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The politics of vehicle mileage standards

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California is holding up the whole world with a demand for an increase in gas mileage of 10 miles per gallon.

That’s the story behind this week’s announcement that four automakers have reached a deal with state air-quality officials to comply with California’s mileage targets instead of supporting the Trump administration’s proposed mileage standards.

While some reports have made it sound as if four automakers have sided with human survival while the rest favor total extinction, the actual dispute is less dramatic. California is demanding a fleet average mileage standard of almost 50 miles per gallon and the Trump administration wants to keep the current standard of almost 40 miles per gallon.

And the difference may be even less. California's deal with Ford, Honda, Volkswagen and BMW includes an expansion of "off-cycle credits" for installing non-engine technologies to improve mileage, such as more efficient air conditioners. Some environmentalists think these credits are "a bunch of loopholes," in the words of Dan Becker, director of the Safe Climate Campaign. He said California's agreement with automakers is "probably less than half of the emissions reduction that they committed to" during the Obama administration.

That agreement called for fleet average mileage to increase to above 50 miles per gallon by 2025, but the Trump administration proposed freezing the mileage requirement at the 2020 level of 37 miles per gallon.

This is the Corporate Average Fuel Economy, or CAFE, standard that has been part of U.S. law since 1975, when it was believed that there was a shortage of oil and only conservation would save humanity from extinction. Decades later, when it turned out that there actually was no oil shortage, the federal government switched to a new rationale for federal regulation of vehicle mileage. Now it's climate change, and once again, only conservation will save humanity from extinction.

Judge for yourself whether a fleet average mileage increase from 37 to 47 mpg is the difference between life and death.

The CAFE standards did create a new life for the segment of the vehicle market known as "light trucks." Pickups, SUVs and minivans became increasingly popular choices with consumers who wanted larger vehicles as cars became smaller and lighter to comply with government mileage standards. The "light truck" category had a different standard that allowed for more weight.

One of the side-effects of the CAFE standards was the distortion of marketing decisions in the auto industry. Companies were hit with huge fines if their fleet average failed to meet the mileage standard, so high-mileage models were manufactured even if they sat unsold in the dealership showrooms. The cost of making money-losing cars was, of course, passed on to consumers in the price of more popular models.

Federal mileage standards are not free. Every time a company is required to comply with a new regulation, the price of that compliance is part of the cost of doing business. So it makes sense to evaluate the regulations for cost-effectiveness, instead of simply assuming that more is better.

That's what's missing in the current debate over mileage regulations. Gov. Gavin Newsom told reporters the Trump administration is "in complete denial about climate change," and California Air Resources Board chair Mary Nichols vowed to "pursue legal challenges" against the federal government, but what is California's war against maintaining the fleet average mileage standard of 37 mpg really intended to accomplish?

The evidence continues to accumulate that California imposes crazy, draconian, impossible regulations for the sole purpose of granting exemptions and indulgences in exchange for something the government wants, but doesn't have the constitutional power to require.

The Detroit Free Press reported that the California deal with Honda, Ford, Volkswagen and BMW requires a 3.7% annual increase in the “stringency” of greenhouse gas standards, but allows 1% to be achieved using “advanced technology multiplier credits.”

Here’s how the newspaper described that part of the deal:

“Appropriate flexibilities to promote zero-emission technology: Continue current advanced technology multipliers that now expire after model year 2021, extending them through model year 2024 at the current 2.0x for Battery Electric and Fuel Cell Electric Vehicles (BEV/FCEV), and 1.6x for Plug-in Hybrid Electric Vehicles (PHEV), tapering off at the current model year 2020 and 2021 levels in model years 2025 and 2026, respectively.”

This crazy and arbitrary complexity is a form of government force, and not only against auto manufacturers. In an earnings call with investors on July 25, Edison International President and CEO Pedro Pizarro said the company is awaiting regulatory approval of its “Charge Ready 2 electric vehicle charging infrastructure program,” which is another way of saying ratepayers are about to get “charged” on their utility bills to support the state’s goal of more electric vehicles on the road.

The calculations and manipulations that go into the enforcement of greenhouse gas emission and mileage standards fill thousands of pages of regulations that are wildly distorting the business decisions of an important industry that employs a lot of people in the United States.

The Trump administration wants a 50-state mileage standard that stays the same after 2020. That’s not unreasonable and it shouldn’t be portrayed as the path to human extinction.

California officials are probably more worried about something else the Trump administration could do, which is to revoke the state’s special right to set its own air-quality standards higher than those of the rest of the nation.

The state has had this special exemption since the 1970s, and about a dozen other states observe California’s tougher standards.

The Trump administration has discussed revoking the exemption, and that is most likely the story behind the story of the fight that has left automakers in the crossfire.

CARB Chair Mary Nichols said there have been no talks between the Trump administration and her team since February.

If California and the Trump administration can’t reach an agreement on standards, the matter will end up in court and it could be years before automakers have any kind of certainty about how to comply with regulations that affect critical and long-range business decisions.

All the more reason that Californians should look closely at state regulations instead of just assuming that the government knows what it’s doing.

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