

**DRIVING IN REVERSE: THE ADMINISTRATION'S
ROLLBACK OF FUEL ECONOMY AND CLEAN
CAR STANDARDS**

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON CONSUMER PROTECTION AND
COMMERCE
AND THE
SUBCOMMITTEE ON ENVIRONMENT AND CLIMATE
CHANGE
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES

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¹Three supplemental documents submitted with Mr. Friedman’s responses have been retained in committee files and also are available at <https://docs.house.gov/meetings/IF/IF17/20190620/109670/HHRG-116-IF17-Wstate-FriedmanD-20190620-SD004.pdf>.

²The information has been retained in committee files and also is available at <https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=109670>.

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DRIVING IN REVERSE: THE ADMINISTRATION'S ROLLBACK OF FUEL ECONOMY AND CLEAN CAR STANDARDS

THURSDAY, JUNE 20, 2019

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CONSUMER PROTECTION AND
COMMERCE
JOINT WITH THE
SUBCOMMITTEE ON ENVIRONMENT AND CLIMATE CHANGE,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittees met, pursuant to call, at 10:01 a.m., in the John D. Dingell Room 2123, Rayburn House Office Building, Hon. Jan Schakowsky (chairwoman of the Subcommittee on Consumer Protection and Commerce) and Hon. Paul Tonko (chairman of the Subcommittee on Environment and Climate Change) presiding.

Members present: Representatives Schakowsky, Tonko, DeGette, Matsui, Castor, McNERney, Luján, Clarke, Cárdenas, Ruiz, Peters, Dingell, Veasey, Kelly, Barragán, McEachin, Blunt Rochester, Soto, O'Halleran, Pallone (ex officio), Shimkus (Subcommittee on Environment and Climate Change ranking member), Rodgers (Subcommittee on Consumer Protection and Commerce ranking member), Upton, Burgess, Latta, Guthrie, McKinley, Johnson, Long, Bucshon, Flores, Mullin, Hudson, Carter, Duncan, Gianforte, and Walden (ex officio).

Members present: Representatives Loeb sack and Kuster.

Staff present: Jeffrey C. Carroll, Staff Director; Adam Fischer, Policy Analyst; Lisa Goldman, Senior Counsel; Waverly Gordon, Deputy Chief Counsel; Daniel Greene, Professional Staff Member; Tiffany Guarascio, Deputy Staff Director; Caitlin Haberman, Professional Staff Member; Alex Hoehn-Saric, Chief Counsel, Communications and Consumer Protection; Zach Kahan, Outreach and Member Service Coordinator; Rick Kessler, Senior Advisor and Staff Director, Energy and Environment; Brendan Larkin, Policy Coordinator; Dustin J. Maghamfar, Air and Climate Counsel; Jon Monger, Counsel; Elysa Montfort, Press Secretary; Joe Orlando, Staff Assistant; Kaitlyn Peel, Digital Director; Alivia Roberts, Press Assistant; Tim Robinson, Chief Counsel; Chloe Rodriguez, Policy Analyst; Nikki Roy, Policy Coordinator; Andrew Souvall, Director of Communications, Outreach, and Member Services; Benjamin Tabor, Staff Assistant; Sydney Terry, Policy Coordinator; Jen Barblan, Minority Chief Counsel, Oversight and Investigations; Mike Bloomquist, Minority Staff Director; S. K. Bowen, Press As-

sistant; Jerry Couri, Minority Deputy Chief Counsel, Environment; Jordan Davis, Minority Senior Advisor; Justin Discigil, Minority Press Secretary; Margaret Tucker Fogarty, Minority Staff Assistant; Melissa Froelich, Minority Chief Counsel, Consumer Protection and Commerce; Theresa Gambo, Minority Financial and Office Administrator; Peter Kielty, Minority General Counsel; Bijan Koochmaraie, Minority Counsel, Consumer Protection and Commerce; Mary Martin, Minority Chief Counsel, Energy and Environment; Brandon Mooney, Minority Deputy Chief Counsel, Energy; Brannon Rains, Minority Legislative Clerk; Zach Roday, Minority Director of Communications; and Peter Spencer, Minority Senior Professional Staff Member, Energy and Environment.

Ms. SCHAKOWSKY. The joint hearing of the Subcommittee on Consumer Protection and Commerce and the Subcommittee on Environment and Climate Change will now come to order.

It is a pleasure to have this joint hearing with Chairman Tonko and ranking Republican Mr. Shimkus together, and it is a pleasure, of course, always to be with my ranking member, Mrs. Morris Rodgers.

And I will begin with an opening statement, and so I recognize myself for 5 minutes.

OPENING STATEMENT OF HON. JAN SCHAKOWSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

So I want to begin by thanking our witnesses for being here with us today. We appreciate it very much.

Today's hearing is about the Trump administration's proposed rollback of fuel economy and greenhouse gas standards for cars and light-duty trucks.

In 2007, Congress directed the National Highway Traffic Safety Administration, NHTSA, to strengthen Corporate Average Fuel Economy, that is, CAFE standards for cars and light trucks, with the goal, at that time, of reducing U.S. dependency on imported oil by improving fuel efficiency. These standards have been a resounding success. Consumers have saved nearly \$85 billion in fuel costs, and the clean-car industry supports nearly 288,000 jobs.

But just 2 months after the Obama administration determined to continue improving CAFE standards through model year 2025, the Trump administration announced a change in course. In August 2018, EPA and NHTSA released a notice of proposed rulemaking known as the Safer Affordable Fuel Efficiency, SAFE, Vehicle Rule, freezing that standard at model year 2020 levels. Few proposals have been more blatantly misnamed than this.

The SAFE Vehicle Rule is not safer. While the EPA and NHTSA claimed that the rule would reduce vehicle fatalities, independent analyses and even career EPA staff dispute the findings, and have said that the rule would actually result in more deaths.

The rule is not affordable, that is the A. Hardworking families are projected to spend an additional \$3,300 on gas over the life of their vehicles. And according to the EPA and NHTSA's own conclusions, the rule would eliminate 60,000 jobs in the United States automobile industry. Rolling back Clean Car Standards will damage the economy and put people out of work, which, by the way, will make it harder for them to buy cars.

The rule is not more fuel efficient. That is the F in SAFE. Again, EPA and NHTSA's own analysis estimates that the rule will dramatically increase air pollution and increase fuel consumption by nearly 80 billion gallons. The fact that the Trump administration now seeks to dismiss policies that would reduce these emissions and make our environment cleaner is inexcusable.

Climate change is the existential crisis of our time, and in 2018, 1 year of the Trump administration's policies, CO₂ emissions have jumped 2.6 percent, going in the wrong direction in the United States. The administration should abandon this proposal and end their assault on consumers, the environment, and safety.

[The prepared statement of Ms. Schakowsky follows:]

PREPARED STATEMENT OF HON. JAN SCHAKOWSKY

Good morning, thank you for being here with us.

Today's hearing is about the Trump administration's proposed rollback of fuel economy and greenhouse gas standards for cars and light-duty trucks.

In 2007, Congress directed the National Highway Traffic Safety Administration (NHTSA) to strengthen Corporate Average Fuel Economy (CAFE) standards for cars and light-duty trucks, with the goal of reducing U.S. dependence on imported oil by improving fuel efficiency.

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Few proposals have been more blatantly misnamed than this.

The SAFE Vehicles Rule is not "Safer." While the EPA and NHTSA claim that the rule would reduce vehicle fatalities, independent analyses and even career EPA staff dispute the findings and have said that the rule would result in more deaths.

The rule is not "Affordable." Hardworking families are projected to spend an additional \$3,300 on gas over the life of their vehicle.

And according to the EPA and NHTSA's own conclusions, the rule would eliminate 60,000 jobs in the U.S. automotive industry. Rolling back Clean Car Standards will damage the economy and puts people out of work, which by the way will make it harder for them to buy cars.

The rule is not more "Fuel-Efficient." Again, EPA and NHTSA's own analysis estimates that the rule will dramatically increase air pollutants, and increase fuel consumption by nearly 80 billion gallons.

The fact that the Trump administration now seeks to dismantle policies that would reduce these emissions and make our environment cleaner is inexcusable.

Climate change is the existential crisis of our time and in 2018—1 year of Trump administration policies—CO₂ emissions jumped 2.6% in the U.S.

The administration should abandon this proposal and end their assault on consumers, the environment, and safety.

Ms. SCHAKOWSKY. So I thank you, and now I will yield the rest of my time to Congresswoman Matsui.

Ms. MATSUI. Thank you, Madam Chair.

I want to thank you all for calling this important hearing on the Trump administration's reckless efforts to roll back auto fuel and clean air standards. Let's be clear. The Trump administration's actions hurt consumers, degrade our air quality, and contribute to climate change.

This is also about American leadership. For decades, California has led the way in developing the gold standard for emissions. In my home State, we have long recognized the need for action. This

has been particularly true under the exceptional leadership of Mary Nichols, chair of the California Air Resources Board. As a key regulator and negotiator on climate change and air quality, Mary is an obvious choice for this hearing.

We should hear all perspectives side by side, but that will not be the case today. Mr. Wehrum and Ms. King have denied us that opportunity by refusing to testify in the same panel. If EPA and NHTSA are so confident this rule is safer and better for our country, I think they would welcome the opportunity to testify alongside Ms. Nichols. Instead, when confronted by experts and science, the Trump administration recoils and retreats, instead of defending their so-called SAFE vehicles rule, a disaster for our country. That is why we need to pass my bill, H.R. 978, the Clean and Efficient Cars Act, which reverses the Trump administration's attacks on forward-looking fuel efficiency and emissions standards, restoring Obama-era rules that protect consumers, the environment, and our public health.

I am pleased to enjoy broad support on the Energy and Commerce Committee. With 24 Members supporting the measure, I am hopeful we can move this bill forward. We owe it to the people we serve to ask the tough questions and shine a light on this disastrous rule.

It is my sincere hope that we get the answers about why the administration is putting our economy, health, and future at risk. And I yield back.

Ms. SCHAKOWSKY. And I yield back my time.

And the Chair now recognizes Mrs. Rodgers, ranking member of the Subcommittee on Consumer Protection and Commerce, for 5 minutes for her opening statement.

**OPENING STATEMENT OF HON. CATHY McMORRIS RODGERS,
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF
WASHINGTON**

Mrs. RODGERS. Good morning, everyone. Good morning Madam Chair. I appreciate everyone being here today to discuss our Nation's fuel economy standards.

In 1975, Congress established the Corporate Average Fuel Economy program, or the CAFE program, to be administered by National Highway Traffic Safety Administration, NHTSA. The goal of this program was to improve fuel economy, our vehicle fuel economy, reduce oil consumption, and secure the Nation's energy independence. At the time, Congress made clear that fuel economy should be regulated solely at the Federal level to achieve uniformity and to avoid a patchwork of different State laws regulating the same issue differently. Unfortunately, several forces have created an opposite effect—multiple conflicting programs undercutting the goals of the original program.

When Congress established the CAFE program, the Environmental Protection Agency began regulating greenhouse gas emissions from new motor vehicles. On top of NHTSA and EPA programs, California has set a separate tailpipe emissions limits and a zero-emission vehicle mandate, both of which impact fuel economy, the auto industry, and consumers. Nine other States have followed California to include a zero-emissions vehicle mandate.

These mandates require automakers to produce a certain number of these vehicles, regardless of consumer demand, new technology, or the free market.

Ten years ago, to address the regulatory overload, the Obama administration announced a national fuel efficiency policy known as the One National Program. The One National Program was intended to establish a consistent national standard across NHTSA, EPA, and California. There were many assumptions made by the Federal Government, the States, and the industry 10 years ago that were set to be revisited during the midterm review process.

The assumptions they made haven't held up the test of time; assumptions like gas prices rising to \$3, \$4, and \$5 per gallon, people buying more cars than trucks, and that electric vehicles would become more popular. Well, here is the reality today: Gas prices have stabilized, people want larger vehicles, and dealers are still having trouble selling hybrid vehicles. In my district, 83 percent of the vehicles sold in 2018 were crossovers, SUVs, trucks, and vans. My constituents are choosing internal combustion engines; 99 percent of the registered vehicles in eastern Washington are gas- or diesel-powered. This is when they have more hybrid and electric options than ever before.

On top of that, just days before President Trump's inauguration, the Obama EPA issued its final determination—days before the inauguration, and that was for 2022 to 2025—without consulting NHTSA, despite that being a requirement under the One National Program.

So here we are, 10 years later. There is no uniformity. And rather than invest in R&D and consumer education, the car industry is paying massive fines or trying to figure out how to avoid them. There must be a new and better way forward.

I am encouraged to see NHTSA and EPA working together for a true national standard that looks at the facts and the decisions people make when they buy a new car. The uncertainty in this space is hurting the market, threatening jobs and affordable prices for workers and families. The agencies expect the SAFE vehicles rule to save up to a thousand lives annually, create \$2,300 in savings for people when they buy a new car, and create \$500 billion in cost savings for the U.S. economy.

In eastern Washington, the average vehicle on the road is 15 years old, almost 4 years above the national average. By reducing the average cost of new vehicles, people who currently stay in their older, less-safe vehicles will be able to afford newer vehicles with technological advancements that save lives. I would like one myself. For their sake, I look forward to the productive conversation this morning about the current situation and what the path looks like forward so that we will have safer roads, newer vehicles, a cleaner environment, and more jobs.

So thank you also to our second panel, and particularly for the witnesses who traveled to join us today for this important discussion.

And I yield back.

[The prepared statement of Mrs. Rodgers follows:]

PREPARED STATEMENT OF HON. CATHY MCMORRIS RODGERS

Good morning and welcome to today's joint subcommittee hearing to discuss fuel economy standards.

In 1975, Congress established the Corporate Average Fuel Economy program, or the CAFE program, to be administered by the National Highway Traffic Safety Administration. The goal of this program was to improve vehicle fuel economy, reduce oil consumption, and secure the Nation's energy independence.

At the time, Congress made clear that fuel economy should be regulated solely at the Federal level to achieve uniformity and to avoid a patchwork of different State laws regulating the same issue differently.

