The Trump administration “is rolling back the biggest single step any nation has taken to fight global warming, cut oil use and save money at the pump,” said Dan Becker, director of the Safe Climate Campaign at the Washington-based Center for Auto Safety.

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Trump’s mileage-standard rollback will cost consumers and the climate, say analysts

The fossil-fuel industry scored a regulatory win and traditional automakers earned a conditional boost with a Trump rollback of fuel-efficiency standards for new cars and trucks.
President Trump has passed the Corporate Average Fuel Economy, or CAFE, standards for new autos, a hard-fought regulatory battle that for now reduces targets on gas mileage and is expected to revive higher levels of emissions.

The rule change, softened from its initial language, had repeatedly been delayed and amended, in part due to a lukewarm response from an auto industry that had retooled for the tougher Obama-era regulations, adjusted to a mixed bag of state-by-state rules and was responding to a changing demographic of car and truck buyers who want a smaller carbon footprint. Both sides are bracing for expected court battles to challenge the rule change.

The Trump administration had long advocated for a reversal of the stance established during the Obama administration that had called for an unadjusted fleet average of 54.5 miles per gallon by 2025. Alternative-energy advocates believed the higher requirement would have helped promote a shift to electrified vehicles.

Trump wanted a full freeze on fuel-economy increases initially, but the final proposal reportedly settles on a 1.5% increase in efficiency for passenger cars and light trucks covering model years 2021 through 2026, pared from the current trajectory of 5%. Fuel efficiency in 2018 averaged 25.1 mpg in real-world driving (not just test driving), the Environmental Protection Agency said in a report issued in March. The fleet’s efficiency is preliminarily anticipated to have climbed to 25.5 mpg for the 2019 model year.

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Some analysis of the possible rollback indicated less efficient cars than originally proposed would use more gas than expected and so raise driving costs for consumers by $300 billion in coming years at the pump, according to a Consumer Reports assessment of Energy Department data.

However, those in favor of the Trump change argued that the old rules were not uniformly followed, among other sticking points, including that lighter cars mean less-safe cars. The administration has named its efforts the “Safer Affordable Fuel-Efficient Vehicles Rule.”

The rule change also would revoke California’s five-year old “waiver” allowing the state to implement its own more-stringent greenhouse gas standards and offer promotions for
low-emissions and zero-emissions vehicles. Finally, it will restrict programs in more than a dozen other states that have followed California’s lead.

Some of the concern about the relaxed rule has centered on political upheaval, including whether yet another change might come with a potential shift of party power after the 2020 election.

“The federal government should establish a predictable, year-over-year increase in fuel efficiency standards for the next decade,” Charles Hernick, director of policy and advocacy for the center-right Citizens for Responsible Energy Solutions, has written as the rollback took shape over the last couple of years. “Periodic course corrections will be necessary, but those corrections should be incremental and not include steep ‘ramp ups’ or ‘freezes’ in standards.”

Hernick said his group was opposed to Trump’s original proposal but is more aligned with the final version.

Competitive Enterprise Institute’s Marlo Lewis has commented that when Congress created the CAFE program in 1970s — when new cars were required to average all of 18 miles per gallon — it specially forbade states from adopting their own stronger rules because this would greatly increase the costs of compliance to manufacturers.

Large-market California has had a waiver under the Clean Air Act to set its own auto-emissions requirements separate from the federal mandates, and those rules are followed by 12 other states. Dave Cooke, senior vehicles analyst with the Union of Concerned Scientists said California will be among many interested parties that will challenge the federal change in court. The continued uncertainty could bring more aggravation for manufacturers and consumers.

Ford F, 3.311% , BMW, Honda and Volkswagen last year negotiated a deal with California to follow a slightly lower state target, in defiance of Trump at the time.

The Trump rule change was eventually backed by some manufacturers, including General Motors GM, 9.105% , Fiat Chrysler FCAU, 4.552% and Toyota TM, 0.147% — all of whom have been responding to rising demand for ever-more-efficient cars from green-minded younger buyers and many developing their own EV responses.

