



Why Washington Just Rolled Back Fuel Economy Rules on New Cars

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By: Jarrod

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- Federal regulators finalized new fuel economy rules on September 28 that cut the required yearly efficiency gain for new cars and trucks from 2 percent to 1 percent.
- The target for model year 2031 drops to an average of 34.9 miles per gallon, down from the 50.4 mpg goal set under the prior rule.
- The change lands the same week the national gas price average hit \$4.48 a gallon, the highest level for late September in AAA's records.

Drivers will buy trucks and SUVs that burn more gas for years to come

The National Highway Traffic Safety Administration signed off on new Corporate Average Fuel Economy standards on September 28, and the rule touches every new car, pickup and SUV sold in the United States through model year 2031. Automakers now need to raise their fleet average fuel economy by just 1 percent a year. The Biden-era rule set that bar at 2 percent a year, a pace meant to push the fleet toward an average of 50.4 mpg by 2031. The new target lands at 34.9 mpg instead.

That gap between 50.4 and 34.9 mpg represents roughly 15 fewer miles per gallon across the fleet a driver will be able to choose from at a dealership in five years. For a household that drives 12,000 miles a year, that difference works out to hundreds of extra dollars spent at the pump annually once the rule takes full effect, on top of whatever gas costs at the time.

What the administration changed and why

Transportation Secretary Sean Duffy announced the rule as part of an initiative the department calls "Freedom Means Affordable Cars." Duffy described the move as relief for buyers priced out of the new car market. "This administration is delivering relief to families and reviving the beating heart of American manufacturing," Duffy said. He argued the prior standards

“effectively required a switchover to electric vehicles that was out of step with market realities and customer demand,” calling the new rule “an appropriate course correction.”

The rule does more than lower the annual target. It also eliminates the credit-trading system that let automakers offset gas-powered trucks and SUVs by building or buying credits tied to electric vehicle sales. Under the old system, a company selling large numbers of EVs could bank credits and sell them to a competitor that leaned heavily on trucks and SUVs. Ford, General Motors and Stellantis, all of which build large numbers of pickups and SUVs, praised the rollback. Removing the credit market saves those automakers from having to buy compliance credits or slow down truck production to hit a fleet-wide average.

Critics say the timing could not be worse for drivers

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The complaint centers on timing more than principle. AAA’s national average for regular gasoline sat at \$4.48 a gallon the same week the rule was finalized, a level the group had not recorded for late September in years the agency has tracked prices. The spike traces to disrupted oil flows through the Strait of Hormuz and tight refining capacity worldwide, not anything to do with fuel economy rules. A new-vehicle fleet that burns more gas locks in higher fuel bills for the next decade regardless of where crude prices settle once the current disruption eases.

How CAFE standards have shaped car buying for five decades

Congress created the CAFE program in 1975, right after the 1973 oil embargo exposed how exposed the country was to foreign oil supply shocks. The original rule doubled passenger car fuel economy from about 13 mpg to 27.5 mpg within a decade. Every administration after that has adjusted the targets, and the standards have swung with the party in the White House: tighter under Obama and Biden, looser under both Bush administrations and the first Trump term. This marks the widest single-year cut to the annual mpg-gain requirement in the program’s history.

The rule change does not touch separate greenhouse gas emissions standards written by the Environmental Protection Agency, which regulates carbon dioxide output from tailpipes under a different legal authority than NHTSA’s fuel economy mandate. Automakers have to satisfy both agencies, so what a car buyer actually sees in showrooms over the next few years also depends on how the EPA handles its own emissions rule, which remains under separate review.

What this means for your next car purchase

Nothing changes at dealerships overnight. Automakers plan vehicle lineups three to five years ahead, so the immediate 2026 model-year inventory reflects decisions made under the old rule. The effects show up gradually: fewer new hybrid and mild-hybrid trims forced onto truck and SUV lineups to hit fleet averages, and less pressure on manufacturers to keep pushing efficiency gains on their most popular models.

Buyers shopping for a new vehicle who care about long-term fuel costs should look past the sticker and check the EPA fuel economy label at fuelconomy.gov, which lists both the combined mpg rating and an estimated five-year fuel cost for each trim. That comparison counts for more now that the regulatory floor pushing automakers toward better mpg has dropped. A buyer cross-shopping two similar trucks can find a genuine gap in real-world fuel costs that used to be narrower when both models had to hit the same steep mpg target.

Shoppers can also factor in that the federal \$7,500 tax credit for new electric vehicles ended for vehicles acquired after September 30, 2025, removing another lever that used to steer buyers toward low-consumption models. With that credit gone and the CAFE targets loosened, the financial case for choosing a smaller engine or a hybrid powertrain now rests almost entirely on what a buyer expects to pay at the pump, not on federal incentives pointing them in that direction.

Legal challenges are already forming

Rule changes of this size rarely survive without a fight in federal court. California and a coalition of other states sued to block the previous administration's rollback attempt in 2025, and legal observers expect a similar challenge here. States that set their own tailpipe emissions targets under Clean Air Act waivers, led by California, can keep tighter rules within their own borders even after a federal rollback, which means a buyer in Los Angeles and a buyer in Louisville could end up choosing from different vehicle lineups depending on how manufacturers decide to split production between compliant and non-compliant trims.

Automakers themselves face a planning headache regardless of how the lawsuits play out. Building separate versions of the same truck for different regulatory regions raises manufacturing costs, so most companies build to the strictest applicable standard nationwide rather than split their assembly lines. That history suggests the federal rollback could end up counting for less in practice than the political fight over it suggests, at least for buyers in states that keep their own emissions rules in place.

The EPA's own greenhouse gas standard covering the same model years remains under a separate review, and that rule counts for more in hybrid and electric vehicle production decisions than the NHTSA fuel economy targets do. Watch for an EPA announcement in the coming months. If the EPA finalizes its own rollback to match NHTSA's new numbers, the combined effect on showroom inventory will be far larger than this rule taken alone.

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