



UNITED STATES
DEPARTMENT OF TRANSPORTATION

CAFE: Next Steps under EPCA

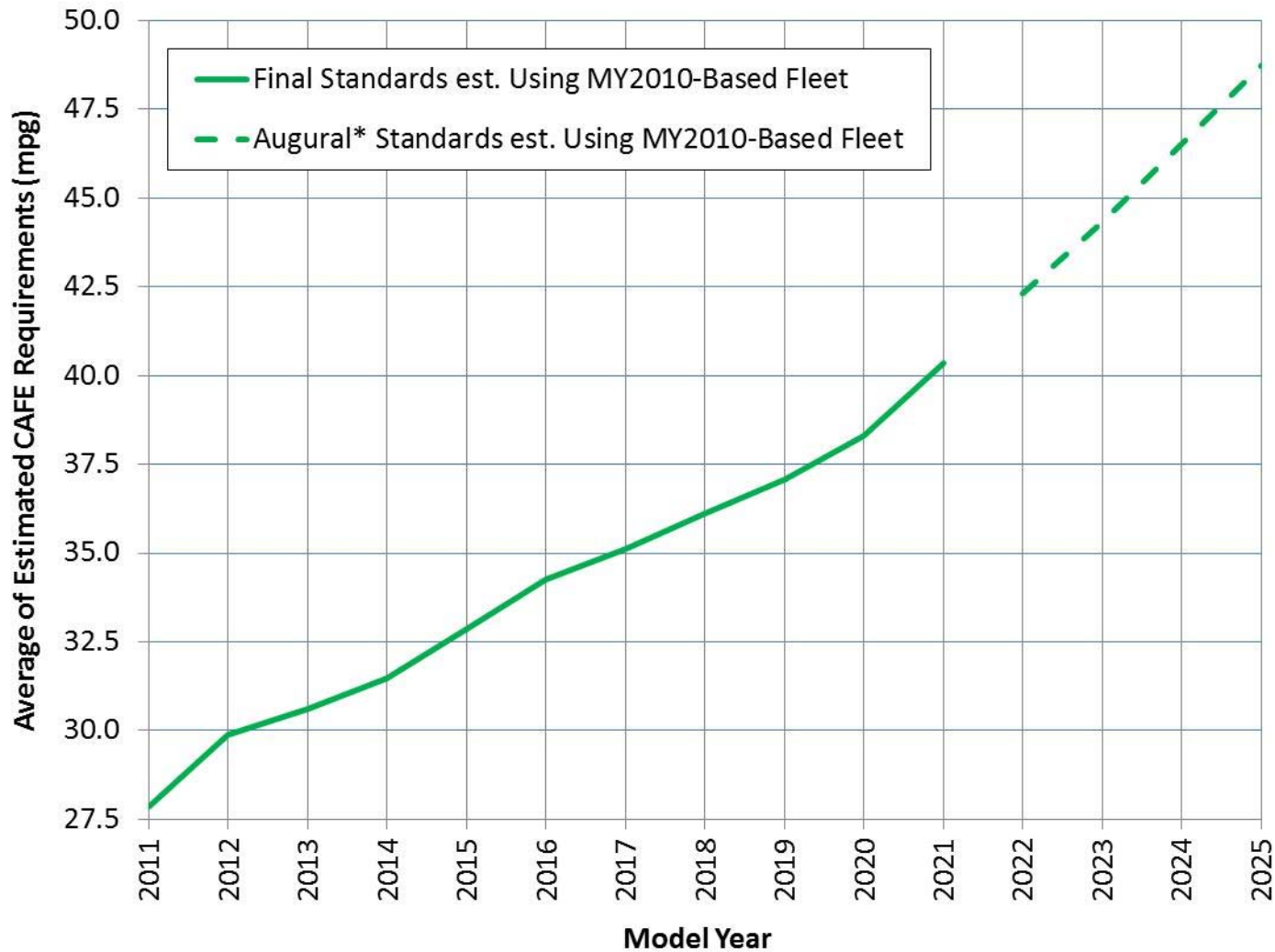
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March 17, 2015

