

Revisiting of Fuel Standards Is Not a Rollback

COMMENTARY

Real Clear Politics
By Mitch Bainwol
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Washington is a town where truth can be elusive. Ideological agendas and herd reporting often distort issues. When it comes to auto policy, especially in today's highly charged political environment, sensationalism routinely warps reality. Here's an example:

Contrary to the breathless coverage of the Trump administration's action to revisit fuel economy and greenhouse gas emission standards, this decision actually fulfills key promises made by the prior administration. Early in Barack Obama's first term in office, automakers agreed with the president to establish long-term fuel economy targets stretching out to 2025. This bold plan, requiring massive investment by automakers to achieve a social goal we embraced -- addressing climate change -- came with two prudent obligations by policymakers.

First, President Obama and his team committed to undertake a midterm review halfway through the timeframe (2018) to check government predictions against reality and use that information to set standards for 2022-2025. The midterm look-back recognized the challenge of forecasting market and technology factors long into the future, as well as the importance of using evidence-based analysis because the economic stakes were so significant.

Second, policymakers made a commitment to harmonize three regulatory programs that effectively serve the same purpose -- managing fuel efficiency/carbon. National Highway Traffic Safety Administration, EPA and California's Air Resources Board all regulate emissions, but in different ways and with different timelines. Redundant government programs drive compliance costs up and that ultimately comes out of the wallets of our customers. The Obama administration stated in writing: "Continuing the National Program ensures that auto manufacturers can build a single fleet of U.S. vehicles that satisfy requirements of both federal programs as well as California's program."

Both of these commitments made sense. The agreement was sound. The goals were shared. And the plan was launched. But something funny happened on the way to the forum.

After the 2016 election, EPA chose to short-circuit the midterm analysis and advance a finding nearly 18 months before it was due. Politics took hold; marketplace realities were ignored. The federal program itself was split, with EPA jumping ahead of NHTSA. The original estimated targets were then justified and rushed through, irrespective of contradictory but salient market developments and irrespective of NHTSA's role in the process. Both commitments – the midterm and One National Program – were abrogated.

The market reality is clear. No factor is more relevant than gas prices, which remain significantly lower than projected. In reaction, consumers are buying more SUVs and trucks, bigger engines and fewer alternative powertrains than regulators expected. When the EPA issued the premature determination early last year, it trumpeted the statistic that automakers were over-complying. Weeks later, government reports indicated that statistic was no longer operative, and, for the first time, automakers missed the emissions targets despite achieving record fuel economy. Since then, compliance has slipped even further.

Remember, the government evaluates automakers on fuel economy standards by what consumers buy – not what automakers put in dealer showrooms. In short, the buying pattern of the American public has demonstrated that a rigid adherence to the standards -- as originally contemplated nearly a decade ago -- is inconsistent with market realities.

Moreover, two or three different regulatory rule sets make no sense. As such, we enthusiastically embrace the idea of One National Program. We did so when we signed up in 2011. We did so in the days immediately after the 2016 election and we do so now. Nothing has changed. Writing to the Trump transition team in November of 2016, we asked that “the White House lead efforts with EPA, NHTSA, CARB and the automakers on finding a pathway forward regarding the standards for 2022 MY and beyond.”

Here we are, in April of 2018, the precise point at which the previous administration suggested a judgment be reached about whether to adjust the standards. The new administration has spent a year conducting research, looking at the unfolding data – and has reached the determination that adjustments are warranted.

“Adjustments” are not rollbacks. We favor standards that increase year over year. The industry is committed to ongoing progress in a journey that has no end date. After all, we have invested substantially in energy-efficient technologies that we would like to see consumers embrace. We expect that fuel economy will keep rising. The only issue is at what speed. We do not buy the view that the 2012 projections were perfect and that conditions are unchanged. On the contrary, the projections were materially imperfect and conditions have fundamentally changed.

Even so, no matter how these standards ultimately adjust, the fuel savings through 2025 will likely achieve at least 97 percent of the original estimates. That's because there is profoundly

more savings realized on the front end of the curve than on the back end – as moving from 10 to 20 miles per gallon produces 10 times more savings than moving from 40 to 50 miles per gallon.

We asked administration officials to look at the data and base their decision on marketplace realities. They have. We asked them to work with California to try to find a policy outcome that works for both. They are embarked on that mission. Let's give that a try. Too much is at stake to let politics and overheated rhetoric get in the way.

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