



US backtracks on strict fuel-economy standards

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By Chris Knight

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President Joe Biden's administration has pulled back on tough fuel-economy standards for cars and light trucks for model years 2027-2031, after automakers balked at the possibility that stricter regulations could trigger billions of dollars in fines.

The US National Highway Traffic Safety Administration (NHTSA), in a rule finalized today, dropped its proposal to require pickup trucks and SUVs to achieve an average fuel-economy improvement of 4pc/yr. Instead, NHTSA will require no efficiency gains for those vehicles in the first two years of the program and a 2pc/yr gain in model years 2029-2031. For passenger cars, the agency retained a requirement for 2pc/yr fuel-economy improvements.

The Biden administration's retreat on fuel-economy effectively will leave it up to a different set of rules — including tailpipe CO2 [standards](#) from the US Environmental Protection Agency (EPA) and California's Advanced Clean Cars II rule — to support the switch to electric vehicles (EVs). By statute, NHTSA cannot factor in EVs when setting fuel-economy standards, which automakers warned could result in them paying billions of dollars in penalties even if they were complying with EPA's regulations.

NHTSA expects that under the final rule, the average light-duty vehicle will achieve a fuel-economy of 50.4 miles/USG in model year 2031, substantially less than the 58 miles/USG target the agency expected when it [proposed](#) the standards last year. But NHTSA said retaining its original target would have raised vehicle prices too much, in addition to imposing steep fines on automakers.

"Non-compliance means that manufacturers are choosing to pay penalties rather than to save fuel," NHTSA said.

Automakers cheered the changes to the final rule, which they said would prevent automakers from being subject to penalties that would have "foolishly diverted automaker capital away" from investments in EVs, Alliance for Automotive Innovation president John Bozzella said. NHTSA initially projected the standards could result in manufacturers paying more than \$14bn in penalties.

"It looks like the left hand knew what the right hand was doing," Bozzella said. "That's the kind of coordination we recommended. So that's good and appreciated."

The administration said the new standards will save drivers an average of \$600 over the lifetime of newly purchased vehicles. NHTSA estimates the regulation will cut gasoline consumption by 64bn USG through calendar year 2050.

"Not only will these new standards save Americans money at the pump every time they fill up, they will also decrease harmful pollution and make America less reliant on foreign oil," US transportation secretary Pete Buttigieg said.

US automakers have pushed for a slowdown in the switch to EVs, citing concerns about limited demand and the availability of charging stations. Although there are now 184,000 publicly available charging ports, a federal program supported with \$7.5bn in funding from the 2021 infrastructure law has only built a total of eight charging stations, drawing outcry from Republicans.

The buildout of federally funded EV stations has been slowed by issues such as permitting, siting and the time needed to work with states, administration officials say. US energy secretary Jennifer Granholm said the administration expects the peak buildout of chargers will occur in 2027, but acknowledged the difficulty in starting up the program.

"Those are the hardest ones," Granholm said at an event Politico held earlier this week. "They're going to places where the private sector hasn't gone because there's no electricity, because they're remote."

The final rule disappointed environmentalists, who had hoped the standards would require larger efficiency gains in trucks, minivans and SUVs that accounted for 63pc of new vehicle sales in model year 2022.

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Oil industry groups remained critical of the regulations. NHTSA's fuel-economy standards, when combined with EPA's regulations, "amount to a de facto ban by the administration on the sale of new cars and trucks using liquid fuels," American Petroleum Institute downstream vice president Will Hupman said. The trade group has urged lawmakers to repeal the regulations.

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