Unfortunately, several forces have created the opposite effect: multiple conflicting programs undercutting the goals of the original program. When Congress established the CAFE program, the Environmental Protection Agency began regulating greenhouse gas emissions from new motor vehicles.

On top of the NHTSA and EPA programs, California has set separate tailpipe emissions limits and a zero-emission vehicle mandate . . . both of which impact fuel economy, the auto industry, and consumers.

Nine other States have followed California to include a zero-emissions vehicle mandate.

These mandates require automakers to produce a certain number of these vehicles regardless of consumer demand, new technology, or the free market.

Ten years ago, to address the regulatory overload, the Obama administration announced a national fuel efficiency policy known as the One National Program.

The One National Program was intended to establish a consistent national standard across NHTSA, EPA, and California.

There were many assumptions made by the Federal Government, the States, and industry 10 years ago that were set to be revisited during the Midterm Review process.

The assumptions they made haven't held up to the test of time . . . assumptions like gas prices rising to 3 . . . 4 . . . 5 dollars per gallon . . . people buying more cars than trucks . . . and electric vehicles becoming more popular. Well, here's the reality today. Gas prices stabilized. People want larger vehicles. And dealers are still having trouble selling hybrid vehicles.

In my district, 83% of vehicles sold in 2018 were crossovers, SUVs, trucks, and vans.

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So here we are, 10 years later. There's no uniformity . . . and rather than invest in R&D and consumer education, the car industry is paying massive fines or paying to avoid them. There must be a new and better path forward.

I am encouraged to see NHTSA and EPA working together for a true national standard that looks at the facts and the decisions people make when they buy a new car.

The uncertainty in this space is hurting the market, threatening jobs and affordable prices for workers and families.

The agencies expect the SAFE Vehicles rule to save up to 1,000 lives annually, create \$2,340 in average savings for people when they buy a new car . . . and create \$500 billion in cost savings for the U.S. economy.

In Eastern Washington, the average vehicle on the road is over 15 years old, almost 4 years above the national average.

By reducing the average cost of new vehicles, people who currently stay in their older, less safe vehicles will be able to afford newer vehicles with technological advancements that save lives.

For their sake, I look forward to a productive conversation this morning about the current situation, and what the path forward looks like for safer roadways, newer vehicles, a cleaner environment, and more jobs.

Thank you also to our second panel, particularly the witnesses who traveled to join us today for this important discussion.

Thank you and I yield back.

Ms. SCHAKOWSKY. The gentlewoman yields back, and the Chair now recognizes Mr. Tonko, who is the chair of the Subcommittee on Environment and Climate Change, for 5 minutes.

OPENING STATEMENT OF HON. PAUL TONKO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. TONKO. Thank you, Madam Chair, and thank you for the opportunity to cohost this hearing, which is very important.

Today we examine the Trump administration's proposal to freeze fuel economy standards at model year 2020 levels for years 2021 through 2026. This action would have lasting negative consequences for the American auto industry that needs certainty to compete and for consumers, who will pay more at the pump. This proposal will undermine American jobs throughout the auto supply chain. As we stand still, other nations will continue to race forward to develop the next generation of innovative vehicle technologies, ensuring that future investments will be made overseas, where markets for such products continue to grow.

NHTSA's own analysis suggests thousands of United States jobs may be lost as a result of this rule. In fact, a large group of automakers has now registered opposition to this totally misguided proposal.

While it is clear that this course of action will unnecessarily harm consumers and industry, it will also compromise our public health and the environment. EPA's tailpipe standards are the most important Federal climate policy currently on the books. This proposal takes us even farther backwards on climate and will increase oil consumption and U.S. CO₂ emissions significantly. Transportation is the largest contributor of domestic greenhouse gas emissions, and light-duty vehicles account for nearly 60 percent of that sector's emissions.

This proposed rollback ignores climate science and the evidence of the devastation already flooding and burning our communities. It is reckless climate denial of a kind we can no longer afford.

These standards are not only important for climate action, they also reduce conventional air pollution. New York State adopted California's ZEV standards in the early 1990s, long before climate was the urgent priority we understand it to be today. This was done to improve poor air quality, which impacts disadvantaged communities first and foremost. States are investing hundreds of millions of dollars in incentives and infrastructure to achieve air pollution reduction targets, including important climate goals, and California standards are a critical part of that effort.

Unfortunately, instead of upholding its mission of environmental protection, EPA seems eager to tie the hands of States that are working to deal with this pollution impact. Over and over we have heard this administration pay lip service to cooperative federalism. Apparently, that only applies to States pursuing deregulation. I was dismayed that the administration threatened to pull its participation in this hearing if seated on the same panel with their State partner. Like the rule itself, this behavior is bizarre.

This administration has a responsibility to recognize California as a partner and coregulator in this process. I am pleased that we have Mary Nichols on the second panel, and we are grateful to

have her here, and very interested in hearing her perspective on this issue.

This EPA may not want California to be able to set its own standards, but if they do, not like the current process, they need to submit a proposal to Congress to amend the Clean Air Act because, on this matter, the law is clear: California has the right to seek waivers; EPA is required to err on the side of granting them; and 177 States are entitled to adopt California's standards.

I would also remind everyone that we did, in fact, have a single national standard before the administration manufactured this crisis. Today we will have many questions on the development of this rule and its likely outcome, should it move forward.

But the overreaching question to our administration witnesses needs to be this: What exactly are you hoping to accomplish? At best, it isn't clear, and a reasonable observer would be forgiven for seeing an administration so blinded by contempt for its predecessors and so willing to hurt consumers to support oil companies at any cost that it would defy science and common sense to move forward with the proposal with near universal condemnation from stakeholders.

The administration's proposal is certainly destined for legal challenges, but my greater fear is that American consumers, businesses, and the environment will ultimately suffer the greatest consequences of the uncertainty caused by this reckless rule.

[The prepared statement of Mr. Tonko follows:]

PREPARED STATEMENT OF HON. PAUL TONKO

Thank you, Madam Chair. Today we examine the Trump administration's proposal to freeze fuel economy standards at Model Year 2020 levels for years 2021 through 2026. This action would have lasting negative consequences for the American auto industry that needs certainty to compete and for consumers who will pay more at the pump.

This proposal will undermine American jobs throughout the auto supply chain. As we stand still, other nations will continue to race forward to develop the next generation of innovative vehicle technologies, ensuring that future investments will be made overseas where markets for such products continue to grow.

NHTSA's own analysis suggests thousands of U.S. jobs may be lost as a result of this rule. In fact, a large group of automakers has now registered opposition to this misguided proposal.

While it is clear that this course of action will unnecessarily harm consumers and industry, it will also compromise our public health and the environment. EPA's tailpipe standards are the most important Federal climate policy currently on the books. This proposal takes us even farther backwards on climate and will increase oil consumption and U.S. CO₂ emissions significantly.

Transportation is the largest contributor of domestic greenhouse gas emissions, and light-duty vehicles account for nearly 60% of that sector's emissions.

This proposed rollback ignores climate science and the evidence of the devastation already flooding and burning our communities. It is reckless climate denial of a kind we can no longer afford.

These standards are not only important for climate action. They also reduce conventional air pollution. New York State adopted California's ZEV standard in the early 1990s, long before climate was the urgent priority it is today. This was done to improve poor air quality, which impacts disadvantaged communities first and foremost.

States are investing hundreds of millions of dollars in incentives and infrastructure to achieve air pollution reduction targets, including important climate goals, and California's standards are a critical part of that effort. Unfortunately, instead of upholding its mission of environmental protection, EPA seems eager to tie the hands of States that are working to deal with this pollution impact.

Over and over we have heard this administration pay lip service to cooperative federalism; apparently that only applies to States pursuing deregulation.

I was dismayed that the administration threatened to pull its participation in this hearing if seated on the same panel with their State partner. Like the rule itself, this behavior is bizarre. The administration has a responsibility to recognize California as a partner and coregulator in this process.

This EPA may not want California to be able to set its own standards. But if they do not like the current process, they need to submit a proposal to Congress to amend the Clean Air Act. Because on this matter, the law is clear. California has the right to seek waivers, EPA is required to err on the side of granting them, and 177 States are entitled to adopt California's standards.

I would also remind everyone that we did, in fact, have a single national standard before the administration manufactured this crisis.

Today we will have many questions on the development of this rule, and its likely outcomes should it move forward. But the overarching question to our administration witnesses needs to be this: "What exactly are you hoping to accomplish?"

At best it isn't clear. And a reasonable observer would be forgiven for seeing an administration so blinded by contempt for its predecessors and so willing to hurt consumers to support oil companies at any cost that it would defy science and common sense to move forward with a proposal with near universal condemnation from stakeholders.

The administration's proposal is certainly destined for legal challenges, but my greater fear is that American consumers, businesses, and the environment will ultimately suffer the greatest consequences of the uncertainty caused by this reckless rule.

With that, I yield my remaining time to Mrs. Dingell.

Mr. TONKO. With that, Madam Chair, I yield my remaining time to Representative Dingell.

Mrs. DINGELL. Thank you, Chairman Tonko.

This hearing today is one of the most important hearings of my congressional career. The health and future of the auto industry matters to everybody in this country. Yet the industry is more fragile than ever right now, and policymakers cannot take its health for granted.

It is also critical for the future of this planet that we have continued reductions in greenhouse gas emissions and improvement in fuel economy, which is why I believe we need all parties to come to the table and cut a deal on standards that increase year over year and balance the twin goals of environmental protection and affordability.

And by the way, we shouldn't just be setting standards through 2025. We should be going to 2030 to provide greater certainty and demonstrate global leadership in this critical environmental issue.

I am out of time, but I want to say this: We need California at the table. We need One National Program, one set of standards, and I do not believe this administration is dealing in good faith in doing that.

I want to put into the record, Madam Chair, a copy of the letters that the industry is saying that we need to have one set of standards.

[The information appears at the conclusion of the hearing.]

And I know that when there is a will, there is a way, and I question the administration's sincerity in bringing everyone to the table and hope we can get there.

Thank you.

Ms. SCHAKOWSKY. The gentleman yields back all of his time.

And now the Chair recognizes Mr. Shimkus, ranking Republican on the Subcommittee on Environment and Climate Change.

OPENING STATEMENT OF HON. JOHN SHIMKUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. SHIMKUS. Thank you, Madame Chairman. Let's all take some deep breaths.

To my friends from California and New York, and I could be wrong, I thought it was the tradition and the protocol of this committee, going back to Chairman Dingell in his previous time, that executive branch witnesses would be on their own panel. So this fury over the CARB witness not being on this panel, I don't get it, unless we are going to throw out 40 years of how we operate on this committee.

So I just think we all need to take a deep breath.

I appreciate that we have called this hearing on this important subject, and it goes to the very heart of what we do in this committee, which is the Interstate Commerce Clause. We pride ourselves in going back to the Constitution and one of the few committees that goes back to the Founders. And what established the unity of this republic was the interstate commerce clause because we didn't want States going to war with States over taxation. That is why we are in this debate, and that is why we are in this room, and that is why we have such broad jurisdiction.

So this debate about an automobile industry, I think, is pretty simple. We need to have one market. We want to have one standard, and we need to have that set at the Federal level. Now, if some States want to go off and do their own thing, I can appreciate their emotion and their desire, but for the unity of the republic, that is why we have Energy and Commerce Committee and that is why we have the Interstate Commerce Clause.

We should not have a fractured marketplace driven by policies that cater to urban customers at the expense of customers and what they need in rural areas. I think my colleague from Washington State identified that most.

In the automobile industry, we want to sell vehicles that people want to buy. And in rural America, we like big things. We like big trucks. We like big engines. We like to haul trailers, whether that is to go for recreational use or whether that is to haul horses, and feed, and hay, and all those things that have to happen in rural America.

Finally, we should not have one State or region using official actions to exert market power in a way that reverberates outside of their own State lines.

I think we should have CAFE economy standards that make sense and have the Supreme Court's mandated Clean Air Act's greenhouse gas efforts be reasonable. They should be informed by science and not be proxies for one another when it is policy convenient from a practical standpoint but not so much from a legal one. We must be clear-eyed about the impacts on all Americans of a policy, because that is what Article I of the Constitution requires us to do.

I tried to do this in the last Congress. I went to the automobile industry and I said, "How do we marry the best engine technology with the best fuel mix?" And they came and they said, "We need high compression engines, which means higher octane." And we went into numerous negotiations. Now, that wasn't driven by a

State agency or a Federal agency saying, “You have to do this.” This was driven by those people in the marketplace trying to provide a product that consumers would buy. And actually we moved to a point where we had a hearing on that bill before the end of last Congress.

Before I yield back my time, I want to join my colleagues in welcoming our witnesses, particularly Heidi King, to the committee. I look forward—Heidi served on the staff here and did terrific work for the committee. Welcome back.

I look forward to hearing from all of our witnesses here today, and I hope that we will have constructive dialogues with one another that avoid political rhetoric and focus on policies that protect consumers, workers, and the environment.

[The prepared statement of Mr. Shimkus follows:]

PREPARED STATEMENT OF HON. JOHN SHIMKUS

Thank you, Mr. Chairman, for the recognition for this opening statement.

I appreciate that you have called this hearing on this important subject. For all the bluster generated today about who’s right and who’s not, who cares and who doesn’t, this issue goes to the very heart of who we are as a committee and where we obtain our constitutional pedigree: the interstate commerce clause and the ability to have a regular marketplace across 50 States.

We should not have a fractured marketplace driven by policies that cater to urban customers at the expense of customer need in rural areas. We also should not have policies that force consumers to pay more for the vehicles they NEED to offset the expense of high-priced vehicles others would LIKE—and get tax credits to drive. Finally, we should not have one State or a region using official actions to assert market power in a way that reverberates well outside the borders of that State.

I think we should have Corporate Average Fuel Economy standards that make sense and have the Supreme Court’s mandated Clean Air Act’s Greenhouse gas efforts be reasonable. They should be informed by science and not be proxies for one another when it is policy convenient from a practicality standpoint, but not so much from a legal one. We must be clear eyed about the impacts on all Americans of the policy we pass because that’s what Article I of the constitution requires we do.

