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A Better Idea Than Releasing Oil from the Strategic Reserve

It's time to do away with the S.U.V. loophole.

By Elizabeth Kolbert
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On Thursday afternoon, President Joe Biden announced that the federal government would release up to a hundred and eighty million barrels of oil from the Strategic Petroleum Reserve over six months. The move, aimed at bringing down gas prices—"Americans are feeling Putin's gas price hike at the pump," Biden tweeted—is obviously politically motivated. Looked at in purely partisan terms, it probably makes sense for Democrats facing a tough election year. But, regarded through a wider lens, it's a policy mistake built on previous policy mistakes. It is those mistakes that the Biden Administration should be trying to fix, but isn't.

The origins of the problem go all the way back to what might be called the original oil crisis, of 1973. In response to that crisis, Congress passed the Energy Policy and Conservation Act, which established the Strategic Petroleum Reserve. At the same time, it mandated Corporate Average Fuel Economy, or *CAFE*, standards for cars. The goal was to reduce the country's dependence on foreign oil.

The *CAFE* standards were, from the outset, easy to game. To meet them, a car manufacturer could still sell a lot of inefficient cars, provided that it sold enough more efficient vehicles to meet a certain fleetwide average. (In 1978, the year the standards were introduced, the average vehicle sold was supposed to get at least eighteen miles to the gallon.) A separate, laxer standard was introduced for "light trucks," essentially pickups that people used for work. No one gave sport-utility vehicles much thought, because they barely existed.

That soon changed. In 1984, Jeep introduced what's sometimes called the first "mainstream" S.U.V., the Jeep Cherokee XJ. Sales of light trucks, now including Cherokees and their brethren, shot up. By 2004, they made up more than half of new-vehicle sales. Consumers obviously liked S.U.V.s, and automakers made a lot of money off of them. The S.U.V. loophole, as it became known, kept both groups happy. But the more S.U.V.s Americans drove out of the showroom, the more oil the country burned through—and the more carbon dioxide it emitted. (Every gallon of gasoline that's combusted adds twenty pounds of CO_2 to the atmosphere, and this is not counting the carbon produced during the refining process.)

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This new "footprint" method had the perverse effect of *further* incentivizing carmakers to produce gas guzzlers. Because of the way the more complicated system accounted for car size, the more big-footprint cars a company sold, the lower the over-all efficiency standard it had to meet. A paper that a pair of researchers at the University of Michigan published, in 2011, predicted that the new accounting method would have the same effect as "adding 3–10 coal-fired power plants to the electricity grid each year." In 2015, S.U.V. sales topped sedan sales for the first time in the U.S., and by last year S.U.V.s, vans, and pickups were together outselling sedans by a ratio of more than two to one. Even so, most car manufacturers couldn't meet the *CAFE* standards set for them. In 2021, Ford, Toyota, G.M., Kia, BMW, Volkswagen, Nissan, Hyundai, Mercedes-Benz, and Stellantis, which owns Chrysler, all came in "above standard." (Only Tesla, Subaru, and Honda came in below.) According to calculations by Chris Harto, the senior energy-policy analyst for Consumer Reports, roughly half of the gains in fuel economy in the U.S. between 2010 and 2020 were eaten up by the shift to larger vehicles.

Meanwhile, drivers in other countries were also turning to sport-utility vehicles. In 2010, S.U.V.s made up less than seventeen per cent of new-car registrations around the world; by last year, that figure had grown to forty-six per cent. The International Energy Agency recently reported that, if "SUVs were an individual country, they would rank sixth in the world for absolute emissions in 2021, emitting over 900 million tonnes of CO2." The agency urged governments to focus on policies that would reduce S.U.V. sales: "Some governments have already started introducing relevant measures, such as France and Germany, which have put a tax on large and high-emissions cars."

As it happens, the Biden Administration is set to unveil a new set of *CAFE* standards on Friday. These standards are supposed to replace ones that the Obama Administration negotiated with the car industry in 2012, and which the Trump Administration scrapped in 2020. They will be better than the ones in place now, but not nearly as good as they could have been—or as they need to be to meet the I.E.A.'s guidance. Among other things, they leave the S.U.V. loophole in place.

The last time gas prices were as high as they are now was in 2008. (Though, in inflation-adjusted terms, prices were higher fourteen years ago.) What would have happened if smarter vehicle-efficiency standards had been put in place back then? It's impossible to know exactly, but, in the intervening years, the U.S. certainly could have cut oil consumption by a million barrels a day—the amount that the Biden Administration has said it will release from the strategic reserve. (Total U.S. oil consumption is almost twenty million barrels a day.) Unfortunately, as Slate noted recently, "when it comes to oil shocks, we have the memory of goldfish."

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