

Message

From: Maisano, Frank [frank.maisano@bracewell.com]
Sent: 8/2/2018 3:57:38 PM
To: Maisano, Frank [frank.maisano@bracewell.com]
Subject: SPECIAL UPDATE: Resources on CAFE Standards Change

Friends,

The Trump administration said this morning it wants to freeze fuel efficiency standards for vehicles made from 2022 to 2025 at current levels and revoke a Clean Air Act waiver that allows California to set its own GHG specifications.

Here is the [release](#) and a link to the [draft rule](#).

This morning EPA's Bill Wehrum and NHTSA's Heidi King hosted a pen and pad conference call to discuss proposed national fuel economy standards for MY 2021-2026 vehicles.

SOME HISTORICAL PERSPECTIVE

Remember, many experts knew and suggested as far back as 2012 that the Phase II rules were always going to be a stretch. And the 11th hour 2017 Obama EPA review really didn't credibly change the fact that technology challenges still remain a problem.

As well, on the waiver, again many experts have suggested that since California itself has focused its attention on GHGs for its waiver now rather than the smog-forming pollution that make its circumstances unique to California, that there is no longer grounds to grant a specific, special waiver.

WHAT TO DO ON WAIVER QUESTIONS

Many of you have already spoken with my colleague Jeff Holmstead, a former EPA air office head, on the waiver issue. He reminds that in 2007, EPA made a similar argument that was subject to litigation – just as this one will be – but it never played out to its end because the Obama Administration came into office in 2008 and re-granted the waiver. Jeff can be reached at jeff.holmstead@bracell.com or 202-294-8700 should you have questions. You can also forward questions to me.

OTHER EXPERTS

Our friends at Securing America's Future Energy (SAFE) also weighed in on several topics. SAFE President and CEO Robbie Diamond:

"The release of this proposal now enables the federal government and California to engage in the serious conversation that is needed between both parties. President Trump called for a deal when he convened the auto industry in May to discuss fuel economy standards—we look forward to sharing solutions and continuing a dialogue with all parties as this process moves forward."

"Oil prices are at the highest point since 2014 thanks to the continued market manipulation of OPEC and rising geopolitical risk. Fuel economy standards, coupled with domestic production, are one of the best policies available to maintain momentum on reducing our oil dependence—these rules improve our national security, unleash innovation, save consumers money and help insulate our economy from oil price volatility."

"The U.S. Department of Transportation (DOT) and the Environmental Protection Agency (EPA) have a unique opportunity to modernize the fuel economy standards by incorporating new technologies that create a win-win situation"

for all stakeholders. A long, litigious road is the worst possible outcome for the auto industry and its consumers, the administration and our national security.”

Diamond also offered specific additional on-the-record comment about the NPRM language on several topics”

On safety argument:

“The federal government’s own data shows that when managed properly for vehicle footprints, lightweighting and fuel economy rules don’t undermine highway safety. Saving lives while saving fuel can be accomplished simultaneously—especially while integrating new technologies such as advanced driver assist and other semi-autonomous features, which can result in 18-25 percent reductions in fuel demand system-wide, and save approximately 10,000 lives per year.”

On vehicle prices:

“Thanks to the incredible innovation of the automotive industry, the impressive gains in fuel efficiency that have been achieved since 2012 have come at a price that consumers can afford—vehicle purchase prices have fallen by 3% since 2013 even as the total Consumer Price Index has risen by 8%. By contrast, housing prices have increased by 15% and food prices have increased by 7%. We need a regulatory framework that supports continued technological innovation that will strengthen the industry, boost our economy, and help consumers deal with the rising price of oil.”

On assumption oil prices will stay low through 2050:

“Trying to predict oil prices is a fool’s game. Just 6 months ago, we were told oil prices wouldn’t rise above \$75 per barrel in the near future. The only safe assumption about oil prices is that they are unpredictable, and subject to manipulation by foreign actors. Let’s remember that every modern recession has been preceded or occurred concurrently to an oil price spike.”

AFPM Also Weighs In: The American Fuel & Petrochemical Manufacturers (AFPM) President/CEO Chet Thompson:

“The return to national, unified emissions targets set at reasonable levels would be a positive step toward ensuring that the vehicle fleet contains affordable options with features that meet the needs of American drivers. Today, vehicles with internal combustion engines are cleaner and more efficient than ever, and fuel, petrochemical and automobile manufacturers are innovating continuously to help Americans get more out of their cars. We applaud the administration, EPA and NHTSA for offering this practical proposal and look forward to a final rule that reflects market realities, industry progress and consumer preferences.”

ANOTHER INTERESTING SIDEBAR

Given today’s fuel economy announcement, one issue that can improve fuel economy that states ACTUALLY have control over is how rough roads are and how they are maintained. [MIT’s Concrete Sustainability Hub](#) has done significant research on Pavement-Vehicle Interactions – studies about how we can lower fuel consumption and vehicle emissions by taking a new approach to building and maintaining our roadways. This is significant for how states determine their transportation budgets and the kind road maintenance projects they might undertake.

This is a good add-in to any stories you or your colleagues may be considering on the States AGs response, the actual CAFE policy impacts and how you can deal with fuel economy/GHG outside of the rule.

[MIT experts posted a new White Board Video that explains](#) how texture, roughness, and structural properties of the road all play a role in vehicle fuel efficiency and greenhouse gas emissions (it can be as high as 4%, which is pretty big when you think about how many drivers are out there).

In addition to Holmstead, my colleagues Scott Segal and Anna Burhop are also digging into the draft rule so please call/email with questions.

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