I, for one, have been a believer that the best way to lift fuel economy across the board without State mandates is by setting a fuel octane standard for gasoline. Last Congress, the Environment Subcommittee learned that the internal combustion engine will dominate the market for at least another three decades. But a significant flaw in connecting our Nation’s liquid fuels policy with our Nation’s fuel efficiency standards is that standards for Corporate Average Fuel Economy and Greenhouse Gases and the Renewable Fuel Standard have never been fully coordinated with one another, the Renewable Fuel Standard doesn’t necessarily give us the liquid fuel formulations that maximize energy efficiency, and Corporate Average Fuel Economy and Greenhouse Gas requirements don’t necessarily result in the kinds of engines that make the best use of biofuel blends.

High octane fuels can improve fuel economy in engines optimized for them. For automakers, it is a relatively low-cost tool to increase miles per gallon. And because ethanol is the cheapest source of octane currently available, it also may be a pathway to use at least as much if not more ethanol than under the Renewable Fuel Standard.

We need to get the smart folks in both the car and fuel sectors together to have vehicle engines designed to squeeze out efficiencies and affordable fuels that can help them do that. Fortunately, there is research underway to better coordinate these two programs in a way that could benefit everyone from corn growers and biofuels producers, refiners, automakers, and most important of all, American consumers.

Before I yield back my time, I want to join my colleagues in welcoming our witnesses, particularly Heidi King, to the committee. Heidi served on the staff here and did terrific work for our committee. I look forward to hearing from all our witnesses today, and I hope that we all will have constructive dialogues with one another that avoid political rhetoric and focus on policies that protect consumers, workers and the environment.

Mr. SHIMKUS. And with that, Madam Chairman, I am going to yield back 17 seconds of my time.

Ms. SCHAKOWSKY. Thank you.

The Chair now recognizes Mr. Pallone, the chair of the full committee, for 5 minutes for his opening statement.

OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Madam Chair. It is fitting that the committee's first joint hearing of this Congress is being held by the subcommittees on Consumer Protection and Commerce and Environment and Climate Change, since we are here to examine one of this administration's most egregious assaults on American consumers, the U.S. economy, and the climate.

Now let me just say you know I love John Shimkus, but when I heard him complain about the fact that we were trying to put a State representative on a Federal panel, I would just remind him of a hearing that was held on the Flint Water Crisis on April 13, 2016, was a joint hearing with the Environment and the Economy Subcommittee, which he chaired at the time, and the Health Subcommittee, and the first panel consisted of two witnesses from the United States Environmental Protection Agency, a witness from the U.S. Department of Health, and then the Director of the Michigan Department of Environmental Quality and the Director of the Michigan Department of Health and Human Services. So I don't know why—

Mr. SHIMKUS. Would the gentleman yield just to set the record straight?

Mr. PALLONE. No, because I am just having fun with you.

Mr. SHIMKUS. Well, the point was, we agreed to that.

Mr. PALLONE. I understand. I am just having fun.

Mr. SHIMKUS. It was career witness. He wasn't a political appointee. He was a career witness.

Mr. PALLONE. Well, I can't help myself. Sorry.

All right, the Unified Fuel Economy and Tailpipe Emission Standards adopted during the Obama administration were the result of unprecedented collaboration between EPA, NHTSA, and the State of California. The Clean Car Standards included ambitious increases in fuel efficiency and ambitious reductions in greenhouse gas emissions for cars and light trucks. This was an across-the-board win benefitting consumers, manufacturing, and the environment. They were our single most important action taken to combat climate change and a key part of our commitment to the Paris Agreement.

So naturally, the Trump administration is trying to gut those standards as part of this reckless antclimate agenda. And this harmful proposal comes from the same administration that insists the Government should not be in the business of picking winners and losers but this is exactly what this rollback does. It picks one winner, the oil industry, while everyone else loses. And that is why yesterday my committee launched an investigation into a secret social media campaign run by the oil industry that misled the American people about this rollback. And we intend to uncover whether

the oil industry coordinated with the administration on this deceptive campaign.

After a while, the oil industry will win. American consumers will lose in the form of less-efficient vehicles. Ultimately, their proposal would increase drivers' spending at the pump because cars would no longer be required to go further on a gallon of gasoline. And as fuel economy standards go down, costs to consumers go up.

American manufacturing will also lose, especially automakers, parts suppliers, and workers, as the Trump administration cedes America's competitive edge to other countries that will develop and build the technologies of the future. And that is why just 2 weeks ago, 17 automakers called on the Trump administration to abandon its deeply flawed proposed rule and return to the negotiating table. According to the administration's own analysis, rolling back those standards would directly eliminate at least 60,000 jobs, and that is just a fraction of the half-million jobs that could be lost throughout the automotive supply chain.

And public health and the environment will also lose. The administration readily admits the rule will lead to increased particle pollution and smog-forming sulfur dioxide. The proposal would revoke California's longstanding ability to set more protective vehicle standards, as well as other States' and Territories' ability to adopt those standards.

My home State of New Jersey is one of 13 States, plus the District of Columbia, that follow California's lead to improve air quality, meet Clean Air standards, and improve the health of our communities. And the Trump administration, if it gets its way, will undermine those public health protections.

The driving public will also lose. Independent experts and career professionals within the EPA have found that the Clean Car roll-back will actually make our roads less safe, causing more deaths, and at the end of the day we will all lose because this rule would increase carbon pollution by more than 7 billion metric tons.

If my Republican colleagues are as serious about addressing climate change as they say—they now say they are—they should oppose this disastrous proposal.

So I just wanted to—I know that—I think one of my colleagues wanted some time. Well, I guess that is not true. All right, I will finish.

So the existing Clean Car Standards were a victory for consumers, manufacturers, and the environment. They created a single national program for getting more fuel-efficient cars on the road, providing the American auto industry with regulatory certainty, and spurred innovation.

I just wanted to, unfortunately, say that throughout this entire process, EPA and NHTSA have made it clear that collaboration and transparency are not priorities, and as Administrator Wheeler testified before this committee in April, the only offer the Trump administration made to California was this proposed as-is, which would gut the existing standards, and the administration still walked away from the table. That is more of a holdup than a negotiation. The administration should come back to the negotiating table and work on establishing a meaningful, unified, Clean Car program. And I really hope that that is what comes out of this,

that we see the administration come back to the table and renegotiate.

[The prepared statement of Mr. Pallone follows:]

PREPARED STATEMENT OF HON. FRANK PALLONE, JR.

It's fitting that the committee's first joint hearing of this Congress is being held by the subcommittees on Consumer Protection and Commerce and Environment and Climate Change, since we're here to examine one of this administration's most egregious assaults on American consumers, the U.S. economy, and the climate.

The unified fuel economy and tailpipe emissions standards adopted during the Obama administration were the result of unprecedented collaboration between EPA, NHTSA, and the State of California. The Clean Car Standards included ambitious increases in fuel efficiency and ambitious reductions in greenhouse gas emissions for cars and light trucks. This was an across the board win—benefitting consumers, manufacturing, and the environment. They were our single most important action taken to combat climate change, and a key part of our commitment to the Paris Agreement. So, naturally, the Trump administration is trying to gut those standards as part of its reckless anticlimate agenda.

This harmful proposal comes from the same administration that insists the Government should not be in the business of picking winners and losers. But that is exactly what this rollback does. It picks one winner—the oil industry—while everyone else loses. That's why yesterday, my committee launched an investigation into a secret social media campaign run by the oil industry that misled the American people about this rollback. We intend to uncover whether the oil industry coordinated with the administration on this deceptive campaign.

After all, while the oil industry will win, American consumers will lose, in the form of less-efficient vehicles. Ultimately the proposal would increase drivers' spending at the pump because cars would no longer be required to go further on a gallon of gasoline. As fuel economy standards go down, costs to consumers go up.

American manufacturing will also lose—especially automakers, parts suppliers, and workers—as the Trump administration cedes America's competitive edge to other countries that will develop and build the technologies of the future. That's why just 2 weeks ago, 17 automakers called on the Trump administration to abandon its deeply flawed proposed rule and return to the negotiating table. According to the administration's own analysis, rolling back these standards would directly eliminate at least 60,000 jobs. And that's just a fraction of the half-million jobs that could be lost throughout the automotive supply chain.

Public health and the environment will also lose. The administration readily admits the rule will lead to increased particle pollution and smog-forming sulfur dioxide. The proposal would revoke California's longstanding ability to set more protective vehicle standards, as well as other States' and territories' ability to adopt those standards. My home State of New Jersey is one of 13 States, plus the District of Columbia, that follow California's lead to improve air quality, meet clean air standards, and improve the health of our communities. The Trump administration, if it gets its way, would undermine those public health protections.

The driving public will also lose. Independent experts and career professionals within the EPA have found that the Clean Car rollback will actually make our roads less safe, causing more deaths.

And at the end of the day, we all lose, because this rule would increase carbon pollution by more than 7 billion metric tons. If my Republican colleagues are as serious about addressing climate change as they now say, they should oppose this disastrous proposal.

The existing Clean Car Standards were a victory for consumers, manufacturers, and the environment. They created a single, national program for getting more fuel-efficient cars on the road, provided the American auto industry with regulatory certainty, and spurred innovation.

The Trump administration rollback would abandon that historic agreement in favor of unmitigated chaos for the American automotive sector. It achieves nothing but destabilization of the industry and stifling of innovation. And it poses an existential threat to our climate and to the health and well-being of all Americans. All to benefit the bottom line of the oil industry.

Before I yield, I'd like to take a moment to welcome Mary Nichols, chair of the California Air Resources Board (CARB). Her leadership has been instrumental in the fight against climate change and reducing air pollution across the country. Thank you for traveling from California to testify today. We look forward to hearing your perspective.

I believe Ms. Nichols should be at the table alongside Ms. King and Mr. Wehrum, to give us the full picture of the proposed rule and have a robust discussion in front of this committee. But the Trump administration refused to appear today if EPA, NHTSA, and CARB testified on the same panel. Think about that. This administration literally refused to sit at the same table as California.

Unfortunately, throughout this entire process, EPA and NHTSA have made it clear that collaboration and transparency are not priorities. As Administrator Wheeler testified before this committee in April, the *only* offer the Trump administration made to California was its proposed rule as-is, which would gut the existing standards. And the administration still walked away from the table. That is more of a hold-up than a negotiation. The administration should come back to the negotiating table and work on establishing a meaningful unified Clean Car program.

Thank you, I yield back.

Mr. PALLONE. And with that, I yield back, Madam Chair.

Ms. SCHAKOWSKY. The gentleman yields back, and now I am happy to recognize Mr. Walden, the ranking member of the full committee, for 5 minutes for his opening statement.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Good morning, Madam Chairman, and welcome to our witnesses and to folks in the audience as well.

Having chaired the committee the prior 2 years and in talking with Chairman Upton, who was there the prior 6 years, it was the policy of the committee when administration—of both parties—that the appointees, such as we have today, were on their own panel, and I don't know why that is a big issue today. It has been the protocol and process of the committee in the past and probably will be going forward.

So we are just glad you are here, and hopefully we can get all that nonsense behind us and get to the real topic, because we need to explore the regulation of fuel economy with the National Highway Traffic Safety Administration, the EPA, and stakeholders.

This hearing touches on a prominent point of frustration for a lot of American consumers, and that is ineffective duplicative Government programs that increase costs and decrease their choices. Layered on top of consumer concerns is an unnecessarily complicated regulatory scheme disguised, until recently, as One National Program. What we are talking about are the differing fuel economy programs administered by NHTSA, the EPA, and California. That seems to be three.

As I said last week, it is a mistake to assume that a clean environment or safety and efficiency are incompatible with economic growth and job creation. We can have both. We have proven that time and again. However, to succeed, we need commonsense regulations that protect the public without suffocating innovation or failing to consider the practical impact on American consumers and taxpayers. Consumer interests are best served by ensuring our automakers have the freedom to design, manufacture, and deliver products with the features consumers want and can afford, and which are safe and reliable.

So I expect today we will hear about the various goals of the different programs, including the unique circumstances of certain States, but I would encourage all of us to refocus on the underlying statutory authority for the National Fuel Economy Program and the facts about the marketplace today.

One fact that I have said time and again is that climate change is real but we need to be focused on innovative and achievable solutions that protect the public, support the economy and jobs, and don't take choices away from American consumers.

So I look forward to hearing from Attorney General Landry and others on the panel about impact of existing conflicting programs on States outside of California and how costs have been driven up for consumers in those States. In fact, I was telling my colleagues yesterday, over the weekend I attended my niece's graduation from Cal Poly and paid \$3.95 for a gallon of gasoline. So for those on the other side worried about the cost of gas, I was in California paying that, and that seemed to be about the highest I have ever paid.

While we approach some of these issues from various perspectives, and you are going to hear that today, I believe it is important that regulations for achievable and affordable solutions that are commonsense, constitutionally permissible, and work for everyday Americans.

Now, in my district, more than 66 percent of registered vehicles are crossover SUVs, pickups, and vans. Less than three-tenths of a percent of vehicles in my district are electric or plug-in hybrid, and less than 2 percent are hybrids, including one that I own. That means more than 98 percent of the vehicles registered in my district are gas- or diesel-powered. We need to be sure to keep in mind the needs of our consumers for those types of vehicles in a rural area.

It is also important to understand how we got here. So in the 1970s, Congress delegated authority to NHTSA for regulating fuel economy with clear statutory requirements in law. The Obama-era EPA decided to get involved and develop their own standards over at the EPA, while also granting California a waiver under the Clean Air Act to allow a third regulator in this space. In 2009, the Obama administration announced this regulatory bottleneck as the One National Program, but unfortunately the One National Program has not resulted in a single national standard, and today we are left with a system that does not work for the regulated industry and is based on assumptions we know are faulty.

So, believe it or not, under this scheme, it is possible for automakers to be in full compliance with one Federal regulatory standard but be subject to massive penalties under another. This is an example of bureaucracy at its worst, and we need to fix it. Government should be working for the people, not creating regulations that increase costs and decrease choices for consumers and create a compliance catch-22.

