



The Greenhouse Effect

By William Matthews 11/22/11

With auto executives perched on wooden stools to his right and fuel-efficient vehicles parked on his left, President Obama announced a truce in the decades-old mileage war between the U.S. government and the companies that make cars and light trucks.

Obama unveiled surprisingly aggressive new automobile mileage standards on July 29: companies must build fleets that average 54.5 miles per gallon by 2025. Even more surprising, 13 auto manufacturers agreed to try.

The president hailed the deal his administration had struck as "the single most important step we've ever taken as a nation to reduce our dependence on foreign oil," and as a victory for consumers, who he said eventually will be able to drive twice as far on a gallon of gas.

The automakers were less loquacious, but affirmed their support.

General Motors issued a statement: "Reducing fuel consumption and lessening the automobile's impact on the environment is important to our business because it's important to our country and our customers."

Honda said it "embraces this new challenge." Nissan declared, "We're up to the task." And Ford applauded "the regulatory certainty" that comes from setting goals that stretch into 2025. "Knowing what's going to happen long term allows us to invest in technology," company executives said.

That's quite a U-turn for the auto industry, which toiled single-mindedly for five decades to block government efforts to improve fuel economy and to reduce tailpipe pollution.

The mileage agreement also was a rare victory for the Environmental Protection Agency, which has been under relentless attack by Republicans in Congress and business lobbies determined to obstruct the agency's efforts to impose stronger controls on air pollution and greenhouse gases.

Those assaults continue. In October, Rep. Darrell Issa, R-Calif., and chairman of the House Oversight and Government Reform Committee, convened a hearing to quiz Obama administration officials and auto industry executives about closed-door meetings that led to the mileage agreement.

On Aug. 29, House Majority Leader Eric Cantor, R-Va., listed seven "job-destroying" EPA regulations that he wants Congress to repeal, weaken or delay. Four days later, amid dismal employment news, Obama dropped his push for stricter rules on ozone pollution at least until 2013.

The president's move prompted five health and environmental organizations to sue in October, claiming the decision not to set stricter ozone standards was illegal because it keeps in place a standard the EPA has deemed inadequate to protect public health.

But the suit may be the least of EPA's problems. In July, the House Appropriations Committee voted to cut the agency's 2012 budget by 18 percent. The committee also attached 39 provisions to the 2012 interior and environment appropriations bill to stop the EPA from creating and enforcing new pollution controls.

In an address on the House floor, Rep. Michael Simpson, R-Idaho, chairman of the Appropriations subcommittee that oversees EPA, decried the agency's "unrestrained effort to regulate greenhouse gases," and denounced its "pursuit of an overly aggressive regulatory agenda.

"My intense opposition to the EPA's efforts to control nearly every industry in this country is no secret," Simpson said. He insisted, "this isn't a partisan issue," but added, "I know some of my Democrat friends will be especially critical of the spending reductions to the EPA accounts."

Appropriations Committee Chairman, Rep. Hal Rogers, R-Ky., said the budget cuts are intended "to rein in unparalleled, out-of-control spending and job-killing overregulation" by EPA. "Though we all appreciate the core mission of the EPA, this agency has lost its grip with economic reality and has become the epitome of the continued and damaging regulatory overreach of this administration," Rogers said.

Business organizations from the U.S. Chamber of Commerce to the North Carolina Petroleum Council to the Western Energy Alliance have joined the anti-EPA onslaught.

The ferocity of the attacks has been "stunning," says Daniel J. Weiss, senior fellow and director of climate strategy at the Center for American Progress. But it's not unprecedented. In 1995, Republicans won control of the House and attached 17 provisions to the EPA funding bill to block the agency's ability to enforce environmental laws, Weiss says.

In that instance, President Clinton vetoed the spending bill, which also included funding for Medicare, education and public health. The standoff led to a government shutdown that largely was blamed on Republicans.

Positions have hardened since then, says Paul Billings, vice president for national policy and advocacy at the American Lung Association. Even during the Republican revolution of the mid-1990s, "there were some Teddy Roosevelt Republicans" who reliably voted to protect the environment. "There was always bipartisan support for the Clean Air Act," he says.