Energy Policy and Conservation Act (EPCA)

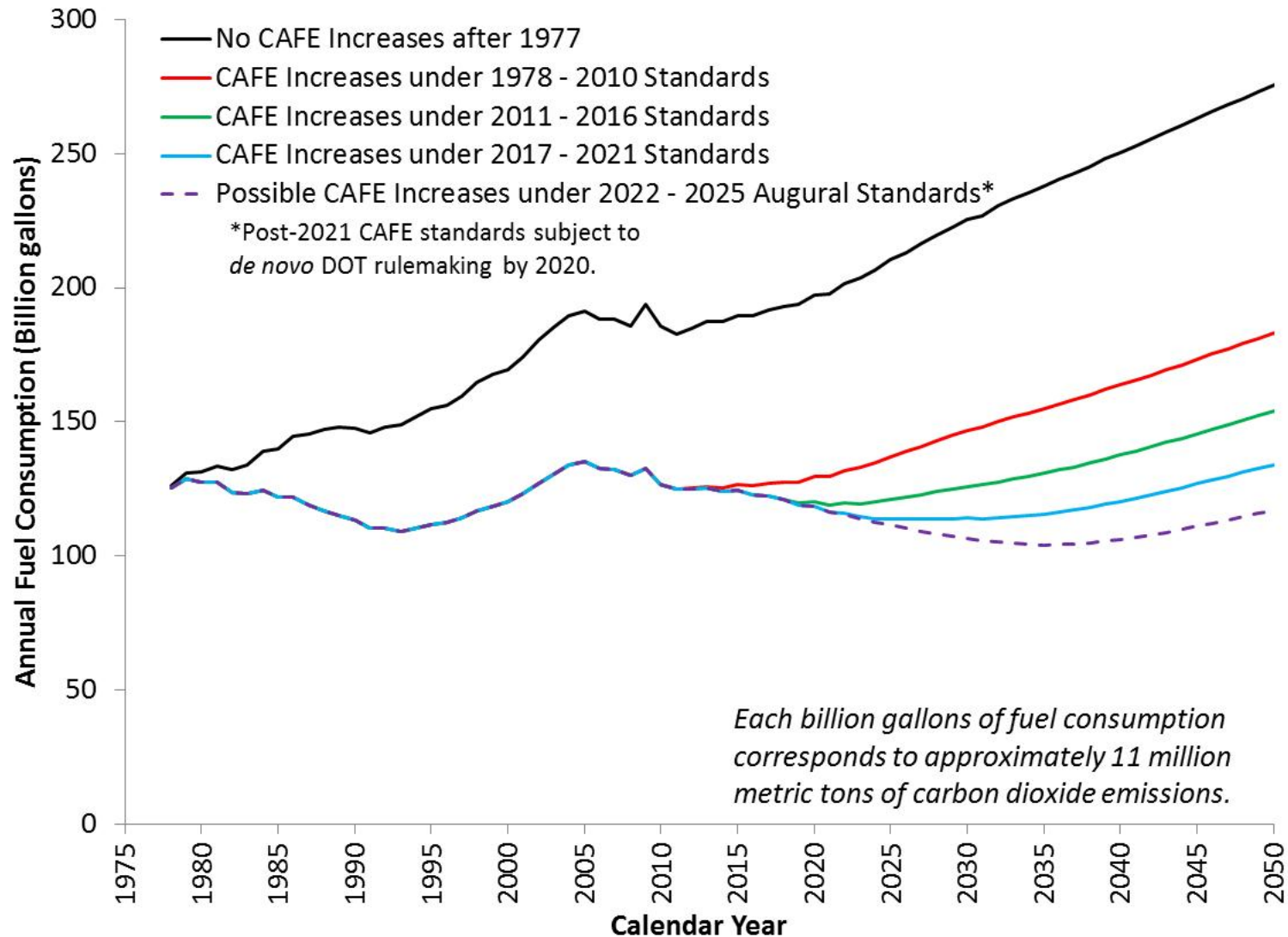
- The source of general and specific Congressional direction regarding CAFE standards.
- Enacted 1975
- Requires Corporate Average Fuel Economy (CAFE) standards
- Requires DOT to set standards at maximum feasible levels separately for each fleet in each model year
- Requires DOT to enforce standards
- Amended 2007 (Energy Independence and Security Act – EISA)