Per the commitments made by the Obama administration, NHTSA and EPA were supposed to jointly issue respective determinations on standards for model years 2022 through 2025 in the spring of 2018. However, the Obama EPA abandoned its commitment, rushed through its final determination without coordinating with NHTSA or taking input from stakeholders in a meaningful way just 7 days—7 days before the Trump administration was sworn into office.

To the Trump administration's credit, they are refocusing on the pre-2016 election commitments made under the prior administra-

tion, setting one national standard. And last August, NHTSA and EPA jointly issued a notice of proposed rulemaking for the Safer Affordable Fuel Efficiency Vehicle Rule, or SAFE Rule, which seeks to unify and amend the Federal standards for model years 2021 through 2026.

So today we are going to learn more about it.

Madam Chair, thanks for having this hearing, and I yield back.
[The prepared statement of Mr. Walden follows:]

PREPARED STATEMENT OF HON. GREG WALDEN

Today we will explore the regulation of fuel economy with the National Highway Traffic Safety Administration, the Environmental Protection Agency, and a number of stakeholders.

This hearing touches on a prominent point of frustration for American consumers: ineffective, duplicative Government programs that increase costs and decrease their choices. Layered on top of consumers concerns is an unnecessarily complicated regulatory scheme, disguised until recently as One National Program. We are talking about the differing fuel economy programs administered by NHTSA, the EPA, and California.

As I said last week: It is a mistake to assume that a clean environment, or safety and efficiency, are incompatible with economic growth and job creation. However, to succeed we need common sense regulations that protect the public without suffocating innovation or failing to consider the practical impact on American consumers and taxpayers.

Consumer interests are best served by ensuring our automakers have the freedom to design, manufacture, and deliver products with the features consumers want and can afford, and which are safe and reliable.

I expect today we will hear about the various goals of the different programs, including the unique circumstances of certain States, but I would encourage all of us to refocus on the underlying statutory authority for the national fuel economy program and the facts about the marketplace today. One fact that I have said time and again is that climate change is real. But we need to be focused on innovative and achievable solutions that protect the public, support the economy and jobs, and don't take choices away from American consumers.

I look forward to hearing from Attorney General Landry and others on the panel about the impact of the existing conflicting programs on States outside of California, and how costs have been driven up for consumers in those States. While we approach some of these issues from various perspectives, I believe it is important to have regulations for achievable and affordable solutions that are commonsense, constitutionally permissible, and that work for everyday Americans.

In my district, more than 66 percent of registered vehicles are crossovers, SUVs, pickups, and vans. Less than 0.3 percent of vehicles in my district are electric or plug-in hybrid. Less than 2 percent are hybrids. That means more than 98 percent of vehicles registered in my district are gas or diesel powered. We need to be sure we are keeping the consumer in mind.

It is also important to understand how we got here. In the 1970s, Congress delegated authority to NHTSA for regulating fuel economy with clear statutory requirements. But, the Obama-era EPA decided to get involved and developed their own standards, while also granting California a waiver under the Clean Air Act to allow a third regulator in this space.

In 2009, the Obama administration announced this regulatory bottleneck as the "One National Program." Unfortunately, the One National Program has not resulted in a single national standard, and today we are left with a system that does not work for the regulated industry and is based on assumptions that we now know are faulty.

Believe it or not, under the current scheme it is possible for automakers to be in full compliance with one Federal regulatory standard but be subject to massive penalties under the other. This is an example of bureaucracy at its worst. Government should be working for the people. Not creating regulations that increase costs and decrease choices for consumers and create a compliance catch-22 for manufacturers.

Per the commitments made by the Obama administration, NHTSA and EPA were supposed to jointly issue respective determinations on standards for model years 2022–2025 in the spring of 2018.

However, the Obama EPA abandoned its commitment and rushed through its final determination—without coordinating with NHTSA or taking input from stake-

holders in a meaningful way—just 7 days before President Trump was sworn into office.

To the Trump administration's credit, they are refocusing on the pre-2016 election commitments made under the prior administration—setting one national standard. Last August, NHTSA and EPA jointly issued a notice of proposed rulemaking for the Safer Affordable Fuel-Efficient Vehicles Rule, or the SAFE Vehicles Rule, which seek to unify and amend the Federal standards for model years 2021 through 2026.

Duplicative and conflicting Federal programs do nothing to help the American people. As policymakers, it is our job to ensure that our laws and the implementation of them advance public policy goals that benefit Americans.

I would like to thank all of our witnesses for joining us today and I yield back.

Ms. SCHAKOWSKY. The gentleman yields back, and the Chair would like to remind Members that, pursuant to committee rules, all Members' written opening statements shall be made part of the record.

And now I would like to introduce our first panel of witnesses for today's hearing and thank them very much for coming. Heidi King is the Deputy Administrator of the National Highway Traffic Safety Administration, and Mr. William Wehrum, Assistant Administrator for the Environmental Protection Agency's Office of Air and Radiation.

I think you are probably both familiar with the lights in front of you. You know that they will turn yellow, from green to yellow, when there is 1 minute. So I hope you will begin to wrap up as close as you can to the red light after 5 minutes.

And so first, I would like to welcome the opening statement for Ms. King, and you are recognized for 5 minutes.

STATEMENTS OF HEIDI KING, DEPUTY ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, AND WILLIAM L. WEHRUM, ASSISTANT ADMINISTRATOR, OFFICE OF AIR AND RADIATION, ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF HEIDI KING

Ms. KING. Thank you very much, Chairwoman Schakowsky, Chairman Tonko, Ranking Member Rodgers, Ranking Member Shimkus, and all of the members of this very esteemed committee, which it was my honor—my great honor—to serve years ago.

Last year, NHTSA and EPA together proposed the Safer Affordable Fuel Efficient Vehicles Rule—the SAFE vehicles rule, we will call it today—to establish new fuel economy and greenhouse gas standards for model years 2021 to 2026 passenger cars and light trucks sold to consumers. These standards are important because they determine what new passenger cars and light trucks will be available to carry our neighbors, our friends, consumers, families, to work and to school, to haul goods on our farms and ranches, to travel across this great country's mountains and its cities in good weather and in bad.

This action responds to NHTSA's commitment in 2012 in the prior rulemaking to provide a totally fresh consideration of all relevant consideration of all relevant information and a fresh balancing of statutory factors given to us by Congress to determine the maximum feasible standards and to perform a midterm evaluation of the greenhouse gas standard for model years 2022 through 2025.

That fresh consideration of relevant information has caused the agencies to find that many of the predictions made, many of the forecasts made years ago were incorrect. Current information suggest that the standards previously set for model year 2021 are unlikely to be maximum feasible and that the greenhouse gas standards previously set for 2021 are unlikely to be appropriate under the Clean Air Act. The agencies sought comment on a range, a very broad range, of potential standards for model years 2021 through 2026.

Now, this hearing today is important. These rules can be complicated, and it is important to make sure that we all understand congressional direction and how the agencies are executing on that congressional direction. In the Energy Policy Conservation Act, EPCA, Congress directs NHTSA to determine the maximum feasible level of fuel economy standards for each model year considering four statutory factors: technological feasibility, economic practicability, the effect of other motor vehicle standards of the Government on fuel economy, and the need of the United States to conserve energy.

NHTSA and EPA are working together to ensure that this important rule will rely on the best possible engineering and the best possible economic information, data, and science and that we review the comments thoroughly in order to assure that when we do produce a final rule, that final rule is reasonable, appropriate, transparent, and consistent with the law, given current facts and current conditions.

I must assure that the SAFE vehicles rule will establish a maximum feasible standard and would not prevent any auto manufacturer from designing and building Next Generation highly fuel-efficient vehicles. That includes hydrogen fuel cell vehicles, battery electric vehicles, hybrids, plug-in hybrids, or anything that the market demands that is more fuel efficient than the maximum feasible standard in response to market demands. In fact, I personally, as someone who works in innovation, am very excited, we are all excited to witness the expansion of diverse designs and power trains, providing more choice for diverse consumers across the Nation.

Now, we all know that newer cars are safer and cleaner than older cars. We also know that consumers can choose whether to keep their older cars or purchase newer, safer, cleaner cars. That is particularly relevant because there are more cars than there are adults in this Nation. There are more cars than there are licensed drivers.

Standards that increase the price of a new car, therefore, can hinder safety by discouraging people from replacing their older car with a cleaner, safer, newer car. Today, we are facing an affordability crisis in the new car market. The average price of a new vehicle exceeds \$37,000, and new vehicle prices have risen 29 percent in just the past decade, while median family income grew only 6 percent during that period. As fuel economy improves, the incremental gains to consumers diminish. That means that each additional fuel economy improvement becomes much more expensive, lower-cost technological improvements are deployed, and there is

less gain to the consumer from saving fuel, but it is more expensive.

So today, automakers are struggling to meet the existing standards. EPA's latest trends report showed that, despite record fuel economy gains, all but three of 13 major automakers failed to meet performance targets for 2017 model year.

Newer cars are safer. Newer cars are cleaner than older cars. Consumers are more likely to driver newer, safer, cleaner cars if regulations don't increase the prices beyond consumers' means.

Thank you for hosting this very important hearing. I look forward to your questions and to a very open dialogue today. Thank you.

[The prepared statement of Ms. King follows:]

**Testimony of
Heidi King, Deputy Administrator
National Highway Traffic Safety Administration
Committee on Energy and Commerce
Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
United States House of Representatives
Fuel Economy and Greenhouse Gas Standards for Light-Duty Cars and Trucks
10:00 AM - June 20, 2019**

Thank you Chairwoman Schakowsky, Chairman Tonko, Ranking Member McMorris Rodgers, and Ranking Member Shimkus.

This year is the 10-year anniversary of the first proposed National Highway Traffic Safety Administration (NHTSA) and Environmental Protection Agency (EPA) national corporate average fuel-economy (CAFE) and greenhouse gas program. Last year, NHTSA and EPA together proposed the Safer Affordable Fuel Efficient (SAFE) Vehicles Rule to establish new fuel economy and greenhouse gas standards for model year (MY) 2021–2026 passenger cars and light trucks.

These standards are important to all Americans because they will determine what new passenger cars and light trucks will be available to carry our families to work and school, to haul goods on our farms and ranches, to travel across this great country's mountains and in its cities in good weather and bad.

The regulatory action responds to the commitment made by the Agencies in the joint 2012 final rule, where NHTSA promised that "NHTSA's rulemaking, which will incorporate findings from the midterm evaluation, will be a totally fresh consideration of all relevant information and fresh balancing of statutory and other relevant factors in order to determine the maximum feasible CAFE standards for MYs 2022–2025." EPA similarly committed to a mid-term evaluation of the greenhouse gas standards for those model years.

After fresh consideration of relevant information, the Agencies explained in the proposed SAFE Vehicles Rule that many of the predictions made years ago were likely incorrect. Thus, information currently available suggests that the CAFE standards previously set for model year 2021 are unlikely to be maximum feasible, and the greenhouse gas standards previously set for MY 2021 are unlikely to be appropriate under the Clean Air Act. The Agencies sought comment on a range of potential standards for MY 2021 through 2026.

In the Energy Policy Conservation Act, as amended by the Energy Independence and Security Act, Congress directs NHTSA to determine the maximum feasible level of fuel economy standards for each model year, considering four statutory factors: 1) technological feasibility, 2) economic practicability, 3) the effect of other motor vehicle standards of the Government on fuel economy, and 4) the need of the United States to conserve energy. In addition, NHTSA considers other relevant factors, such as the effect of the CAFE standards on motor vehicle safety.

Consistent with that framework, my colleagues at NHTSA and EPA are working together to ensure that this important rule will rely on the best possible engineering and economic information, data and science, and that we review the comments thoroughly in order to assure a final rule that is reasonable, appropriate, transparent, and consistent with the law given current facts and conditions.

I assure you, the SAFE Vehicles Rule will establish maximum feasible standards to which vehicle manufacturers must comply; the SAFE Vehicles rule contains no language that would prevent any auto manufacturer from designing and building next-generation highly fuel-efficient vehicles, including hydrogen fuel cell vehicles, battery electric vehicles, hybrids, and plug-in hybrids in response to market demands. I am excited – we are all excited -- to witness the expansion of the diverse designs and power trains, providing more consumer choice.

We have been working to address questions raised in the earlier rulemakings with respect to the potential impact of this important rule on safety of the motoring public.

- We know that newer cars are safer and cleaner than older cars.
- We also know that consumers can choose whether to keep their older car or to purchase a newer, safer, cleaner car. This is particularly relevant since there are already more cars than adults in our country – about 270 million cars and 260 million adults, which translates to about 240 million licensed drivers.
- Overly ambitious standards that dramatically increase the price of a new car can be counterproductive and hinder safety by discouraging people from replacing their older cars with cleaner, safer, newer cars.

And this important rulemaking comes along with concerns that we are facing an affordability crisis in the new car market. The average price of a new vehicle continues to break records—exceeding \$37,000 in both April and May, according to Kelley Blue Book. New vehicle prices have risen 29% in the past decade, despite median family income growing only 6% during that period, according to Edmunds. Continuing to increase prices due to regulatory burdens will price more and more consumers out of safer, cleaner, and more efficient vehicles.

And as fuel economy continues to improve, the incremental gains realized by consumers diminish. This is because fewer gallons are saved from incremental improvements. If a person who drives 15,000 miles per year in a 15-mpg truck decides to trade it in for a new 20 mpg truck, they will see their fuel consumption drop from 1,000 gallons to 750 gallons — saving 250 gallons annually. But somebody trading a 30-mpg car they drive 15,000 miles per year for a 40-mpg car reduces consumption from 500 gallons/year to 375 gallons/year — only 125 gallons even though the mpg improvement is twice as large. And going from 40 to 50 mpg only saves 75 gallons/year. Yet, each additional fuel economy improvement becomes much more expensive as the low-hanging fruit of low-cost technological improvement options are picked.