David Friedman, vice president of advocacy for nonprofit Consumer Reports, said the administration’s timing will hurt households that could be slow to recover from COVID-19’s hit to the job market and monthly budgets: less-efficient cars than planned rolling off the line will mean higher totals at the gas pump and could bring a slowdown of new-car purchases at a time the economy is trying to rebound from the pandemic.

According to Friedman, any assumption of long-term low gas prices offsetting the fuel-efficiency change assumes an unlikely failure of the economy to bounce back. After the Great Recession of 2008, for instance, gas prices bounced back in less than three years.
However, even if gas prices went down to $1.50 per gallon on average and stayed there for the next 30 years, the rollback would still increase new vehicle total cost of ownership for consumers, he argues, based on the 1.5% annual fuel economy increases (down from about 5% today).

Ken Locklin, director at Impax Asset Management, questions the economics in a different way. He noted the administration is easing regulations for a traditional auto sector that employs about half the number of people working in the fuel-efficiency technology market. Global investors, he said, will funnel their money to where the innovation is, including outside the U.S.

The decision to scrap the Obama fuel-economy targets and strip California of its autonomy are intended to make vehicles overall less expensive, and thus encourage consumers to buy newer, safer vehicles, the Trump administration’s EPA administrator Andrew Wheeler has said in speeches, including to the Detroit Economic Club.

“Counter to what the EPA is stating, fuel economy is not the driving factor for increased vehicle prices: consumer preferences have shifted, and Americans are willingly buying bigger, more expensive trucks and SUVs loaded with more options,” said Jessica Caldwell, executive director of insights at Edmunds, which provides new and used car research and reviews.

Critics of the Obama-era rules have said the prevalence of loopholes has meant that only three auto makers actually complied with U.S. fuel efficiency standards.

One way car makers complied with increasing fuel economy standards was by using regulatory credits they stockpiled from previous years or purchased from competitors, rather than push technological change.

The EPA report, covering 2017, showed Fiat Chrysler purchased a significant number of vehicle emissions credits, while Tesla Inc. TSLA, 6.003% , Honda Motor Co. HMC, 1.397% and Toyota sold credits. Daimler AG, Volkswagen and BMW AG BMW, +2.37% also bought credits.

The tougher standards had meant that companies were not only drawing down saved credits, but were banking or selling fewer new credits. All but a few auto makers had to rely on credits, not necessarily innovation or model changes, to meet the standard. The shortage of credits was seen driving up their trading value, enriching some companies with credits to spare while putting others at risk of non-compliance and creating an imbalance in the sector that the Trump changes have sought to smooth.

Paul Billings, senior vice president of advocacy at the American Lung Association, said the change “will have drastic consequences on health.” His group predicts the higher level of pollution created by lower fuel economy will result in the deaths of up to 10,000 Americans by 2035.
The Trump administration has been broadly promoting a regulation-lite agenda, including during the COVID-19 crisis, by allowing for looser enforcement of polluting.

“This time of crisis requires smart, strong and science-based leadership, not more senseless handouts to the special interests,” said House Speaker Nancy Pelosi, in a statement.

Billings warned against climate-focused regulatory easing that he argues has come under the guise of a policy response to COVID-19 without long-term thinking for health. That includes a waiver for oil producers, including BP BP, -1.018% , Chevron CVX, 2.476% and others, who were walloped by a drop in demand, allowing them to forgo their typical summer-grade gasoline reformulation meant to cut pollution during high-driving season.

Clearly, thinking on fuel policy is more than seasonal for environmental analysts.

“Improvements in vehicle, lighting and appliance efficiency have been successful in slowing the pace of emissions growth in transportation and buildings (and perhaps even halting it in transportation while higher fuel-efficiency standards were in place), but it will require much more than efficiency to achieve meaningful absolute declines,” said Trevor Houser and Hannah Pitt, writing earlier this year for energy-research firm Rhodium Group. “Large-scale fuel substitution (to decarbonized electricity and other zero-carbon fuels) will be required.”

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