

ECONOMY

How Will New Fuel Efficiency Rules Affect Consumers?

BY MIKE MELIA *July 29, 2011 at 5:02 PM EDT*

President Obama, flanked on stage by executives from the country's leading automakers, announced new fuel economy standards for cars and light trucks Friday that would double the current requirement to 54.5 miles per gallon (mpg) by 2025. The new rules were largely praised by both industry and environmental groups.

"A broad range of interests — from automakers to unions to conservationists — [have] come together behind these new rules," said Larry Schweiger, president of the National Wildlife Federation.



"We are pleased to have worked together with all the stakeholders to be a part of a solution that benefits the environment while protecting jobs and providing customers with a full range of affordable vehicle choices," Ford Motor Company said in a statement.

But what will this mean for consumers?

The new rules build off legislation passed in 2009, using Environmental Protection Agency transmission tests, and are slated to begin implementation in 2017. They call for a 5 percent average annual increase in fuel efficiency for cars and 3.5 percent for light trucks until 2021. After that, both cars and trucks will be required to add a 5 percent annual increase.

In essence, if you buy a new car down the line, it will be more efficient than the one you're

driving today (the current average for new cars and trucks is roughly 28 mpg), and efficiency will only continue to increase over time.

“If you trade in a 2005 F150 truck for a 2011 F150 that person sees a 20 percent improvement in fuel economy. It’s like the cost of gas was cut by 20 percent or about \$0.75 on a gallon of gas,” said Zoe Lipman, senior manager for transportation solutions at the National Wildlife Federation. “That person who bought the 2011 F150 will be facing a similar opportunity in 2021 or 2018 whenever they trade that car in again. These improvements are incremental.”

However, due to technicalities, the cars we all drive down the road won’t *actually* get 54 mpg.

“People when they drive a car in 2025, the average car will have a sticker that says 54 mpg, but really what it will get is more like 38 or so,” said Dan Becker, director of the Safe Climate Campaign. He cites a few reasons for the lower efficiency — one is that he claims the EPA transmission tests are flawed in that they are conducted under controlled conditions, and do not factor in things like weather, road surfaces or city driving (which lowers miles per gallon). There are also what Becker describes as loopholes in the new rules, meaning that automakers get credits that count for miles per gallon for things like hybrid technology, improvements in air conditioning systems or solar panel roofs, but which might not save on gas.

The 54.5 mpg is the fleet-wide average for all cars and light trucks in all conditions. With the credits, it will be roughly 50 mpg for cars and 40 to 45 mpg for light trucks and SUVs in 2025.

The new technologies that will allow for better efficiency will likely nudge the upfront cost of cars and trucks up, but Lipman argues consumers will still save more both in the short and long term.

“The way people buy cars, the majority of Americans either finance or lease the vehicle. Then even if they are paying a tiny bit more in monthly payments, they will be saving more in their gas bills,” she said.

“Folks buying cars like these in the next several years will end up saving more than \$3,000 over time because they can go further on a gallon of gas,” President Obama said at the event

Friday.

The hope is that the money saved on fuel will indirectly improve the overall economy as well, giving consumers money save or spend on other needs.

Photo by Scott Olson/Getty Images.