All of this comes after years of significant fuel economy improvements. Today, automakers are struggling to meet the existing standards. EPA's latest "Trends Report" showed that despite record fuel economy gains, all but three of the thirteen major automakers failed to meet their performance targets for

the 2017 Model Year and were forced to spend credits they had previously earned or acquired additional credits from competitors.

The fundamental principles remain: Newer cars are safer and cleaner than older cars. Consumers are more likely to upgrade to newer, cleaner, safer cars if costly regulations don't raise the price beyond consumers' means.

Thank you for hosting this important hearing and I look forward to your questions.

Ms. SCHAKOWSKY. Thank you, Ms. King.
Mr. Wehrum, you are recognized for 5 minutes.

STATEMENT OF WILLIAM L. WEHRUM

Mr. WEHRUM. Thank you very much. I appreciate the opportunity to be here this morning.

Chairwoman Schakowsky, Chairman Tonko, Ranking Members Rodgers and Shimkus, members of both subcommittees, thanks for the opportunity to testify with Deputy Administrator King today on the proposed SAFE vehicles rule.

This rule is the next generation of Corporate Average Fuel Economy and Light-Duty Vehicle Greenhouse Gas Emission standards. The proposal would revise the existing national automobile fuel economy and greenhouse gas emission standards to give the American people greater access to safer, more affordable vehicles by setting new 2021 to 2026 model year standards that must be achieved by each automaker for its car and light-duty truck fleet.

Through this rulemaking, we are delivering on President Trump's promise to the American public that this administration would address and fix the current fuel economy and greenhouse gas emission standards. The proposal aims to strike the right regulatory balance, based on the most recent information, that will enable more Americans to afford newer, safer vehicles.

It is important to note that the cost of new automobiles has risen to more than \$35,000, which is out of reach for many American families. Current standards have contributed to these costs. Compared to the preferred alternative, our proposal estimates that keeping in place the standards finalized in 2012 would add \$2,800 to the cost of owning a new car and reduce billions in societal costs over the lifetime of vehicles through model year 2030.

In the proposal, NHTSA and EPA sought comment on a wide range of regulatory options, including the preferred alternative that locks in model year 2020 standards through 2026, providing much-needed relief from further costly increases. The agencies' preferred alternative reflects a balance of safety, economics, technology, fuel conservation, and pollution reduction.

The joint proposal initiates a process to establish new 50-State fuel economy and tailpipe carbon dioxide emission standards for passenger cars and light trucks covering model years 2021 through 2026. The proposal estimates that the preferred alternative will prevent thousands of on-road fatalities and injuries, as compared to the standards set forth in the 2012 final rule, as more people can afford safer new cars.

EPA has worked with NHTSA throughout the rulemaking process. Deputy Administrator King and I and our technical teams have regular meetings and will continue to do until the rule is finalized. Given the importance of these regulations, both agencies are fully dedicated to getting the rule out as soon as possible.

Again, I appreciate the opportunity to be here today. I look forward to any questions you may have on the proposal.

[The prepared statement of Mr. Wehrum follows:]

Testimony for
Assistant Administrator for the Office of Air and Radiation William L. Wehrum,
U.S. Environmental Protection Agency
Before the Subcommittee on Consumer Protection and Commerce, and
the Subcommittee on Environment and Climate Change
U.S. House of Representatives Energy and Commerce Committee
on the *Safer Affordable Fuel-Efficient Vehicles Rule for Model Years 2021-2026 Passenger Cars
and Light Trucks* proposed rule

June 20, 2019

Chairwoman Schakowsky and Chairman Tonko, Ranking Member Rodgers and Ranking Member Shimkus, members of both Subcommittees: thank you for the opportunity to testify with Deputy Administrator King today on the *Safer Affordable Fuel-Efficient Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks* proposed rule, also known as the SAFE Vehicles Rule.

The SAFE Vehicles Rule is the next generation of the Corporate Average Fuel Economy (CAFE) and Light-Duty Vehicle Greenhouse Gas Emissions Standards. The proposal would revise the existing national automobile fuel economy and greenhouse gas emissions standards to give the American people greater access to safer, more affordable vehicles by setting new 2021-2026 Model Year (MY) standards that must be achieved by each automaker for its car and light-duty truck fleet.

Through this rulemaking, we are delivering on President Trump's promise to the American public that this administration would address and fix the current fuel economy and greenhouse gas emissions standards. The proposal aims to strike the right regulatory balance based on the most recent information that will enable more Americans to afford newer, safer vehicles.

It is important to note that the cost of new automobiles has risen to over more than \$35,000 - out of reach for many American families. The current standards have contributed to these costs. Compared to the preferred alternative, our proposal estimates that keeping in place the standards finalized in 2012 would add \$2,810 to the cost of owning a new car and reduce more than \$500 billion in societal costs over the lifetimes of vehicles through MY 2030.

In the proposal, NHTSA and EPA sought comment on a wide range of regulatory options, including a preferred alternative that locks in MY 2020 standards through 2026, providing much-needed relief from further, costly increases. The agencies' preferred alternative reflects a balance of safety, economics, technology, fuel conservation, and pollution reduction. The joint proposal initiates a process to establish new 50-state fuel economy and tailpipe carbon dioxide emissions standards for passenger cars and light trucks covering MY 2021 through 2026. The proposal estimates that the preferred alternative will prevent thousands of on-road fatalities and injuries as compared to the standards set forth in the 2012 final rule, as more people can afford safer, new cars.

EPA has worked with NHTSA throughout the rulemaking process. Deputy Administrator King and I, and our technical teams, have regular meetings and will continue to do so until the rule is finalized. Given the importance of these regulations, both agencies are fully dedicated to getting the rule out as soon as possible.

I appreciate the opportunity to testify today. I welcome any questions you may have regarding the proposal. Thank you.

Ms. SCHAKOWSKY. All right, thank you.

Now we have concluded the witness testimony and their opening statements for our first panel. We will now move to Member questions. Each Member will have 5 minutes to ask questions of our witnesses, and I will start by recognizing myself for 5 minutes.

The key to good decisionmaking is good information, and I am concerned because the safety information supporting the Trump administration's flawed Clean Car rollback is based, I believe, on sham science and false assumptions. The result: a remarkable overstatement of safety benefits that cannot withstand public scrutiny.

Before the proposed rule was released, EPA officials within the Office of Transportation and Air Quality transmitted a letter, a lengthy memo to the White House, calling portions of NHTSA's safety analysis, quote, "clearly wrong," unquote, and quote, "driving incorrect fatality estimates." EPA's analysis found that the new standards could actually increase automobile fatalities.

And it appears to me that political appointees at the EPA and at the White House overrode the safety analysis of career EPA employees, who analyze this kind of data for a living.

And so I wanted to ask you, Mr. Wehrum, do you agree with the EPA's Office of Transportation and Air Quality that the administration's Clean Car rollback could actually increase auto fatalities?

Mr. WEHRUM. Thank you, Chairwoman.

Let's start by taking a step back. These are really complicated issues, and a lot of what we do is complex from a rulemaking standpoint, and this is particularly complex. It has to do a lot of inquiry into advanced technology, a lot of inquiry into things like consumer choice, predictions about gasoline prices, and it is doubly difficult for us to do this, with all due respect, because we are joined at the hip with our sister agency, NHTSA, here.

Ms. SCHAKOWSKY. So—

Mr. WEHRUM. So, it is not surprising at all, Chairwoman, that on this range of complex issues, even among experts, there are disagreements as to, you know, the right approach.

Ms. SCHAKOWSKY. I am asking you if you disagree with the EPA's own Office of Transportation and Air Quality, roughly 400 employees solely dedicated to the development of pollution standards for our vehicles. So are you disagreeing with their conclusion?

Mr. WEHRUM. Chairwoman, with all due respect, they is us. I mean, that office is part of my office.

Ms. SCHAKOWSKY. Yes, exactly. Exactly.

Mr. WEHRUM. And I can tell you that we have spent hours since I have been at U.S. EPA delving very, very deeply into these issues. And the great thing about the rulemaking process is—and something we encourage internally—is people should express their diverse opinions. That is what makes our rules good. That is what makes our rules strong and—

Ms. SCHAKOWSKY. But at the end of the day, we have to—

Mr. WEHRUM [continuing]. We are only at a proposed rule process.

Ms. SCHAKOWSKY. But at the end of the day, we have to come to a conclusion. And so I am asking you if this Office of Transportation and Air Quality said that aspects of the administration's

safety model are indefensible and based on unrealistic assumptions.

So, are you disagreeing with that?

Mr. WEHRUM. We are looking—Chairwoman, no final decisions have been made. We are looking at a wide range of issues. Hundreds and hundreds of issues go into how the CAFE model runs, how this analysis goes, and the safety issues that we are talking about here are one of many, many things that we continue to talk about.

Let me give you an example. You know one important element that goes into the analysis is so-called rebound. You know when people buy new, more fuel-efficient cars, they drive them more. They like to drive their cars. They are more fuel-efficient. They are cheaper to run. They drive them more. That is well-established in the science. But what scientists don't agree is how much more they drive them.

And there is a body of science out there, and some of the scientists say a couple percent more, sometimes they say 40 or 50 percent more. So how do we decide?

Historically, my office has assumed 10 percent. NHTSA has assumed 20 percent. So we come to this rule with an immediate difference of opinion as to what the right number is, and it is a scientific inquiry. And that is one of many, many issues that we continue to deliberate, and we are working very hard to get it as right as we can get it so that, when we issue the final rule, it is defensible as it can be.

Ms. SCHAKOWSKY. With all due respect, I would say that the information that is fed in has to be good if the information coming out is to be good. You have heard the old expression "garbage in, garbage out."

I yield back and recognize now the ranking member.

Mrs. RODGERS. Thank you, Madam Chair.

The midterm evaluation put in place by the Obama administration was intended for the agencies to evaluate the assumptions that were built into the model year 2022 through 2025 standards and to adjust those standards, if necessary.

Administrator King, can you please highlight which assumptions of the market behavior have proven to be incorrect, requiring you to adjust those projected standards, was the driving force behind your decision—was that your driving force behind your decision to start the SAFE Vehicles Rule rulemaking process?

Ms. KING. Thank you very much for that question. The factors that have changed are largely driven by markets, and they are out of the control of the regulating agencies. One of them is that there has been a change in the fuel position of the United States. There has been, I think as recently as November 2018, the United States was for a single week a net exporter. That has manifested a change in fuel prices.

In our 2012 rulemaking together, EPA and NHTSA had forecasted that fuel prices would be \$3.63 in 2017, when actually they were \$2.16, 40 percent less than forecast. So, very, very important inputs to the modeling were 40 percent less than forecast in the 2012 rulemaking.

Another, as we have referenced earlier, consumer preferences towards trucks. The two agencies together, doing very fine work and doing their best possible work predicting into the future, anticipated that truck purchases would go down year over year, and consumers would prefer to buy passenger vehicles. In fact, what we saw was the opposite. Again, we had forecast, the two agencies, in 2017 the agencies thought 64.6 percent of new car purchases would be passenger automobiles. What actually occurred in 2017 was that only 52.5 percent, that is almost 20 percent lower, I think it is 18.5 percent lower than forecast.

So very critical assumptions, what consumers will buy and fuel prices, how they will make those decisions and how they will drive, caused both agencies to recognize the importance of updating the analysis to make sure we are protecting American consumers going forward.

Mrs. RODGERS. Thank you.

Under the Obama administration, EPA and NHTSA agreed to jointly determine whether the fuel economy standards for model years 2022 through 2025 were appropriate, but then the Obama EPA decided to act on its own.

Administrator King, can you please explain how this last-minute move undermined the One National Program and why coordination and consistency across Federal programs is critical?

Ms. KING. Well, of course, the two agencies were to act together in the midterm evaluation. Although I was not employed by the administration at that time, the end of the Obama administration, there was only one agency that acted, and that was the Environmental Protection Agency.

So when the new administration came in, the two agencies, together, decided to make sure that all relevant information could inform this very important decision, including the information available to NHTSA. So the two agencies began to work together.

Mrs. RODGERS. Did NHTSA consult with California prior to releasing the notice of proposed rulemaking on the SAFE Vehicle Rule?

Ms. KING. Yes, for nearly a year. I believe my first meeting with California occurred on the third day of my employment at NHTSA. And as I recall, Bill's was on—good grief, was it your first day or second day?

So we immediately, upon taking office and working on this very important rulemaking, began meetings with California. And I certainly met both in Washington, I also flew to California, had repeated meetings and also conference calls, teleconference.

Mrs. RODGERS. It is clear that safety is a priority for you and a major consideration with the proposed SAFE Vehicles Rule.

Did the Obama administration focus on safety when they were setting fuel economy standards?

Ms. KING. That is a very interesting question. At the time, as you may be aware, I was career staff in the White House at the Office of Management and Budget, and we were keenly aware that certain questions were raised about the safety impacts of the rulemaking. The two agencies, at that time working together, had different assumptions and different conclusions.

It is difficult, as my colleague mentioned, to have two agencies with a different set of scientists come to consensus. At the proposed rule in, I believe, 2009–2010, there were different conclusions about the potential safety impacts. The two agencies worked together, and I believe the direction was to assume no safety impacts before the rule was finalized.

So, because of that very important dialogue, because of guidance we received previously from National Academies of Science, we want to make sure that we don't sweep safety impacts under the rug, but that we give adequate scrutiny.

We have had 2 years of historic increases in traffic fatalities in the United States. Although we had good news that it seems to be trending down last year, when I came into office at NHTSA, 2 years of the largest proportionate increases in traffic fatalities in my lifetime, and I am more than half a century old.

So we felt very strongly that we needed to, on behalf of the American people, pause and think about safety before we move forward to make sure that we were doing the best thing, considering the statutory factors Congress has directed us.

Mrs. RODGERS. Thank you. Well, I appreciate today's hearing, where we can look at safety, affordability, and the high environmental standards that we have in this country. Thank you.

Ms. SCHAKOWSKY. The gentlewoman yields back.

And the Chair now recognizes Mr. Tonko, subcommittee chair of the Environment and Climate Change Subcommittee.

Mr. TONKO. Thank you, Madam Chair.