Average of Requirements Estimated in 2012



**Post-2021 standards subject to entirely new rulemaking; matching EPA/CARB standards subject to “mid-term review”.*

CAFE increases have already helped the U.S. conserve more than a trillion gallons of gasoline.



Next Round of Evaluation / CAFE Rulemaking

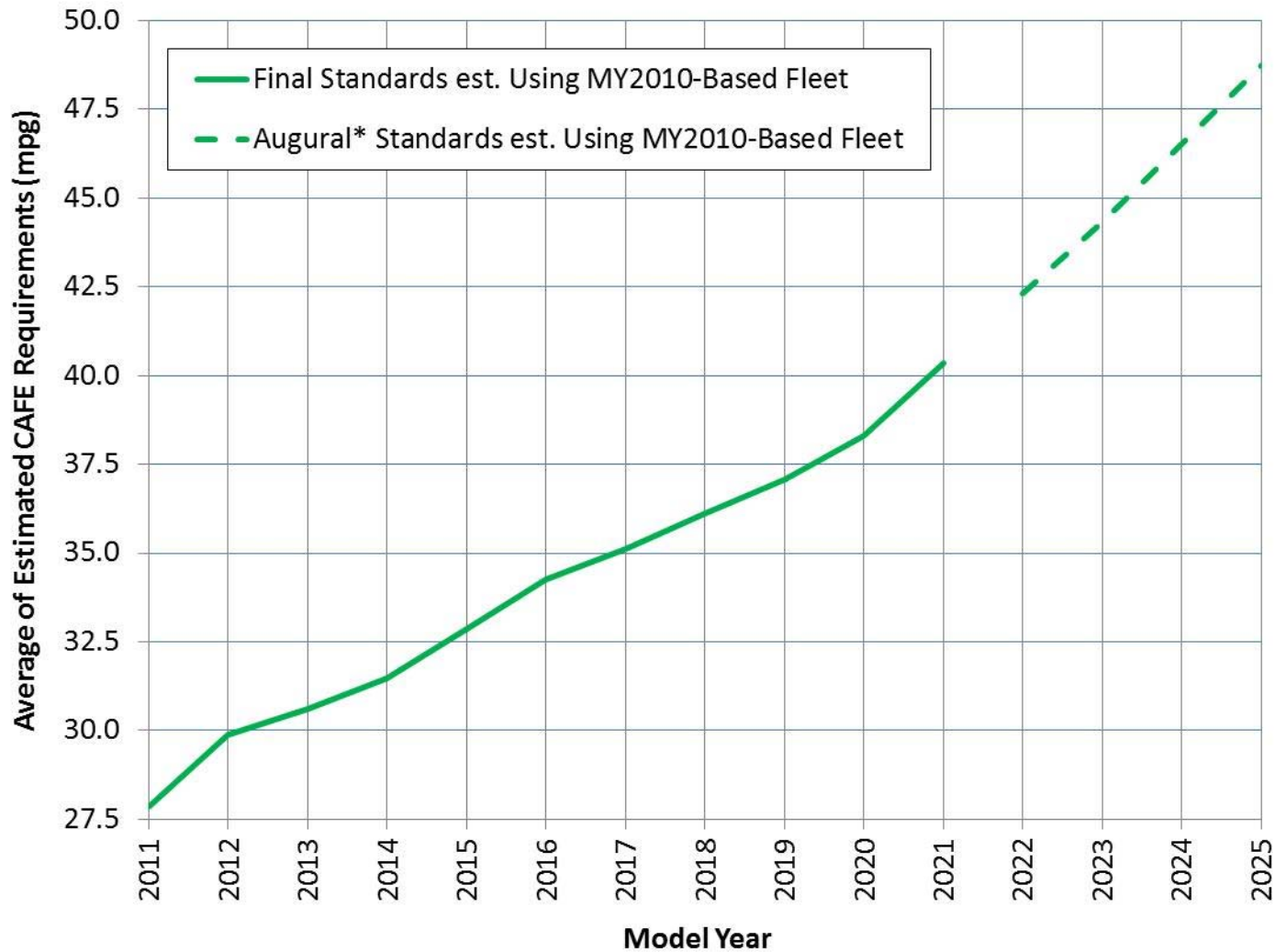
- Per EISA (2007), each CAFE rulemaking may cover at most 5 model years
 - This is why the MY 2022 - 2025 standards in most recent CAFE final rule are “augural,” not final

