

## **Fuel Efficiency Standards of the Future**

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On July 29, 2011, President Barack Obama, joined by major automakers Ford, General Motors, Chrysler, BMW, Honda, Hyundai, Jaguar/Land Rover, Kia, Mazda, Mitsubishi, Nissan, Toyota and Volvo - which together account for over 90 percent of all vehicles sold in the United States - announced new fuel efficiency standards aimed at improving fuel efficiency to 54.5 miles per gallon by 2025. The new plan calls for a five percent annual increase in fuel economy for cars and a 3.5 percent average annual increase for light trucks through 2021. After 2021, both cars and trucks would be subject to a five percent annual increase. The new standard is the follow-up to the 35.5 corporate fuel average being phased in through the 2016 model year. Currently, automakers average less than 30 miles a gallon.

The Obama Administration projected the new standards would save families an estimated \$8,200 in fuel costs over the lifetime of a new vehicle by 2025, compared to a 2010 model, while estimating a total savings of \$1.7 trillion for consumers over the life of their vehicles.. Advocates of the proposed standard argue that the new standards will reduce our dependence on foreign oil, save consumers money, encourage technological innovation, create jobs in the automobile industry, and limit harmful emissions and pollutants. Others contend that while the President's announcement was a step in the right direction, the proposal would set standards far below what is achievable. Carl Pope, chairman of the Sierra Club, argues that American carmakers have the technology today to get to at least 60 miles per gallon by 2025, while Bill Snape, Senior Counsel for the Center for Biological Diversity, contends that the standards falls far short of what is needed to make significant reductions in greenhouse gas pollution.

Current laws require the government to establish fuel efficiency standards at the "maximum feasible" level and are intended to push technological innovation by requiring that standards be set beyond what is possible today. The new standard, however, is sure to result in remarkable changes in cars, making them smaller, lighter and equipped with higher-tech engines such as hybrids or other fuel savers. There are also fears that the standard will force automakers to manufacture small cars that families won't want to buy, or that cars will become too expensive. According to a study conducted by the

Center for Automotive Research, the new standards will result in the retail price of average motor vehicles rising by over \$11,000. The Obama Administration has declined to release any estimates on how the proposal will impact the retail costs of vehicles, stating that it is still studying potential impacts and will release details later.

However, as tough as the standard may be, automakers have openly embraced the proposal, especially those known for manufacturing smaller cars. General Motors has already acknowledged that while the standards are tough, they are achievable. What do the standards mean to consumers? While the new standard will save consumers money at the gas pump, many are concerned of a possible “rebound effect,” whereby enticed by better mileage and the cheaper price of driving, consumers start driving more and consume more oil overall. Regardless, Pope estimates that in 2025, average consumers should expect to see a fleet of new models that average closer to 40 miles per gallon, nearly doubling the 22.4 miles per gallon average for 2009 models. President Obama did, however, include a possible escape route for automakers: A 2018 review of the car standards that could let automakers argue for reducing the miles per gallon targets if the most fuel-efficient cars are not selling. How successful will the new standards be at reducing our dependence on foreign oil, saving consumers’ money at the pump, and creating jobs in the automobile industry? Only time will tell.