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Vehicles actions for EPA and DOT in the Obama Administration

The first step the new Administration should take is granting the California waiver. For NHTSA, that would mean removing or rescinding the anti-CA language from the new fuel economy rule, depending on whether or not the rule has been released. EPA should also immediately make an endangerment finding, and both agencies should work together to move forward with regulations in their respective fuel economy and greenhouse gas pollution arenas. For too long, technology that could be put to use reducing both consumers' pain at the pump and vehicle greenhouse gas pollution has been sitting idle, and it is time to put it to work, along with the auto workers who will be installing the new technology.

There are a number of options for improving fuel economy/greenhouse gas performance, after granting the waiver.

1. Assuming that the Bush administration issues the final fuel economy rule, it will probably be too late to revise the model year 2011 (the first model year the rule takes effect), given the leadtime requirements for the automakers. However, by conducting the analysis with more reasonable technology and cost assumptions the new administration could reopen the rule for the remaining years and reach 35 miles per gallon (mpg) by 2015.

2. EPA should immediately make an endangerment finding and move aggressively to initiate rulemakings on the basis of *Mass. v. EPA*. Both EPA and NHTSA are required by law to issue rules in their respective areas. Given the desires for government efficiency and to reduce compliance burdens on the manufacturers, NHTSA and EPA should work together to capitalize on the expertise of each agency, and coordinate compliance requirements. EPA authority under the Clean Air Act has several advantages over the traditional NHTSA authority, primarily that EPA can consider on-road performance, set long-term standards based on public health and welfare needs, and technology forcing. EPA's initial rule should be at least as strong as the first phase of the California greenhouse gas regulations (so-called Pavley 1 standards), and must preserve state authority now and moving forward.

3. NHTSA should work with EPA to issue an aggressive fuel economy rule for MY 2016-2020. Assuming that the initial rule is revised to achieve 35 mpg by MY 2015, we estimate that vehicles can reach an average of 42 mpg in 2020 with only 25% hybrid penetration. That number could go even higher if either: plug-in vehicles or other advanced vehicle technologies are available in significant numbers, or different levels of acceleration and weight are considered.

4. EPA and NHTSA should work together to improve the transparency and function of the NHTSA rulemaking and modeling process, and ensure that both agencies' rules are coordinated to reduce the regulatory burden on the automakers, while maintaining independent authority. In the previous rule, EPA identified several flaws with NHTSA's computer model; moving forward the agencies should work together to significantly improve or replace the current model. Also, because NHTSA relies heavily on manufacturers' confidential product plans, the rules have been challenging to analyze. By either making aggregate product plan data available, or allowing



outside reviewers to analyze product plans after proving they have no conflict of interest and signing nondisclosure agreements, the transparency and effectiveness of NHTSA's rulemaking could be greatly improved.

5. For medium and heavy-duty vehicles EPA should develop technology-forcing complete-vehicle emissions standards consistent with meeting long-term GHG reduction targets for the transportation sector. NHTSA should acknowledge the role for fuel economy standards for medium and heavy-duty vehicles and develop its EISA-mandated fuel efficiency study in parallel with the NAS panel's work, so as to ensure that the standards take effect no later than 2015.

Finally, as we consider bailing out the domestic automakers, the Administration should require significant improvements in fuel economy or greenhouse gas performance for any taxpayer funded bailout. The public should have guaranteed returns from its investment, and the savings from increased fuel economy will more than recoup any investment made in the domestic industry.