- To establish final standards for MYs 2022 and beyond, DOT must undertake new rulemaking
 - Cannot be simply “the augural standards are OK”
 - Must evaluate meaningful range of regulatory alternatives
 - Must prepare DEIS and go through NEPA process
 - Must set standards separately for passenger cars and light trucks at maximum feasible levels in each model year

- To help inform new rulemaking, DOT, EPA, and CARB plan for a joint Technical Assessment

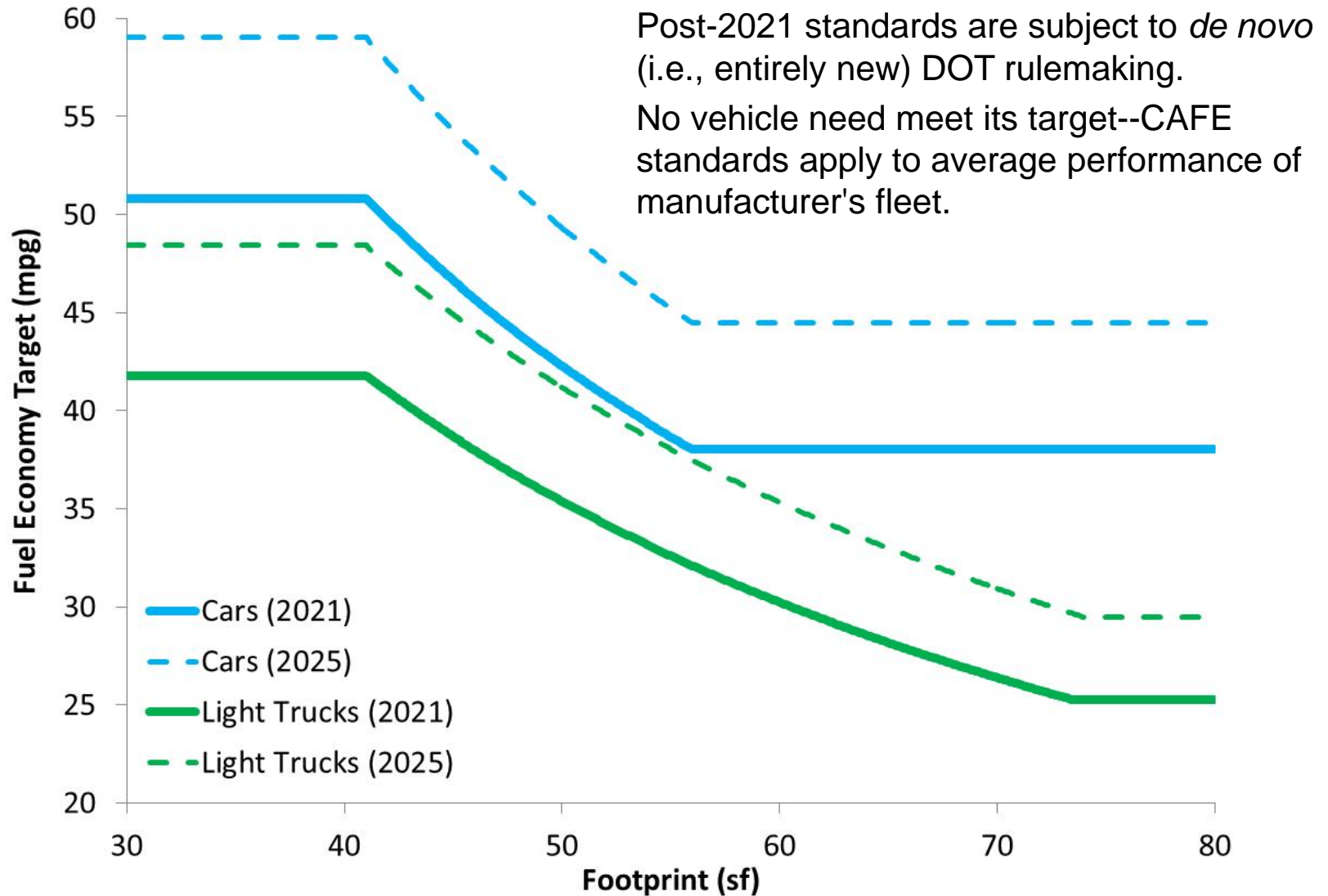
- NHTSA’s rulemaking will be concurrent with EPA decision on whether to revise matching 2022 - 2025 GHG standards

