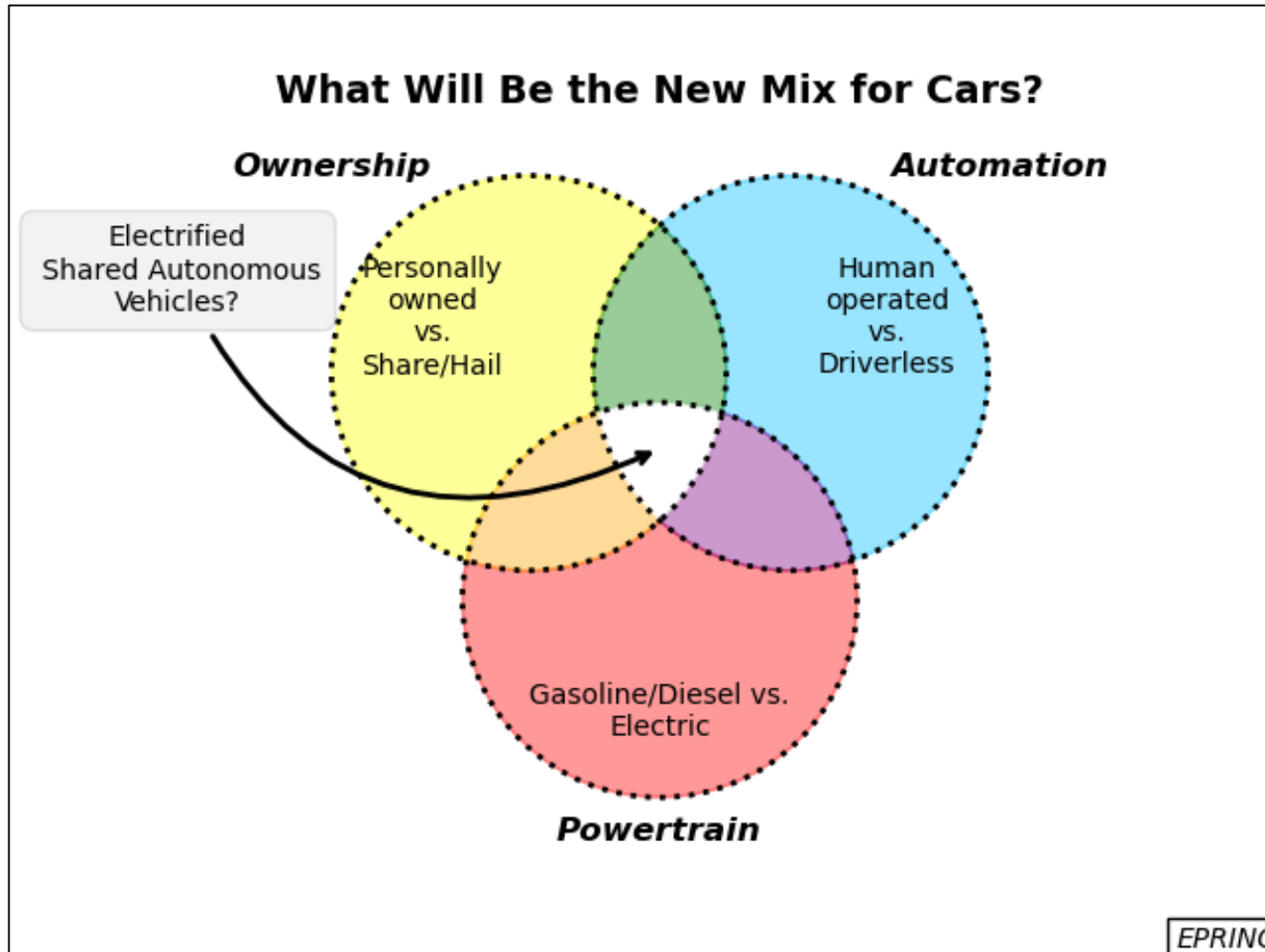
Select Issue 3: law of diminishing returns



Reductions in Fuel Efficiency follow a pattern of diminishing returns.		
Savings	@ \$3.50/gal	@ \$2.25/gal
10MPG->20MPG	\$2,100	\$1,350
15MPG->30MPG	\$1,400	\$900
30MPG->60MPG	\$700	\$450

EPRINC

Select Issue 4: urban mobility vectors in play



EPRINC Downstream Reports, Presentations, and Testimony Available at www.eprinc.org

- **Octane: Pathway to a Compromise?**
- **Understanding California's High Transportation Fuel Prices**
- **The Biofuel Mandate: Technical Constraints And Cost Risks**
- **CAFE, Gasoline Prices and the Law of Diminishing Returns: A New Agenda for the Midterm Evaluation**
- **Presentation at the Energy Information Administration (EIA) 2017 Annual Conference on Octane and the CAFE Standards**
- **Testimony on the RFS on February 24, 2016 by Lucian Pugliaresi (EPRINC's President) before the U.S. Senate Committee on Environment & Public Works**

Thank you!

Questions?