



US Cuts Fuel Economy Target to 34.9 MPG, Undoing Biden-Era Rules

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The 892-page "Freedom Means Affordable Cars" rule slows required efficiency gains to 1% a year, arriving amid an Iran-war fuel squeeze and five weeks before midterms.

By Rose Kendrick
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The Transportation Department on Monday finalized a sweeping rollback of federal fuel economy standards, setting a fleetwide target of 34.9 miles per gallon for new cars and light trucks in model year 2031 and replacing Biden-era rules that would have required roughly 50 miles per gallon under the same compliance test.

The 892-page rule, which the department has titled "Freedom Means Affordable Cars," revises Corporate Average Fuel Economy standards for model years 2022 through 2031. Under the new schedule, automakers must improve the efficiency of their passenger car and light truck fleets by up to 1 percent a year, a fraction of the annual increases the previous standards demanded. The National Highway Traffic Safety Administration, which writes the rules, cautioned that actual fleet averages will vary with the size and mix of vehicles manufacturers sell.

The administration's case rests on price. New vehicles have become unaffordable for a growing share of American buyers, and the agency argued that the old standards forced manufacturers to engineer for regulatory categories rather than for customers. "Instead of allowing manufacturers to design and produce vehicles they believe their customers will want and need, while spreading real-world fuel economy improvements across their fleets, the system has increasingly led manufacturers to try to fit square vehicle pegs in round classification holes to force the adoption

of technologies that do not meet the demands of American families," the agency wrote in the final rule. "All of this adds inefficiency and cost — pushing even more consumers out of an already unaffordable new car market."

The rule follows a proposal published last December that projected a 34.5 mpg average, and it builds on an interpretive rule NHTSA issued in June 2025 asserting that the Biden administration had ignored statutory limits when it set its targets, including a requirement that the agency not consider the fuel economy of electric vehicles in setting the maximum feasible standard. Congress removed the other pillar of the old regime last year, when the budget law signed in July 2025 reduced civil penalties for missing CAFE targets to zero, leaving the standards with no enforcement teeth even before Monday's rewrite. The final rule also does away with the credit-trading system that had allowed manufacturers with efficient fleets to sell compliance credits to those without.

The auto industry welcomed the change. "NHTSA made the right call to better align fuel economy standards with the law and current market conditions," said John Bozzella, president and chief executive of the Alliance for Automotive Innovation, which represents Ford, General Motors, Stellantis and most other major manufacturers selling in the United States. "The standards finalized under the previous administration effectively required a switchover to electric vehicles that was out of step with market realities and customer demand. Today's final rule is an appropriate course correction."

That relief comes with a longer-term cost, in the view of economists who follow the sector. Sue Helper of Case Western Reserve University, who studies the auto industry, acknowledged that new-car prices have risen sharply but said easing the standards would slow the industry's shift toward more efficient and electric vehicles. "It's very bad in the long term, because it slows progress," she said. Michael Berube, chief executive of Catalyst Mobility, a clean-transportation nonprofit, called it "the wrong move at the wrong time," noting that Americans have spent most of 2026 dealing with elevated gasoline prices and arguing that the standards had already delivered trillions of dollars in fuel savings.

The timing is the rule's most exposed flank. Fuel prices have remained high through much of the year because of the war with Iran and the disruption to shipping through the Strait of Hormuz, and pain at the pump has become a live issue in rural districts that Republicans need to hold in November. A rule that lowers the efficiency of the future fleet is straightforward to attack as a policy that will cost drivers more over the life of their vehicles, even if it lowers the sticker price at purchase. The administration's answer is that a cheaper car a family can actually buy is worth more than a more efficient car it cannot, and that the Biden rules amounted to an electric-vehicle mandate that consumers had rejected.

Environmental groups have already signaled litigation. Katherine García, director of the Sierra Club's Clean Transportation for All campaign, said the group would fight the rule. "Less fuel-efficient cars mean more gas burned, spending more at the pump, and dirtier air in our communities," she said. **Dan Becker of the Center for Biological Diversity's Safe Climate Transport Campaign said the rule "ignores the feasibility of clean technology and the millions of fuel-efficient cars already on the road."** Analysts cited by the groups estimate the change will add roughly 90 tons a year of fine particulate pollution and about 4,870 tons a year of smog-forming compounds over the coming years. Transportation accounts for about 28 percent of U.S. greenhouse gas emissions, the largest single source.

The legal fight will turn on the same statutory language the agency invoked to justify the rollback. The Energy Policy and Conservation Act requires NHTSA to set standards at the "maximum feasible" level, taking into account technological feasibility, economic practicability, the effect of other federal standards and the nation's need to conserve energy. Challengers will argue that a 1 percent annual improvement in a market where hybrids and electric vehicles are already widely available cannot be the maximum feasible; the government will argue that the previous administration inflated feasibility by counting electric vehicles the statute told it to ignore.

For manufacturers, the practical effect is less dramatic than the headline numbers suggest. With penalties already zeroed out and credit trading gone, compliance had ceased to be a financial constraint before this week. What the rule changes is the planning horizon. Product decisions made now for the 2029 to 2031 model years will be shaped by the assumption that Washington will not demand efficiency gains beyond what the market rewards, and by the parallel bet that the next administration will not have time to reverse course before those vehicles reach showrooms. Whether that bet pays off depends on litigation that will take years and an election that is five weeks away.

<https://www.hngn.com/articles/273392/20260928/us-cuts-fuel-economy-target-349-mpg-undoing-biden-era-rules.htm>