Average of Requirements Estimated in 2012



**Post-2021 standards subject to entirely new rulemaking; corresponding EPA/CARB standards subject to “mid-term review”.*

Fuel Economy Targets - Examples

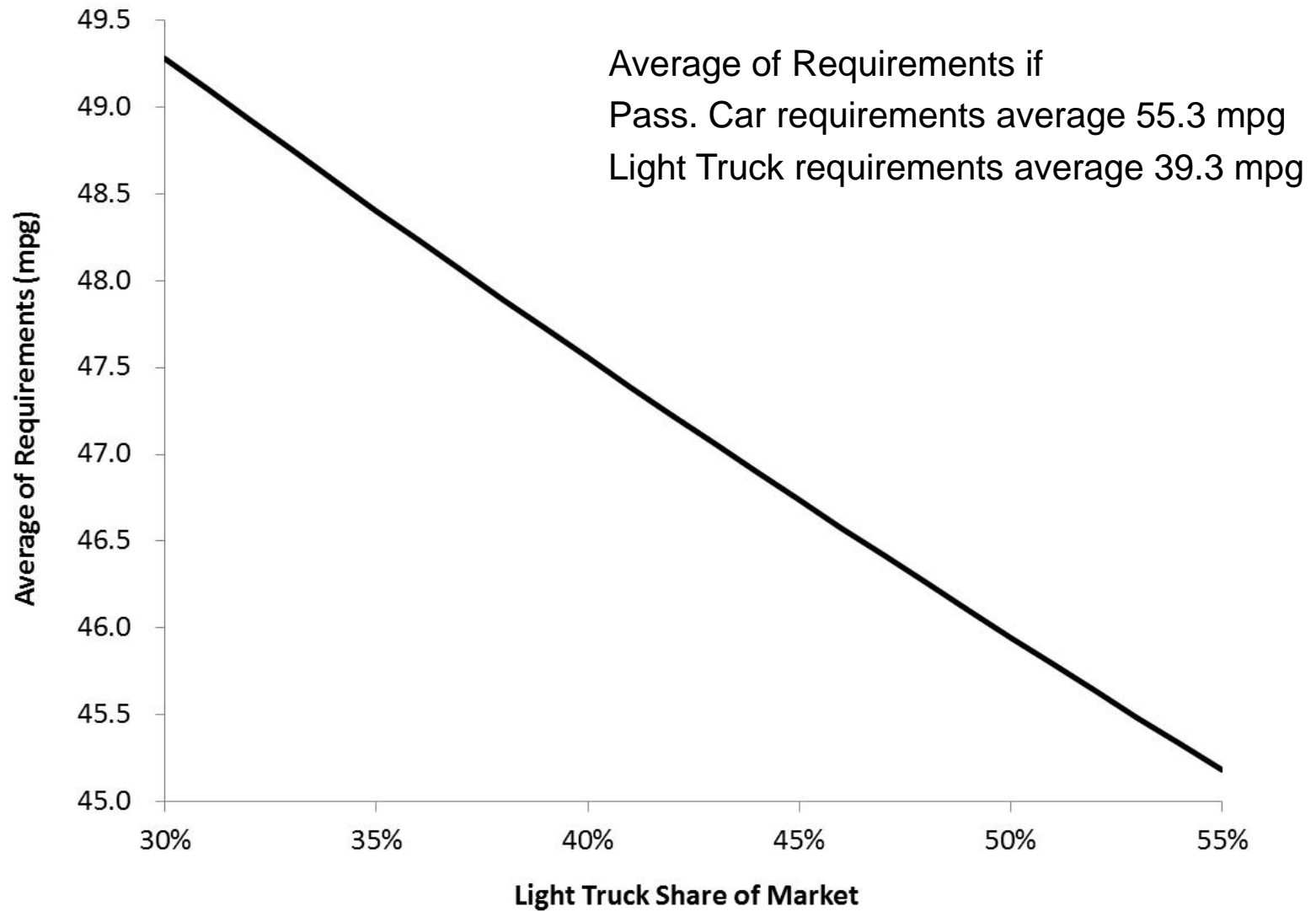


