Comments of State Comptrollers and Treasurers on Proposed Amendments to CAFE and Greenhouse Gas Standards for Vehicles

October 25, 2018

Honorable Elaine Chao, Secretary
U.S. Department of Transportation
National Highway Traffic Safety Administration
1200 New Jersey Ave, SE
Washington, DC 20590

Andrew Wheeler, Acting Administrator
Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: RIN 2127-AL76; RIN 2060-AU09.

Dear Secretary Chao and Administrator Wheeler:

Thank you for the opportunity to comment on the proposed revisions to corporate average fleet efficiency (CAFE) and greenhouse gas (GHG) emission standards for passenger cars and light trucks.[1] Among other revisions, the proposal's preferred alternative would freeze standards for the 2021 through 2026 model years at the 2020 level and revoke California's waiver allowing it to set more stringent vehicle emission standards. As state treasurers and comptrollers, we believe that this issue is of vital importance to our national and state economies, the environment, and the health of our states' residents. We believe the current standards are critical for the U.S. economy and, therefore, we oppose the proposed revisions to CAFE for the reasons described below.

U.S. Economic Impacts from Climate Change

Economists have found that climate change poses significant risk to our economy. A recent analysis of the impacts of climate change on the U.S. economy suggests that each degree Celsius (1°C) increase in temperature will cost 1.2 percent of the country's gross domestic product per year on average.[2] Climate change also poses significant risk to investors, threatening potential portfolio losses of $4.2 trillion globally, or 3 percent of the current market capitalization of all the world's stock markets, through 2100.[3] Ongoing wildfires, drought, heat waves, flooding and other extreme weather linked to climate change demonstrates how climate change can inflict economic damage to our economies and devastating impacts on the health and well-being of the people we represent. It is thus critical to reduce GHG emissions to protect the economic future of our states and our nation.

---

[1] The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks. Notice of Proposed Rule Making. Federal Register Vol. 83 No. 165, Pg. 42986.
[2] Hsiang, Solomon, et al. *Estimating Economic Damage from Climate Change in the United States*. Science. Volume 356, Issue 6345. (June, 2017.)
[3] The Economist, Intelligence Unit, 2015.

According to the most recent National Climate Assessment, these impacts are already being experienced in a climate that has on average warmed approximately 1°C since 1901.[4] This analysis shows that stabilization of GHG concentrations in the atmosphere at current levels would commit us to an additional 0.6°C of warming by the end of the century. Failure to achieve such stabilization could result in warming of up to 5°C over this time period, with devastating consequences. In order to avert unthinkable changes to our climate, we must take aggressive but realistic steps to reduce anthropogenic GHG emissions from all sources as rapidly as possible.

Until recently, electric generation was the largest source of GHG emissions in the United States. However, replacement of coal fired generation with natural gas and renewable energy has produced reductions in the GHG emissions attributable to electric generation, such that the transportation sector now is tied with electric generation as the country's leading source of emissions.[5] As such, it is vitally important to improve the efficiency of vehicles in order to reduce the transportation sector's GHG emissions and ameliorate climate change risks.

In addition to reducing GHG emissions, analysis by the U.S. Environmental Protection Agency (EPA) has shown that, compared to standards set forth in the Notice of Proposed Rulemaking (NPRM), current standards will produce more jobs in the overall economy, fewer vehicle-related fatalities and lower emissions of other harmful pollutants.

Competitiveness of U.S. Auto Manufacturers

Like the United States, most other developed nations have adopted policies to reduce vehicle emissions and promote increased vehicle efficiency, and many are pursuing strong electric vehicle mandates. If U.S.-based vehicle manufacturers produce vehicle fleets meeting only the less stringent standards proposed in the NPRM, those manufacturers could face greater competitive challenges in overseas markets, as well as in domestic markets where many American consumers consider efficiency in their vehicle purchasing decisions.

Consumer Cost

Analysis by the EPA finds that in new cars, the incremental costs of technology required to meet current CAFE and GHG standards through 2025 will be paid back in reduced consumer costs within 3.5 years.[6] IHS Markit reports that the average length of time a consumer keeps a new car is approximately 6.6 years, meaning that the current standards would produce economic savings for average consumers over the life of their vehicle ownership.[7] In addition, research shows that when purchasing new cars, consumers either appropriately value or only slightly

[4] U.S. Global Change Research Program, Climate Science Special Report. (June 28, 2017.)

[5] U.S. EPA. Sources of Greenhouse Gas Emissions. Overview. https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions; accessed September, 2018.

[6] Summary Points from EPA Review of CAFÉ Model (NPRM version) – Effect of EPA Code Revisions. (June 18 2018.)

