

Bloomberg

EPA in Blow to Carmakers Plans to Keep Obama Mileage Targets (2)

John Lippert and Jennifer A. Dlouhy
Nov 30, 2016 2:49 pm ET

(Bloomberg) -- Setting up a potential conflict with the incoming Trump administration, the U.S. Environmental Protection Agency proposed sticking to President Barack Obama's fuel-economy and emissions targets for 2025 that some automakers say will make cars too expensive.

The auto industry is "well positioned" to meet the 2022-2025 standards, the EPA said in a statement Wednesday. The agency's action, which still must be finalized and could be undone by President-elect Donald Trump, is intended to balance the demands of environmentalists, who have lobbied the government to increase the standards, and automakers that have pressed for relief.

"It's clear from the extensive technical record that this program will remain affordable and effective," EPA Administrator Gina McCarthy said in the statement. "This proposed decision reconfirms our confidence in the auto industry's capacity to drive innovation and strengthen the American economy while saving drivers money at the pump and safeguarding our health, climate and environment."

The Alliance of Automobile Manufacturers, the industry's main trade group, denounced the agency's action as an "extraordinary and premature rush to judgment."

It is not clear how the Trump administration will address the issue. McCarthy's comment echoes a technical assessment report issued in July by the EPA, the National Highway Traffic Safety Administration and the California Air Resources Board. The agencies expressed an optimistic view about the industry's ability to comply with Obama's targets, which would boost average fuel economy in the U.S. to 50.8 miles per gallon by 2025, from 35.3 currently.

Critical View

Trump has promised to rescind "job-killing" regulations, and Republican leaders in the House have warned agencies they will take a critical view of any regulations issued in the waning days

of the Obama administration. The incoming administration and Congress have wide latitude to repeal or force changes in newly finalized rules and executive actions.

Trump's transition team didn't immediately respond to e-mail requests for comment on the EPA proposal.

The automaker trade group said in a statement that the EPA action "circumvents the serious analysis necessary to make sure the CAFE/GHG standards appropriately balance fuel efficiency, carbon reduction, affordability and employment. The evidence is abundantly clear that with low gas prices, consumers are not choosing the cars necessary to comply with increasingly unrealistic standards."

The alliance said the agency is failing to strike a proper balance between fuel efficiency and jobs. If the rules drive the price of cars too high, they could threaten 1 million manufacturing jobs in the U.S., the group said, citing a study by the Center for Automotive Research in Ann Arbor, Michigan.

Research Focus

McCarthy may finalize Wednesday's preliminary determination before Trump takes office, Janet McCabe, the EPA's acting assistant administrator, told reporters on a conference call. She said McCarthy hadn't considered the new administration's intent or its legal options before today's announcement, focusing instead on the extensive research the EPA has already conducted on the Obama targets.

Automakers will have to spend \$875 per vehicle to comply with the Obama's fuel economy targets for 2025, McCabe said. That's down from the EPA's 2011 estimate of \$1,100. If those costs are passed on to consumers, they'll be more than offset by fuel savings, she said.

The companies are ahead of schedule in installing fuel-saving technologies like smaller, turbocharged engines, and electronic controls that shut off engines and quickly restart them at traffic lights, McCabe said.

Fiat Chrysler Automobiles NV, which faces the biggest projected costs to meet the 2025 rules, said Wednesday that its plug-in hybrid Chrysler Pacifica minivan did better on EPA tests of efficiency and range than the company had projected.

"The reason the EPA is not touching this is because automakers have done too good a job showing that they can meet the standards," Mike Ramsey, an analyst for researcher Gartner Inc., said in an interview. "They haven't shown really good evidence that they can't meet the standards."

Avoiding Uncertainty

Dan Becker, director of the Safe Climate Campaign, said that the EPA keeping the existing numbers in place gives much-needed certainty to the auto industry -- and ensures they

continue to mirror standards in California and Canada. If the Trump administration moved to lower the standards, that could cause more disruption for automakers that compete globally, Becker said.

“What’s not to like about a plan agreed to by the automakers that cuts oil use, saves consumers money at the pump and reduces pollution?” Becker said by phone. “I would think the next administration wouldn’t want to increase our oil addiction and cost consumers more at the pump by weakening these standards.”

Luke Tonachel, director of the Clean Vehicles and Fuels Project at the Natural Resources Defense Council, said that “Automakers have the technology to meet the standards through 2025. So there’s no evidence we should slow down.”

(Updates with comments from EPA, industry and analyst starting in the fourth paragraph.)

--With assistance from Jamie Butters and Keith Naughton To contact the reporters on this story: John Lippert in Chicago at jlippert@bloomberg.net, Jennifer A. Dlouhy in Washington at jdouhy1@bloomberg.net. To contact the editors responsible for this story: Kevin Miller at kmiller@bloomberg.net, John Lear

©2016 Bloomberg L.P.

<http://washpost.bloomberg.com/Story?docId=1376-OHGQHUSYF01U01-3SC35ALA5IEHHTLPA002AUMNI>