Administrator Wehrum, EPA has extensive experience in developing greenhouse gas emission standards for vehicles. In fact, a GAO report noted EPA's expertise in this area and stated, and I quote, "NHTSA cannot be expected to have the same level of in-house expertise related to vehicle power train design and environmental issues as EPA."

Is it correct that EPA's Office of Transportation and Air Quality was created with the purpose of supporting development of pollution standards for vehicles under the Clean Air Act? Yes or no?

Mr. WEHRUM. Thank you, Congressman. I will just—I am going to give not a yes or no answer and just say I think my staff and the Office of Transportation and Air Quality are terrific. They are—

Mr. TONKO. Well, that is not the question.

Mr. WEHRUM. Well, but—

Mr. TONKO. Is it correct that it was set up to—

Mr. WEHRUM. No, but they are true experts in automotive vehicle technology. We regulate tailpipe emissions from engines. We regulate characteristics of fuel. We look now at other vehicle—

Mr. TONKO. So I am hearing that they were set up to develop expertise to engage the appropriate standards and address pollution coming from our vehicles.

Mr. WEHRUM. That is absolutely true, and I will also say—

Mr. TONKO. OK, I want to move on. I don't want you to carry on any further than we need.

Documents added to the rulemaking docket late in the process suggested that EPA technical staff had little role in the process, a role that should have included a review of and input into the mod-

eling assumptions, the cost projections, technology evaluations, and environmental performance and effects of the program alternatives.

So Administrator Wehrum, is this accurate?

Mr. WEHRUM. Just to finish my prior answer—

Mr. TONKO. Is this accurate?

Mr. WEHRUM [continuing]. I have worked with NHTSA a lot over the course of this rulemaking and just want to give them some kudos, too. They have a tremendous amount of expertise—

Mr. TONKO. OK, but is this accurate?

Mr. WEHRUM [continuing]. Related to vehicle technology, and the combination of the teams is a very powerful combination.

Mr. TONKO. But is it accurate that they had little involvement in the process?

Mr. WEHRUM. Through the course of this rulemaking, EPA has had a substantial amount of involvement and—

Mr. TONKO. OK, then—

Mr. WEHRUM [continuing]. As I said a second ago, Chairman—
Mr. Congressman, no final decisions have been made—

Mr. TONKO. OK, but let—

Mr. WEHRUM [continuing]. And the goal of the proposed rule was to put out a wide range of alternatives and a wide range of information.

Mr. TONKO. Sir, you are using up my time.

Why then did EPA staff request that EPA's name and logo be removed from one or more of the regulatory documents?

Mr. WEHRUM. That was—I believe that was the Regulatory Impact Analysis, and that was a document drafted by NHTSA. It wasn't drafted by us. So that was purely an indication of—

Mr. TONKO. But why did staff request that their name and logo be removed?

Mr. WEHRUM. Well, as I said, because that was a document drafted by NHTSA and not by EPA.

Mr. TONKO. OK, let's move on.

Is it correct that, until this rulemaking, EPA had used its OMEGA model to estimate the cost of complying with every set of vehicle standards proposed by the Agency?

Mr. WEHRUM. That, I don't know, but what I do know is very early in this process—

Mr. TONKO. Well can you—you don't know. So can you get back to us with an answer?

Mr. WEHRUM. Well, what I don't know is how long ago OMEGA was developed. So it certainly has been used for the last few EPA tailpipe standards, but—

Mr. TONKO. Can you get back to us with an answer?

Mr. WEHRUM. I would be happy to.

Mr. TONKO. Thank you. Is it correct that, in this rulemaking, the model NHTSA created to estimate the cost of complying with fuel economy regulations, the CAFE model, has been used to estimate the cost of complying with EPA's greenhouse gas standards?

Mr. WEHRUM. I am sorry, Congressman. I didn't understand that question. Will you please repeat it?

Mr. TONKO. Is it correct that, in this rulemaking, the model NHTSA created to estimate the cost of compliance with fuel econ-

omy regulations has been used to estimate the cost of complying with EPA's greenhouse gas standards?

Mr. WEHRUM. If I understand your question, the answer is yes, we are using—

Mr. TONKO. OK, thank you. The answer is yes.

Mr. WEHRUM [continuing]. A single model. A decision had to be made early on, are we going to run two models or are we going to run one model—

Mr. TONKO. OK. Sir. Sir, I only have 5 minutes so I want to use them well.

Mr. WEHRUM. Well, you are asking complex questions, Congressman, and they are not solely yes-or-no answers.

Mr. TONKO. They require yes-or-no answers.

Interagency review documents released around the time of the proposed rule show that EPA staff using the OMEGA model found compliance costs that were half those found by the NHTSA model. Has EPA considered its own results in developing the greenhouse gas standards?

Mr. WEHRUM. As I said a second ago, a decision was made early on that we would rely on a single model instead of having two sets of books. So the CAFE model, which was developed by NHTSA, is the model that we are using for this regulation, and we will rely on the results of that model when we take final action.

Mr. TONKO. Then why is there no discussion of these results in the proposal's regulatory impact analysis?

Mr. WEHRUM. Well, we are relying on the CAFE model, and there is a lot of discussion of the results from the CAFE model in the record.

Mr. TONKO. If EPA was not involved in developing the technical analysis supporting the EPA standards, how has EPA satisfied its own obligations under the Clean Air Act to develop greenhouse gas pollution standards for vehicles?

Mr. WEHRUM. We had been involved and we will continue to be involved until this rule is signed.

Mr. TONKO. It sounds to me like there is professional staff, expertise that suggests that they were not as involved as they ought to be, and it bothers me with an administration that calls climate change, climate science a hoax and also rejects science to kind of go forward with this operation that creates this proposed rule.

And with that, Madam Chair, I yield back.

Ms. SCHAKOWSKY. Thank you.

The Chair now recognizes Mr. Shimkus, the Subcommittee on Energy, Environment, and Climate Change ranking member.

Mr. SHIMKUS. Thank you, Madam Chairman.

Mr. Wehrum, can you please walk me through what processes are legally required of the Agency, such as a public hearing, in order to lawfully issue a new rule?

Mr. WEHRUM. I would be happy to.

The rulemaking process is important to us. It is a very public way in which we make decisions under our authority that Congress gives us to establish legally binding regulations. And the whole goal of the rulemaking process is to create an open public record that includes all of the information that we rely on justifying our final rule.

So that begins well before our proposed rule is issued. We create a docket. We put in all of the information, and modeling results, and policy justification of what we are doing. We publish a proposed rule in the Federal Register. We provide an opportunity for the public to provide written comments. If anyone asks, we will hold a public hearing and we will hold the comment period open after the public hearing for a period of time for comments, in light of what is heard in the public hearing.

And then we will do that all over—well, most of that all over again. We will take consideration of the comments and additional information. We will formulate our final decision. We will document that decision in the docket, and then we will publish that in the Federal Register, and that represents the final Agency action.

Mr. SHIMKUS. In this particular case, have you done—have you met these requirements, so far, as you laid them out?

Mr. WEHRUM. I believe we have not only met, we have exceeded what is necessary under the law, sir.

Mr. SHIMKUS. During your comment period, have you received comments from all stakeholders, including public interest, environmental, and industry groups?

Mr. WEHRUM. We have received hundreds of thousands of comments from all different perspectives, including all of the groups that you mentioned.

Mr. SHIMKUS. Under Clean Air Act Section 307(d), are you required to review each of these comments?

Mr. WEHRUM. We review all of the comments that are submitted, and part of our obligation in creating a record of the final rule is to respond to all substantive comments on the proposed rule, which we have.

Mr. SHIMKUS. Under the same Clean Air Act subsection, is there a response required for any significant comments, new data, criticism, and oral and written presentations?

Mr. WEHRUM. You said it better than I did a second ago. That is absolutely true.

Mr. SHIMKUS. Good staff work behind me. So I appreciate that.

Would a final rule be subject to review and potentially be overturned if the Agency failed to do these things?

Mr. WEHRUM. Absolutely true. All of our final rules, nationally applicable final rules, are directly reviewable in the DC Circuit Court of Appeals.

Mr. SHIMKUS. What actions are planned to comply with this requirement?

Mr. WEHRUM. Well, we are working on the final rule right now. We are working on completing the docket supporting our decision. We are working on making final decisions. And once we complete that work, we will publish it in the Federal Register, and then we will wait to see if anyone chooses to challenge that.

Mr. SHIMKUS. As I mentioned in my opening statement, our current Federal transportation fuel standards, namely, the RFS, doesn't necessarily give us liquid fuel formulations that maximize energy efficiency. Likewise, CAFE and greenhouse gas requirements don't necessarily result in the kinds of engines that would make the best use of available fuel formulations.

Without asking you to endorse any specific proposal or legislation, do you think consumers would benefit from a more holistic or harmonious Federal approach to fuels and fuel economy standards?

Mr. WEHRUM. Yes, I agree with that, sir.

Mr. SHIMKUS. Could raising the octane levels of regular gasoline increase fuel economy in vehicles designed to use higher octane fuel?

Mr. WEHRUM. It certainly could. Higher octane allows for higher compression ratios, and higher compression ratios allow for more efficient engines. So, it certainly could have that effect.

Mr. SHIMKUS. Thank you all for being here.

And with that, Madam Chairman, I yield back.

Ms. SCHAKOWSKY. The Chair now recognizes Congresswoman Diana DeGette for 5 minutes.

Ms. DEGETTE. Thank you so much, Madam Chair, for holding this really important hearing.

Last week, I chaired a hearing of the Oversight and Investigations Subcommittee on the mission of the EPA. And we had four former EPA Administrators, who served both under Democratic and Republican Presidents going all the way back to the Reagan administration. And all four of them expressed serious concerns about the mission of the EPA under the Trump administration.

Governor Christine Todd Whitman, for example, who was the Administrator under George W. Bush, testified that the EPA's current leadership is hostile to its own mission. She told us, quote, "by all accounts, industry has captured EPA's regulatory process. This is a disaster for the Agency, the environment, and public health." End quote.

The other Administrators, all three of them, leveled similar criticisms. So I want to ask you a couple of questions against that backdrop, Mr. Wehrum.

Prior to your current tenure in the EPA's Air Office, you were an attorney in private practice. Is that correct?

Mr. WEHRUM. Correct.

Ms. DEGETTE. And you provided legal services to a number of industrial companies and trade associations. Is that correct?

Mr. WEHRUM. Correct.

Ms. DEGETTE. And so I have got here your financial disclosure report that you submitted, and according to this financial disclosure report, your previous clients included the American Petroleum Institute and the American Fuel and Petrochemical Manufacturers. Is that correct?

Mr. WEHRUM. Yes, and actually, a—

Ms. DEGETTE. Thank you.

Mr. WEHRUM [continuing]. Full list of clients is in—

Ms. DEGETTE. Excuse me, sir.

Mr. WEHRUM. Just my recusal—

Ms. DEGETTE. No, no, excuse me, sir.

So, Madam Chair, I would ask unanimous consent to submit Mr. Wehrum's public financial disclosure report for the record.

Ms. SCHAKOWSKY. Without objection, so moved.

[The information appears at the conclusion of the hearing.]

Ms. DEGETTE. Thank you.

Now, sir, since coming to the EPA, I would like to ask you, have you met with the American Petroleum Institute?

Mr. WEHRUM. Not that I recall.

Ms. DEGETTE. And have you met with the American Fuel and Petrochemical Manufacturers to discuss fuel economy, greenhouse gas, tailpipe standards, or any aspect of the SAFE Vehicle Rule?

Mr. WEHRUM. Not that I recall, no.

Ms. DEGETTE. Do you know if any member of your staff has met with either of these organizations?

Mr. WEHRUM. It is possible. We—

Ms. DEGETTE. Are you aware of it? Are you aware of it?

Mr. WEHRUM. I am virtually certain that API and AFPM have been in on a range of issues, but when those requests come in, they get delegated. You know, I don't even see them because of my recusals.

Ms. DEGETTE. So, you have not met with them. Is that your testimony today?

Mr. WEHRUM. I don't recall having met with API or AFPM since I have been at EPA.

Ms. DEGETTE. And can you please provide me with a list of the meetings and participants of the meetings those two organizations have had with your staff?

Mr. WEHRUM. I would be happy to take that back, that request back to our congressional office, yes.

Ms. DEGETTE. So will you provide me with a list, yes or no?

Mr. WEHRUM. Well, as I said, I would be happy to take that back to the congressional office.

Ms. DEGETTE. So you are not committing that you will tell me who your Agency is meeting with from the American Petroleum Institute or the American Fuel and Petrochemical Manufacturers. Is that correct?

Mr. WEHRUM. What I will tell you is that my calendar, and I believe the calendar of my political staff, are a matter of public record.

Ms. DEGETTE. So, therefore, you should be happy to provide me with a list of those meetings, right, since it is a public record?

Mr. WEHRUM. Well, as I said, my congressional office manages relations and manages requests. So I would be happy—

Ms. DEGETTE. So you are not committing. Would that be a fair statement?

Mr. WEHRUM. I am committing to taking it back to my—

Ms. DEGETTE. You can say yes or no to that.

Mr. WEHRUM. I am committing to take it back to my congressional office.

Ms. DEGETTE. Right. So I just want to say this is the problem we are having with your agency every day, is a lack of cooperation, a lack of documents, a lack of disclosure, and this will not be allowed to continue. I just want to tell you that right now, and you can take that back to your congressional office also.

Now, I want to ask you, given what these bipartisan Administrators said, and given what you have just told me today, refusing to even tell me whether your staff has met with the American Petroleum Institute or the American Fuel and Petrochemical Manufac-

turers, why the American people should have any confidence in your leadership at the EPA.

Mr. WEHRUM. Oh, I think the American people should have great confidence in what we are doing. The American people elected President Trump. President Trump appointed me to this position, and the Senate confirmed me to this position. And every single day I come to work, I work as hard as I possibly can to meet the laws that have been assigned to us to implement by the U.S. Congress and to do it in the most robust, fairest, fullest, and public way.

And, in response to the questions that I got from Congressman Shimkus, I explained that virtually everything we do is through a very open process of rulemaking and—

Ms. DEGETTE. Apparently no so open that you have to work with Congress.