[7] "Vehicles Getting Older: Average Age of Light Cars and Trucks in U.S. Rises Again in 2016 to 11.6 Years, IHS Markit Says." https://news.ihsmarkit.com/press-release/automotive/vehicles-getting-older-average-age-light-cars-and-trucks-us-rises-again-201.

undervalue fuel economy in the purchase decision, making it likely that consumers would recognize the economic benefits of purchasing more efficient vehicles.[8]

Safety

The NPRM indicates that advances in vehicle efficiency could undermine vehicle safety. However, the EPA found that improved efficiency can be achieved without compromising the safety performance of the vehicle, and that the current CAFE and GHG emission rules have not produced an increase in fatal accidents.[9]

Vehicle Miles Traveled

Many of the purported benefits of revising CAFE and GHG standards cited in the NPRM, including safety and potential reductions in pollutants emitted, are based on a questionable assertion that people will be incentivized to drive less if cars are less efficient and as a result more expensive to operate. Yet some research demonstrates that, with the exception of very low income households, increased vehicle efficiency does not result in increased vehicle miles traveled (VMT).[10] In addition, some researchers have identified a peak driving phenomenon in which VMT have been falling across the board in recent years.[11] For these reasons, we believe that it is unlikely that freezing efficiency standards would be the proximate cause of any reduction in VMT.

In making this argument, the NPRM appears to contradict itself, having argued initially that consumers would not be motivated to purchase efficient vehicles because fuel costs will be relatively low for the foreseeable future and thus consumers will not value vehicle efficiency. A more likely outcome of freezing efficiency standards is that consumers will expend increasing amounts of their household budgets on fuel. This is troubling given the continuing economic challenges facing many of our states' residents and the conclusion by some economists that increasing fuel expenditures may place a drag on the economy.[12]

California Clean Car Waiver

The NPRM also seeks to revoke California's waiver—granted by the EPA in 2013—allowing the state to set its own more stringent vehicle emission standards. The NPRM sets forth three arguments supporting revocation: that states are pre-empted from setting fuel economy standards; that the California standards are technically infeasible; and, that California does not face the "compelling and extraordinary conditions" required to set its own standards. We view this proposal as an attempt to undermine the efforts of California, and those of the 13 other states and

---

[8] Sallee, James M., Sarah E. West, Wei Fan. *Do Consumers Recognize the Value of Fuel Economy? Evidence From Used Car Prices and Gasoline Price Fluctuations*. Journal of Public Economics, V. 135 pp. 61-73, (2016).

[9] Light-Duty Vehicle Mass Reduction and Cost Analysis—Midsize Crossover Utility Vehicle. USEPA, (2012). See also Summary Points from EPA Review of CAFÉ Model (NPRM version) – Effect of EPA Code Revisions. (June 18, 2018).

[10] Wang, Tingting and Cynthia Chen, *Impact of Fuel Price on Vehicle Miles Traveled (VMT): Do the Poor Respond in the Same Way as the Rich?* Transportation (2014) 41:91-106. DOI 10.1007/s11116-013-9478-1.

[11] Garceau, Timothy J., Carol Atkinson-Palombo and Norman Garrick. *Peak Car Travel in the United States: Two-Decade-Long Phenomenon at the State Level*. Transportation Research Record DOI: 10.3141/2531-05

[12] Litman, Todd. *The Mobility-Productivity Paradox: Exploring the Negative Relationships Between Mobility and Economic Productivity*. Paper 14 at the I-TED 2014 International Transportation Economic Development Conference.

the District of Columbia that have adopted California's standards, to protect the health and well-being of their residents. While the merits of the NPRM's arguments may eventually be tested in court, it is worth noting that the Clean Air Act does not provide the EPA with explicit authority to revoke a waiver once granted, and that the California Air Resources Board found that automakers were already outperforming California's standards.[13]

Conclusion

The NPRM proposes to freeze vehicle efficiency standards at the 2020 level for model years 2021 through 2026. Such a step would ignore widespread support for existing standards, as reflected by policy positions taken by states and municipalities representing an estimated 55 percent of the U.S. new car market.[14] Based on evidence presented in the review materials for the proposed regulation and the compelling research cited above, the proposed rule change would impose additional costs on consumers, increase emissions of GHG and other pollutants, and reduce the competitiveness of the U.S. auto industry. In addition, based on regulatory materials filed by the EPA, and the comprehensive technical record compiled in support of the current rules, it is likely that the NPRM has relied on faulty analysis to reach its conclusions on safety, costs and environmental impacts. Finally, if the (National Highway Traffic Safety Administration (NHTSA) and the EPA pursue the standard laid out in the NPRM and it is subject to legal challenge (as we anticipate), the resulting regulatory uncertainty will make it difficult for the auto industry to plan for the future.

We urge the NHTSA and the EPA to withdraw this proposal and allow the current CAFE and GHG emission standards to remain in place.

Sincerely,

Thomas P. DiNapoli
New York State Comptroller

Michael Frerichs
Illinois State Treasurer

Nancy K. Kopp
Maryland State Treasurer

Seth Magaziner
Rhode Island General Treasurer

Denise L. Nappier
Connecticut State Treasurer

Elizabeth Pearce
Vermont State Treasurer

Scott M. Stringer
New York City Comptroller

Joseph M. Torsella
Pennsylvania State Treasurer

Betty T. Yee
California Controller

[13] Hankins, Meredith and Nicholas Bryner. *Trump Administration and California are on Collision Course Over Vehicle Emissions Rules*. Legal Planet. (August 2, 2018) at http://legal-planet.org/2018/08/02/trump-administration-and-california-are-on-collision-course-over-vehicle-emissions-rules/

[14] Lutsey, Nic and Peter Slowik. *U.S. States and Cities Take Responsibility on Clean Cars*. The International Council on Clean Transportation. (August 2018) https://www.theicct.org/blog/staff/US-states-cities-take-responsibility.