That's gone. "We've seen near-unanimous votes in the House among Republicans" against stricter pollution rules, Billings says.

Which raises the question: How did the embattled EPA manage to overcome a half century of dogged auto industry resistance to reach acceptable--even impressive--new auto mileage standards?

It took an unusual confluence of circumstances, say environmental advocates who have fought the auto industry long and hard.

Clean Air Act

For decades, auto mileage standards were set by the National Highway Traffic Safety Administration, which generally took "a very industry-friendly view," says David Doniger, policy director at the Natural Resources Defense Council's climate center. "The auto companies for decades had NHTSA comfortably in their pocket."

Attempts to change that began in 1998, when EPA's general counsel wrote in a legal opinion that the agency had the authority to regulate greenhouse gases under the 1970 Clean Air Act. When EPA failed to act, environmental organizations forced the issue by formally petitioning EPA in 1999 to use its Clean Air Act powers to control greenhouse gas emissions from motor vehicles.

But regulations were slow in coming. Clinton's term expired, George W. Bush moved into the White House, and in 2003, EPA denied the petition, contending that its legal authority to regulate greenhouse gases was unclear, and regulating greenhouse gases from motor vehicles was "not appropriate at this time."

Thirteen environmental organizations, a dozen states, four cities and the territory of American Samoa sued, and in 2007, the U.S. Supreme Court ruled in *Massachusetts v. Environmental Protection Agency* that EPA does, indeed, have authority to regulate greenhouse gas emissions from motor vehicles.

Meanwhile, California had already adopted standards for reducing auto emissions of four greenhouse gases--carbon dioxide, methane, nitrous oxide and refrigerants from auto air conditioners. Auto industry lawsuits to block these standards failed in 2007, and more than 15 states announced plans to adopt California standards.

The auto industry faced the prospect of building cars to California's standards for some states and cars that met lesser federal standards for other states. "The carmakers' interest was in having one set of standards," Billings says. "So there was a basis for a deal."

According to Doniger at the Natural Resources Defense Council, external forces also drove the need for fuel efficiency.

"At the same time, there were a lot of economic woes," he says. Gasoline prices jumped to an unprecedented \$3 a gallon briefly in 2005 and then higher in 2006 and 2007 before rocketing above \$4 a gallon in 2008. Prices have dipped since, but remain more than double the average price for the previous quarter century.

As gasoline prices soared, the U.S. economy faltered, falling into deep recession. Demand for gas-guzzling sport utility vehicles, long a gold mine for U.S. automakers, collapsed, and in 2008, U.S. auto sales declined by a third. To stay afloat amid the economic wreckage, General Motors and Chrysler together received a \$78 billion federal bailout in exchange for a pledge to restructure for long-term viability.

"Auto companies have come to recognize that now and for the foreseeable future, consumers want more efficient vehicles," says Billings. "And if they want to sell cars in China, India and Europe, they have to make more efficient vehicles." So, battered by rising oil prices, legal defeats, the threat of state standards and changing consumer tastes, and indebted to the government for the bailout, auto companies were ready to compromise.

Give and Take

In 2010, EPA recommended fleet mileage requirements between 47 and 62 miles per gallon by 2025 to dramatically reduce greenhouse gas emissions and cut oil consumption. The upper level thrilled environmental groups. The Natural Resources Defense Council said, "a 62 mpg standard would save more oil, cut more pollution and spur more innovation" in auto efficiency.

But automakers balked, warning that requiring such fuel efficiency would push up vehicle costs, cause car sales to plunge and kill industry jobs. The automakers lobbied for 47 miles per gallon.

As negotiations among NHTSA, EPA and auto industry representatives progressed this summer, the Obama administration proposed setting fleet mileage requirements at 56.2 miles per gallon. EPA said building cars that efficient would add \$2,100 to \$2,500 to the cost of a car, but would save \$8,000 on gasoline over the life of the car.

The nonprofit Center for Automotive Research argued the administration's plan would cost much more--\$5,270 to \$6,714 for most cars.

Ultimately, the government and automakers settled on 54.5 miles per gallon. "It could have been a very strong standard," says Dan Becker, director of the Safe Climate Campaign. In the end, "it is a reasonably strong standard. The auto industry was pleased that it wasn't any higher and the environmentalists were pleased it wasn't lower."