And I yield back the balance of my time.

Mr. WEHRUM. And I would just recommend on your—

Ms. SCHAKOWSKY. No. I now recognize Mr. Walden for 5 minutes for his questions.

Mr. WALDEN. Thank you, Madam Chair. I hope we can get to—yes, I know. You got that extra set there. I just have the panel ones.

So we do appreciate your being here, and I hope we can get back on the issue of the rule and the topic at hand.

And Administrator King, could you explain the process the administration is undertaking for the SAFE Vehicles Rule? Let's get to that. There are many inflammatory allegations made in some of the submitted testimony. So I would like to hear from you directly and give you a chance to actually respond.

Are you following the law?

Ms. KING. Absolutely.

Mr. WALDEN. Are you accepting comments from all stakeholders?

Ms. KING. Absolutely.

Mr. WALDEN. Can you confirm that the proposed rule included many options, and the Democrats' and media portrayal of a freeze and rollback of standards is not accurate, given that we do not know what is in the final rule?

Ms. KING. That is correct.

Mr. WALDEN. Assistant Administrator Wehrum, do you believe the previous administration's rule was outside the bounds of the Clean Air Act's authority?

Mr. WEHRUM. I believe the prior rule was not well justified in that regard. I do believe it was beyond their authority.

Mr. WALDEN. And if so, can you explain why?

Mr. WEHRUM. Yes, I would be happy to. And in brief, as Ms. King stated earlier, certain assumptions had to be made to justify the prior rule, and those assumptions, like an ever-increasing cost of gasoline, ever-increasing penetration of advanced technologies, like electric technologies, consumer choice, where it was assumed that consumers would want to buy the fuel-efficient cars that would be mandated under this rule, all of those assumptions proved to be false.

The purpose of the midterm review was to do a reality check, recognizing this program reached well over a decade, and it is difficult

to predict over a decade in an area like this that is constantly evolving.

So I believe an honest look, as I believe we did in our midterm evaluation, of these evolving issues should have caused the prior administration to conclude that things are different enough than what they predicted that they should have made changes, as we are making changes here.

Mr. WALDEN. And to each of you, could you highlight the critical differences between the two programs run by your agencies? Ms. King.

Ms. KING. Thank you. And by the way, I apologize if I answered questions that were directed to my colleague. It is a sign, I suppose, that we work well together.

So the programs harmonize better than one might expect. In particular, the Clean Air Act assigns the responsibility to consider safety to my colleagues at EPA. And of course, NHTSA is a safety agency, traffic safety, specifically.

One of the differences that must be considered is that the law that is implemented by NHTSA has requirements that we cannot consider, I am quoting statute now, "may not consider, when prescribing a fuel economy standard, the trading, transferring, or availability of credits under these sections." So we cannot consider credit. We can't set a stringent standard that is infeasible and then use credits to get us out of the bind. We have to actually set a real standard.

Mr. WALDEN. All right.

Ms. KING. We also have a requirement which is—

Mr. WALDEN. And these are statutory requirements you are referencing?

Ms. KING. This is from Congress. This is EPCA, yes, the Energy Policy and Conservation Act. We have a very important area of law that we implement at NHTSA which says, this is preemption clause, "when an average fuel economy standard prescribed under this chapter is in effect, a State or political subdivision of a State may not adopt or enforce a law or regulation related to fuel economy standards or average fuel economy standards for automobiles covered by an average fuel economy standard under this chapter."

Now, this is very important because, as many of you know, fuel economy and greenhouse gas emissions are so closely related that they are measured in exactly the same way for compliance purposes, and that is at the tailpipe. So the law that is the responsibility of NHTSA to execute, as directed by Congress, would prohibit State standards, whereas, I believe the Clean Air Act has some opportunity to offer a waiver, which my colleague can describe.

Mr. WALDEN. All right. Do you want to speak to that, the differences?

Mr. WEHRUM. Yes, I will just go back to the original question. We have very different missions. NHTSA, my understanding of their mission is primarily highway safety. In this case, you know, Corporate Average Fuel Economy, for purposes of energy security, our mission is to manage air pollution.

Now, when it comes to cars and trucks, those missions overlap substantially, and that is what makes it hard for us to do the rule, because NHTSA comes at it from a particular perspective. Con-

gress said, you know, regulate fuel economy, upon consideration of relevant factors for purposes of making sure we have energy security and enough fuel economy that it supports that outcome. And our mission is to regulate cars and trucks to reduce emissions upon consideration of a lot of factors like cost and safety so that we strike the right balance between emissions reduction and other important things like highway safety.

Mr. WALDEN. All right. My time has expired. Thank you very much. We thank you both for your public service.

And I yield back.

Ms. SCHAKOWSKY. Now I yield 5 minutes to the chairman of the full committee, Mr. Pallone.

Mr. PALLONE. Thank you, Madam Chair.

In my opinion, the only ones that support the proposal that the EPA has put forth are oil companies poised to make money from the increased use of fossil fuels. And yesterday, I wrote a letter to oil interests asking for details regarding their lobbying efforts. A month ago, I sent the EPA Administrator a letter highlighting how the Agency rejected its own experts' conclusions that the CAFE rollback will result in increased gas pollution and job losses.

Mr. Wehrum, a few questions, yes or no. If you can't answer yes or no, I am just going to move on.

Were you briefed on the memo written by the Office of Transportation and Air Quality detailing the problems with the proposed rule?

Mr. WEHRUM. Yes.

Mr. PALLONE. And was Administrator Wheeler briefed as well, to your knowledge?

Mr. WEHRUM. Yes.

Mr. PALLONE. OK. Has Ms. King or anyone else at NHTSA told you that NHTSA will correct any of the problems identified by the Office of Transportation and Air Quality?

Mr. WEHRUM. That is not susceptible to a yes-or-no answer. So I am happy to give you an answer or move on.

Mr. PALLONE. Well, I mean, I am just asking you if they said they would correct them.

Mr. WEHRUM. I am sorry, the crowd noise.

Mr. PALLONE. I am just trying to find out if anyone at NHTSA told you that NHTSA would correct the problems?

Mr. WEHRUM. Well, so I am sorry, it is not a yes or no, but that assumes everything my office said is correct. And as I said earlier, these are very, very complex issues—

Mr. PALLONE. All right, let's move on. Let me go to Ms. King.

Mr. WEHRUM [continuing]. And we are working—

Mr. PALLONE. Let me just ask her directly.

Will you correct the problems identified by the EPA office?

Ms. KING. Where we find errors in math or where we find opportunities to improve the modeling, and those are opportunities that we can, in the given time and with given resources, improve, absolutely. We want the best possible information—

Mr. PALLONE. All right. All right. I appreciate it.

Ms. KING [continuing]. To improve, to inform the rule.

Thank you, Chairman.

Mr. PALLONE. Now, I requested a variety of brief—this goes back to Ms. DeGette and the problems with us getting access to documents. I requested a variety of briefing materials in my May 23rd letter, much of which is in your possession, Mr. Wehrum. Will you commit to providing those materials requested, yes or no, by the end of next week?

Mr. WEHRUM. As I responded earlier, those kind of requests I have to take to my congressional office, and I would be happy to do that.

Mr. PALLONE. All right. I just want to say I am deeply troubled by EPA's lack of transparency and its disregard for science and the expertise of its career staff. EPA and NHTSA should promptly comply with this committee's oversight requests moving forward, again, along the lines of Ms. DeGette's request.

Now I wanted to ask about UARG. Mr. Wehrum, I can't let you leave here without asking you just a few clarifying questions about your former association with Utility Air Regulatory Group, or UARG, and I want to make sure I get my facts straight.

So first, just to confirm, you represented UARG when you were at Hunton. Is that correct, yes or no?

Mr. WEHRUM. That is correct. UARG was a client.

Mr. PALLONE. And correct me if I am wrong, but that means you represented each individual member of UARG. Is that correct?

Mr. WEHRUM. That is not my understanding.

Mr. PALLONE. All right. So was each individual member of UARG also a client of Hunton as individual members?

Mr. WEHRUM. That is not my understanding.

Mr. PALLONE. And then finally, you told Politico in February, and I quote, "UARG is an entity. It is a legal entity." End of quote.

Just explain to me what you meant by that, if you can. When you said that it was an entity, a legal entity, what did you mean?

Mr. WEHRUM. I don't recall that conversation, so I am not going to speculate as to what that was about.

Mr. PALLONE. OK. You know, I am just trying to confirm statements that you made to the press. So, you know, I don't know why it is so difficult to answer, but whatever. I guess if you are not willing to answer some of these things, we can find another time to summon you back to answer them.

But the reason I am asking these questions is because, in April of this year, this committee opened an investigation into the Utility Air Regulatory Group, and that is the secretive litigation group formerly run by Mr. Wehrum and his former colleagues at the law firm then known as Hunton and Williams. And I was very pleased that 1 month later, in response to the investigation, the group announced it would dissolve. And so we are closely monitoring their progress.

I just want to reiterate again, because my time is almost gone here, it is very important, wherever possible, to give us documents, whether it is the request from Ms. DeGette, who is our Oversight and Investigations chair, or my own in these letters. To be honest, we have had a certain level of cooperation from the EPA on other issues, and I just would like to see more cooperation from your office, if at all possible.

Thank you. I yield back.

Ms. SCHAKOWSKY. The Chair now recognizes the ranking member of the full committee, Mr. Upton.

Mr. UPTON. Well, I don't have that spot anymore.

Ms. SCHAKOWSKY. Oh. Oh, I am sorry.

Mr. UPTON. Walden is leaving the room angry.

Ms. SCHAKOWSKY. What was I thinking? Fred, I am sorry.

Mr. UPTON. There has been a coup. There has been a coup.

Thank you, Madam Chair.

Ms. SCHAKOWSKY. I recognize you anyway.

Mr. UPTON. Thank you. Good to have you here and Ms. King, particularly, your role before. You know, for me, particularly not only from Michigan but as an American, and one that knows the importance of the industry and also clean air, it is important that we have the right standards. I have supported better safety standards, better fuel standards for everyone.

And I was part of the group, I guess, a long time ago, that looked at this long fuel economy standard issue. And it was important, and we had an agreement by both Republicans and Democrats that we were going to have another look at this and that we would, in fact, we insisted on a midterm review so that years out we would see where the assumptions were, and where things were, and we would be able to recalibrate, if we had to. And as one that supports a one standard, knowing that we can't really have 50 standards, or 10 standards, or whatever, it was important that we have our act together and see if we can't accommodate all the many different interests there that protect not only the industry and the jobs, but also the consumers, as well as the environment.

And you said something early on in your testimony that, literally within a day or 2 of your becoming Administrator, you met with folks in California and indicated that EPA had done the same thing. I just know that, as we are in this crux as to where we are going to go as it relates to the midterm review, has California—so you have met with them. You know who they are. Have they made a proposal, an offer back to you in the time that you have been there, in terms of where we should go, knowing that we had to relook at these standards?

Ms. KING. I am—

Mr. UPTON. In essence, have they had a counteroffer? Have they put anything on the table that they might be able to accept, other than the path that leads us to 54 miles per gallon?

Ms. KING. At the end of the year of conversations, there was—well, first of all, we had a gentlemen's agreement—or gentlewomen, given that both my colleague from CARB, Mary Nichols and I, we are both Californians; I, a former California State park ranger, and she leading the California Air Resources Board—we had a gentlemen's agreement to maintain the confidentiality of our conversations in order to assure the maximum probability that we could find a common point.

That being said, it was not until the very end of the conversation when something was floated that had not yet been vetted either by the outgoing or incoming Governor or the attorney general of California. So we very much appreciated that there was the suggestion that there might be a path forward, but I don't know whether or

not the full authorities of the State of California would have been there to support it as an offer.

Mr. UPTON. So there has not been—you are really not prepared to say where they are and there is no—there is nothing out there in the public realm for us to look at in terms of a counteroffer, other than the original standard.

Ms. KING. No, I am afraid not. Because the auto manufacturers, as most in this room know, need to actually design and build cars, they need to have some advance notice—

Mr. UPTON. Right.

Ms. KING [continuing]. We need to make decisions and get to the final rule. So, at some point, after a year of meetings, after a year of traveling, both California colleagues coming to Washington, us traveling to California, at some point we need to say it has been a year, we are not making progress. We need to just work from the public docket, from the public comments, from the best possible science, engineering, and data, make decisions, and move on. And that is the stage we are at now.

Mr. UPTON. And Mr. Wehrum, at EPA is it the same story? Is there anything different?

Mr. WEHRUM. No difference, sir.

Mr. UPTON. You know, let me just ask a quick question, knowing my time is expiring.

You indicated, Ms. King, that early on you saw that there was a real spike in fatalities, when you came on. And I am just—was your conclusion that it was just smaller vehicles? Is that why? I mean, I am just looking at all the safety standards.

And, you know, I had to rent a car this weekend because my flights were canceled. And it has a lot more safety stuff than my car and comes with a little design in the mirror so you know that there is a car there in your blind spot. You know this committee pushed forward on tire standards. I mean we have done a lot of things over the recent years, but why—what was the basic conclusion as to why fatalities really spiked?

Ms. KING. The truth is we don't know. It is complex, and it is likely a number of factors. Economic growth means that people are driving more. That means there is more exposure to roadway hazards.

The increase in people choosing to walk and bicycle, that is a cultural change we see in our cities, certainly here in Washington.

Mr. UPTON. Scooters.

Ms. KING. We have seen a growth in the use of drugs among drivers. So our roadside survey shows more and more people are driving with marijuana, opioids, or impairing pharmaceuticals in their blood.

So the individual vehicles are safer than they have ever been. Newer cars are safer than older cars, but complex factors come to our roadways. It is something that we—because we don't collect the data on things we don't know about, we don't have the data to fully explain the increase in fatalities, but we have launched programs to do everything we can on all fronts to reduce those fatalities.

Mr. UPTON. If I can just have 10 more seconds, and I won't ask a question for a response, and I hope that I have got a colleague

down on the other side here that might ask about, as you look at alcohol and opioids, some devices that might be added to vehicles.