Post-2021 standards are subject to *de novo* (i.e., entirely new) DOT rulemaking. No vehicle need meet its target--CAFE standards apply to average performance of manufacturer's fleet.

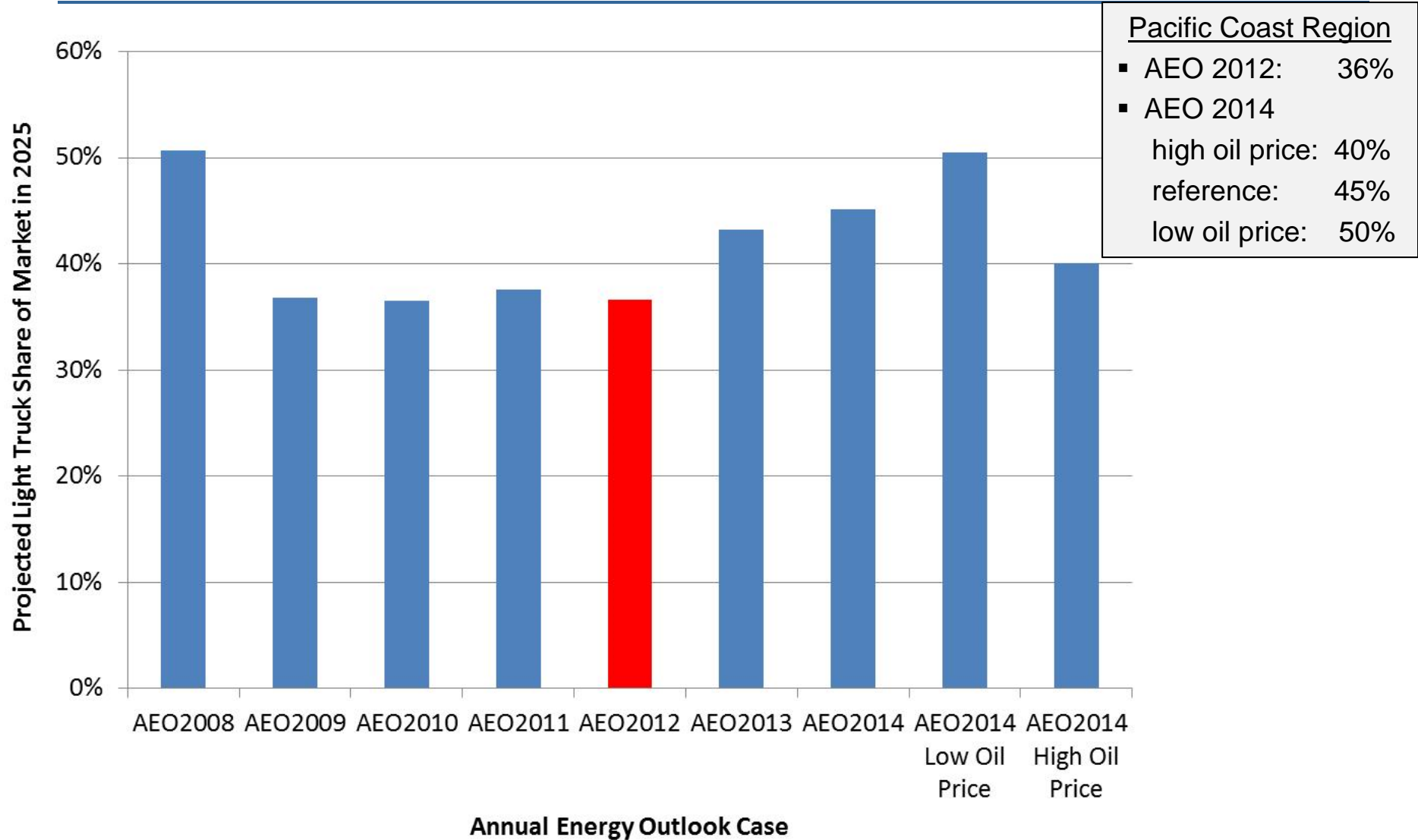
MY2021 CAFE Requirements as Estimated in 2012