But 54.5 is a bit misleading. Many cars--perhaps most--won't go 54.5 miles on a gallon of gas. The auto industry "won a lot of loopholes," Becker says. Electric cars and hybrids, for instance, are rated at 99 miles per gallon, which will pull the fleet average up, according to Doniger.

Automakers also will get mileage credit for using less environmentally destructive air conditioner refrigerants. And less stringent standards will apply to small trucks, which some clean air advocates fear will prompt automakers to label more vehicles as trucks. Then in 2021 there is a midterm review that could lead to reducing the 54.5 mpg standard if auto companies say it is too hard to meet.

Even so, many environmentalists are optimistic. "In 2025, the internal combustion is going to be a heck of a lot better" in terms of efficiency, Doniger says.

Power Struggles

By 2025, the new mileage standards are expected to cut oil consumption by 2.2 million barrels a day, Obama said in his July announcement. And during the next 15 years, they will eliminate 6 billion tons of greenhouse gases--more than the United States now emits annually, according to EPA.

Having negotiated a cease-fire between auto companies, autoworkers' unions and environmentalists, can EPA now reach agreements on new pollution rules that affect utility companies, cement manufacturers, industrial boiler operators and others? Probably not, says Marchant Wentworth, a legislative representative for clean energy at the Union of Concerned Scientists.

There are only a dozen or so automakers. "The utility industry is different," he says. There are thousands of utility companies across the United States and "terrific diversity" among them. For those that generate electricity with nuclear power or natural gas, or operate newer power plants, tougher clean air regulations won't be much of a problem. But for decades-old plants that burn coal, more rigorous regulations are anathema.

The auto companies all face the same problems--state pollution regulations, rising fuel prices, lost lawsuits, declining consumer demand for gas guzzlers--and were willing to make concessions. "We don't have the leverage yet to force utilities to compromise," says Becker.

Instead, the utilities have figured out how to fight back--they've convinced House Republicans to take up their cause, according to Weiss of the Center for American Progress. "The House is reacting to pressure from utility companies, big oil and coal to block EPA health protections," he says.

Doniger adds, "The House Republican leadership is grandstanding to their political base. Slamming the EPA is really popular with their people."

Republican presidential hopefuls are piling on as well. Michele Bachmann has vowed to "lock the doors and turn off the lights at the EPA" if elected president. Jon Huntsman accuses EPA of a "regulatory reign of terror." Rick Perry confessed he prays daily that God will give the president the wisdom to "ask his EPA to back down these regulations that are causing businesses to hesitate to spend money."

In addition to the 39 anti-EPA provisions in the House appropriations bill, Republicans have proposed seven "regulatory relief" bills aimed at slowing or halting pollution control regulations the agency is preparing. The new rules would require maximum efficiency for power plants, industrial boilers and cement plants, and limit coal ash, cross-state air pollution, greenhouse gases and particulate emissions in rural areas.

Ozone regulations, which Cantor called "possibly the most harmful of all currently anticipated Obama administration regulations," have been withdrawn. "A step in the right direction," he said in his August memo to lawmakers. But

Cantor vowed that "House Republicans will continue our efforts to make sure the remaining regulations do not go into effect."

Environmental organizations are counting on the Senate and the White House to hold off the House assault on EPA. "The House will pass stuff, and the Senate will let it die," Doniger predicts.

But the provisions can still be attached to must-pass spending bills. And if they aren't blocked by the Senate, then the president becomes the last line of defense. Obama came through for environmentalists in 2010, Weiss says.

Anti-environment measures "came up as part of 2011 budget agreement and the president forced [Congress] to remove them. He's got to stand up again," he adds.

"The president is facing a direct attack on his authority, on his agency," Wentworth says. "It's very personal and very partisan." But the 2012 election is looming. "There's still a lot of positioning and skirmishing" ahead, Doniger says. "I don't think you're going to find a happy outcome like with the auto industry."

William Matthews is a freelance journalist covering government and technology in Washington.

© 2011 BY NATIONAL JOURNAL GROUP, INC. ALL RIGHTS RESERVED

http://www.nextgov.com/nextgov/ng_20111122_7599.php?oref=topstory