	Light				Light		
	Cars	Trucks	Ave.		Cars	Trucks	Ave.
Aston Martin	45		45	Lotus	49		49
BMW	46	36	43	Mazda	47	36	44
Daimler (Mercedes)	44	34	41	Mitsubishi	49	39	47
Fiat Chrysler	45	34	39	Nissan	46	33	42
Ford	46	30	38	Porsche	45	35	39
Geely (Volvo)	47	36	42	Subaru	48	40	45
General Motors	46	31	38	Suzuki	49	39	48
Honda	46	35	42	Tata (Jaguar, Land Rover)	44	36	39
Hyundai	46	37	45	Toyota	46	33	40
Kia	48	35	46	Volkswagen	47	35	44
				Industry-Wide Average	46	33	40

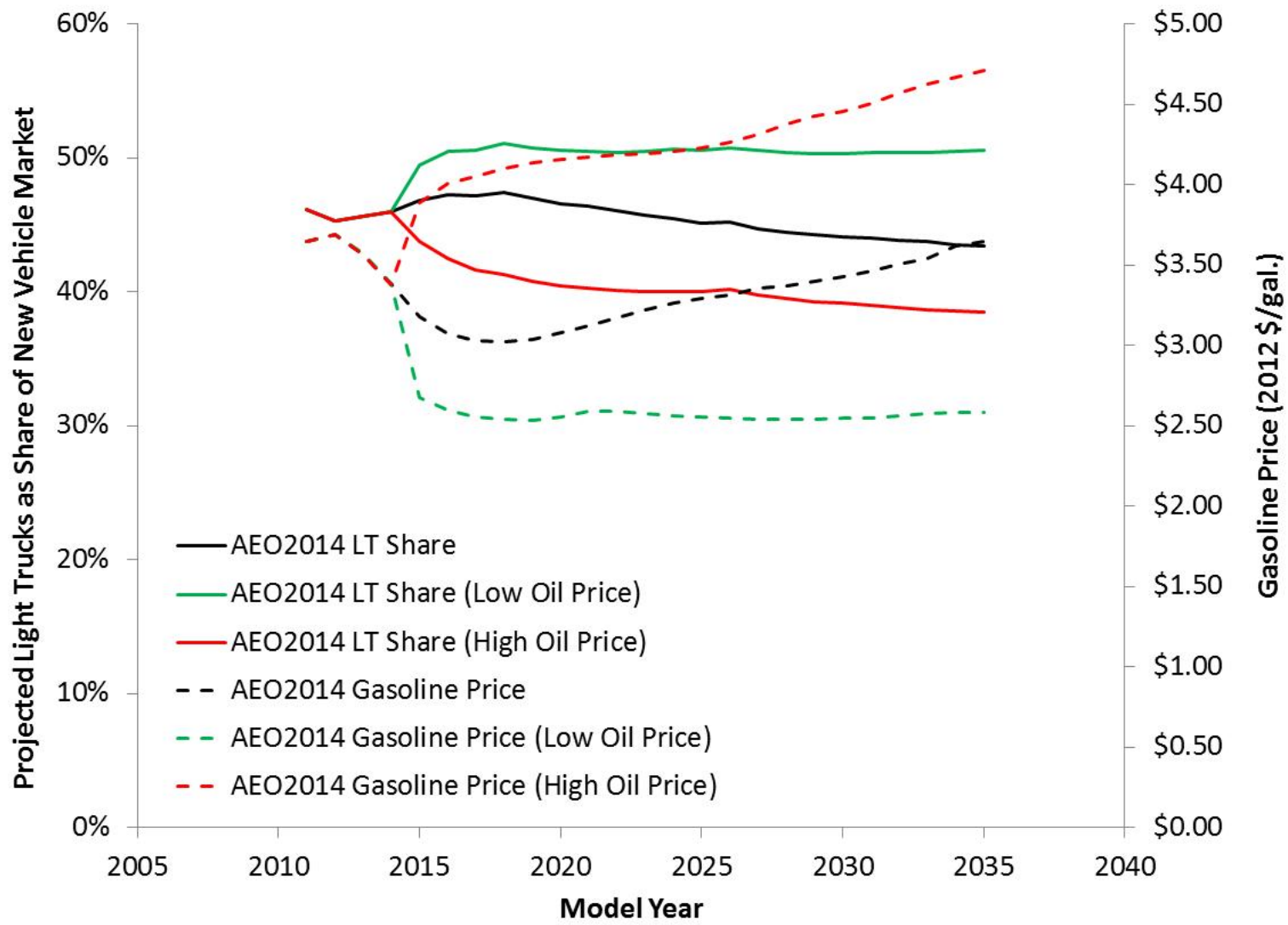
Some Arithmetic



MY2025 Light Truck Market Share per DOE/EIA



Light Truck Share and Fuel Prices per DOE/EIA



MY2025 Augural Standards: Reference and Low Oil Price Cases as Examined in 2012

	Reference Case	Low Oil Prices
CY2025 Gasoline Price	\$3.84/gal.	\$2.48/gal.
Est. Ave. Requirement	48.7 mpg	48.7 mpg
Est. Ave. Fuel Economy	44.6 mpg	44.4 mpg
Technology in MY2025	Wide application of smaller boosted engines, advanced transmissions, mass reduction (ave. about 200 lb.). About 10% micro-hybrid and 10% ISG hybrid in reference case; about 15% micro hybrid and 5% ISG hybrid in low oil price case.	
Price Impact in MY2025	\$1,257	\$1,150
Cost to MY2025 Buyers	\$26b	\$24b
Benefits to Buyers	\$93b	\$62b
MY2025 Cost to Society	\$21b	\$19b
Benefits to Society	\$105b	\$72b

- 2012 analysis used same projected MY2025 fleet mix for both reference case and low oil price case.
- Impacts are vs. continuation of MY2016 standards.