But I will yield back.

Ms. SCHAKOWSKY. I now recognize Congresswoman Matsui for 5 minutes of questioning.

Ms. MATSUI. Thank you very much, Madam Chair.

I want to bring up an issue that I believe no one has brought up yet, and that is the California waiver. And it is the authority for the State of California, under the Clean Air Act, and 13 other States to set its own standards for vehicle emissions through a waiver.

Now, since 1968, California has requested and been granted waivers more than 100 times, and the legislative history of the Clean Air Act clearly states that Congress intended California to have the broadest possible discretion in selecting the best means to protect the health of its citizens. Our State's leadership has led to cleaner air, improved public health, and has driven technological innovation in the automotive industry.

Ms. King, and quickly here, when did NHTSA decide to conclude that the Energy Policy and Conservation Act preempts the Clean Air Act's special grant of authority to California?

Ms. KING. So the language that I read is the language from EPCA. It is not a decision of NHTSA. And that language is described and discussed in the proposed rule. There is no final rule yet.

Ms. MATSUI. OK, moving on here. Mr. Wehrum, when did EPA decide to revoke California's waiver?

Mr. WEHRUM. No decisions have been made yet, Congresswoman.

Ms. MATSUI. OK. Well, the Clean Air Act was carefully crafted with the obvious intention to grant California this authority. Two Federal courts have already rejected the preemption argument and the Clean Air Act does not provide EPA with authority to revoke a waiver. This deeply flawed legal argument is an enormous mistake that will throw the entire American automobile industry into chaos for years.

Now, in April of this year, Administrator Wheeler appeared before this committee and testified that the final rule had not been completed at that time but the EPA was moving forward to revoke the waiver. Administrator Wheeler also testified that the EPA is bound by administrative law to consider all evidence and comments submitted before making a final decision.

Mr. Wehrum, isn't it true that a California waiver has never been revoked. Yes or no?

Mr. WEHRUM. No.

Ms. MATSUI. OK.

Mr. WEHRUM. Well—

Ms. MATSUI. What?

Mr. WEHRUM. And I am sorry. We denied a waiver request at the end of the Bush administration. So that wasn't strictly a revocation, but it wasn't—

Ms. MATSUI. It has never been revoked. You say it has been revoked?

Mr. WEHRUM. I was just clarifying my statement, Congresswoman. I wanted to be clear. At the end of the Bush administra-

tion, when I was previously at EPA, we denied a waiver request from the State of California for greenhouse—you know a waiver request that would allow them to regulate greenhouse gas emissions. That denial was in litigation at the change of administration, and the Obama administration reversed it.

Ms. MATSUI. Right. So we can move on.

So let me just say this. Obviously, if this was rejected at this time, we know there would be disastrous outcome should the administration move forward.

Now—and it could be avoided. Let me tell you this is a back and forth here with good faith negotiations with California. In fact, and I really wish that Chair Nichols could be with you because we can answer the question right there, but Chair Nichols actually states that California was open to accommodation, such as adjustments to compliance, timing, and flexibility. So it wasn't California's fault. They were open with the—if you actually had just the same situation always, you wouldn't move at all.

Now, Mr. Wehrum, given the evidence that California clearly put forth a compromise, why won't you engage? Why did you walk away from the table, given you had these options?

Mr. WEHRUM. Administrator Wheeler sent a letter to members of the committee, and I think it was made available to all members of the committee this morning.

Ms. MATSUI. And what did he say?

Mr. WEHRUM. And he is addressing the testimony provided by Ms. Nichols that—

Ms. MATSUI. Well, let me—

Mr. WEHRUM [continuing]. In essence, that we were not negotiating in good faith. So I would recommend each—

Ms. MATSUI. Well, I will ask Chair Nichols about that.

Now I would like to discuss another issue that most certainly will arise should your Agency move forward with its unlawful decision to revoke California's Clean Air Act waiver. Under the Clean Air Act, federally funded transportation projects must demonstrate that they meet air quality goals set forth in the State's Clean Air Act Implementation Plan. In other words, those projects can't adversely impact a State's ability to meet air quality requirements. If they do so, Federal transportation funding can either be delayed or lost entirely.

The proposed rule concedes that California and other States that incorporate California standards into these implementation plans would be compromised in their ability to meet Federal air quality standards for criteria pollutants like ozone, which means planned transportation projects in those States will not be able to show, as required by Federal law, that they will not worsen air quality or delay attainment of air quality goals.

Mr. Wehrum, California is projected to receive tens of billions of dollars of Federal transportation funding in the coming years. Wouldn't revocation of California's waiver and implementation of the proposed rule jeopardize these billions of dollars of Federal transportation funding for needed projects?

Quickly, I am running out of time.

Mr. WEHRUM. CARB submitted supplemental comments to the record of this rulemaking yesterday or the day before. And I think

their supplemental comments answer your question that the tone of the comments is that this is going to create a great problem.

Ms. MATSUI. Yes.

Mr. WEHRUM. But if you read their letter carefully, they don't conclude that it does. They said it might, it may, and—

Ms. MATSUI. Well, I think that there was that question and—

Mr. WEHRUM [continuing]. When you look at the analysis that we did in support of the proposed rule—

Ms. MATSUI [continuing]. I think Chair Nichols will—OK. I think I have run out of time. So, I yield back.

Thank you.

Ms. SCHAKOWSKY. Thank you.

I know recognize for 5 minutes of questions Mr. Latta.

Mr. LATTA. Well, thank you very much, Madam Chair, and thanks for today's hearing. And thanks to our witnesses for being with us today.

If I could start my questions with you, Administrator King, if I could. Back in 2012, under the Obama administration, when it first finalized that rule, quite a few assumptions were made. And again, as had been pointed out a little earlier, that it was thought that gas prices would be over \$4 a gallon and that most Americans would say they would rather have a much smaller vehicle than a larger vehicle, and being in the mid-sized range, and going with electric and hybrid vehicles. And pretty much what we have heard today is that these assumptions have been pretty much proved wrong over time.

As my friend from Oregon mentioned, when he was in California, he almost paid \$4 for gasoline. Over the weekend, when I was in my district, I paid \$2.34. I just checked, and in one of the parts of my district you can buy gas for \$2.25.

So also in the State of Ohio, just last year, that hybrid and electric vehicles amounted to less than 2.5 percent of the new vehicle purchases. And as I said, where the gas prices have gone down in the \$2.30-\$2.40 range in a lot of areas and down to \$2.25 in some areas in the district right now. And when you look at it, 65 percent of all the new vehicle purchases in 2018 in Ohio were crossovers, SUVs, and trucks.

So let me ask, did you take these assumption failures into account when you decided to revise the SAFE Vehicle Rule?

Ms. KING. The updated information was inserted into any analysis performed at the proposed rule stage.

I want to describe briefly—this may also help address some of Chairman Tonko's questions—the two agencies' career staffs have worked very closely together, as directed by President Obama, for 10 years. We are now at the 10-year anniversary of the two agencies working closely together. That means sharing information, sharing analysis, sharing input files, some of which is provided from Department of Energy or other sources.

The modeling takes inputs from EPA to go into the model. We share modeling. We help improve, through criticism and through debate, one another's modeling. And the two agencies have done so as recently as in the midterm evaluation technical analysis that was performed at the end of the last administration before the EPA

acted independently in issuing the determination alone in January 2017.

So the agencies have always and will continue to consider updated fuel prices, vehicle fleet information, technologies that are used to improve fuel economy, the prices that are described to us, you characterize them—

Mr. LATTA. So it is actually important that, when you are doing this, that you are looking at accurate current information—

Ms. KING. That is right.

Mr. LATTA [continuing]. To make sure that, when you are working those rules and the regs out there, that they are current—

Ms. KING. Yes.

Mr. LATTA [continuing]. That they have current information.

Ms. KING. Absolutely.

Mr. LATTA. Thank you.

Would you speak in more detail about how the standards set in the SAFE Vehicle Rule would still push for cleaner, safer vehicles, while still providing for more consumer choice?

Ms. KING. Because the statute requires that we set a maximum and not choose the individual types of vehicles that are available, the maximum means that there can be very low or minimum vehicles that are within that bound. Highly fuel-efficient vehicles can and will continue to be manufactured for consumers who would like them, but some consumers need a vehicle that maybe has more power or other attributes. And setting maximum feasible allows the opportunity, at a fleetwide average, for there to be diverse vehicle—

Mr. LATTA. Well, if I can interrupt for a second because, again, when you are looking at these numbers and these averages that we are hearing from different States, like in Ohio, you know where you are looking at over 60-plus percent of the people wanting an SUV—

Ms. KING. Correct.

Mr. LATTA [continuing]. Or they want a crossover, or they want a pickup-type truck, type vehicle. So again, you are saying that when you are looking at these numbers, now are you taking those percentages in, or how did you say you are going to do that, again? Because, again, if one area's percentages are going up—

Ms. KING. Right. Over time—

Mr. LATTA [continuing]. Do you factor that in there?

Ms. KING. Over time, we are seeing fewer and fewer consumers who are choosing passenger vehicles. Instead, people are moving to trucks, or SUVs, or other types of vehicles. Because the fuel economy standards are calculated as a fleetwide average, when consumers choose larger or less fuel-efficient vehicles, that means that our prior forecasts of what would be achieved will be wrong.

Mr. LATTA. OK, and that goes back to the earlier question. You have to make sure that, when you are working on these regulations, that you have got to constantly be revising your information that you have received.

Ms. KING. Yes, the direction given to NHTSA by Congress is that we are not allowed to set standards for more than 5 years at a time. Congress explicitly says the Secretary shall issue regulations

prescribing fuel economy standards for at least 1 but not more than 5 years, because Congress recognized that technology changes.

Mr. LATTI. Thank you very much.

Madam Chair, my time has expired and I yield back.

Ms. SCHAKOWSKY. Thank you.

And now I recognize Congresswoman Castor for 5 minutes of questioning.

Ms. CASTOR. Thank you, Madam Chair.

The Trump administration's rollback of our fuel economy and Clean Car Standards is poor public policy. It is not just poor public policy, it is downright harmful to our ability to tackle the climate crisis and to keeping America's competitive edge.

Mr. Wehrum, EPA's mission is to protect the public health and environment, and clean air is critical to that mission, but in 2017 and 2018 the U.S. has more polluted-air days than the average from 2013 to 2016. And in 2018, carbon pollution increased after 3 years of decline.

The EPA has found that carbon pollution endangers the health and welfare of Americans. And the Fourth National Climate Assessment, that EPA was part of, found last fall that impacts from climate change on extreme weather and climate-related events, air quality, and the transmission of diseases through insects, pests, food, and water increasingly threaten the health and well-being of the American people, particularly populations that are already vulnerable. And American families and businesses are now dealing with the escalating cost of the climate crisis.

But now EPA is making it worse. Yesterday, EPA finalized a rule that will achieve less than 1 percent emissions reduction from the power sector. But it is transportation that is now the largest source of carbon pollution. But today, you are here defending a proposal that provides for a massive increase in carbon pollution, the tailpipe standards for the cars that we drive.

With carbon pollution increasing and more polluted-air days happening, EPA freezing tailpipe standards at 2020 levels through 2026 is clearly at odds with the Clean Air Act requirement of protecting the public health and welfare, isn't it?

Mr. WEHRUM. No, Congresswoman.

Ms. CASTOR. But Mr. Wehrum, last August you admitted, as reported in the L.A. Times, that rolling back the standards would hurt public health and the environment. You said, quote, "If we lock in the 2020 standards, we're not getting as much emissions reductions as we otherwise would, and that translates into incrementally less protection of health and the environment."

The Trump administration's rollback of fuel economy standards is harming American families and businesses in other ways as well. Fuel economy standards drive investment and innovation. Every time we have encouraged automakers to do better, they have met the challenge. They have made parts lighter and stronger, transmissions and engines more efficient, and vehicles more aerodynamic. But by freezing the CAFE standards, the administration seems to want to aid foreign automakers instead. Because this is a global and very competitive market for the cars we drive and the trucks we drive.

And you seem to say America can retreat. We are not going to be the best anymore in building cars. America is last. America last in innovation, last in fuel efficiency, last in air quality. We are not going to stand for it.

Deputy Administrator King, given that automakers have written President Trump raising concerns about the effect of the rollback on innovation and investment, how can you claim that the American automobile industry would continue to be a leader in clean-car innovations under the administration's proposal, which freezes Clean Car Standards?

Ms. KING. I would be delighted to answer that question. Of course, when we set a very stringent regulatory standard that requires advanced engineering, all the engineers need to work on that standard. Whereas, if we set a maximum standard that is feasible, as required by law, as Congress has directed us to do, that allows engineers to innovate on safety as well.

Ms. CASTOR. No, you are letting them off the hook in doing that. That just flies in the face of experience over the last decades.

Ms. KING. Advanced safety technology—

Ms. CASTOR. Every time we have set better standards, they have met them—

Ms. KING. Advanced—

Ms. CASTOR. [continuing]. Because this is the United States of America, and we will not retreat—

Ms. KING. Not in 2017.

Ms. CASTOR [continuing]. And it is not time to retreat.

Ms. KING. Not in 2017.

Ms. CASTOR. Canada is increasing their clean-car standards to 55.2 miles per gallon for cars and 40.6 miles per gallon for light-duty trucks. And the European Union has proposed to increase their clean-car standards to 64.3 miles per gallon for cars, 45.7 miles per gallon for light-duty trucks. China, Japan, and South Korea continue to meet aggressive fuel economy targets.

Why wouldn't Europe, Asia, or Canada become the epicenters of clean-car investment and innovation under your proposal?

Ms. KING. It is important to look at how those numbers are calculated. And remember, in 2017 most automakers could not meet the standard in the United States. So I don't know where the information is suggesting that folks were able to meet that.

Ms. CASTOR. It is plain as day, and thank you.

I yield back my time.

Ms. SCHAKOWSKY. Mr. McKinley, you are recognized for 5 minutes.

Mr. MCKINLEY. Thank you, Madam Chairman.

I want to acknowledge, first, Administrator King and Administrator Wehrum for your service, and thank you. I know when you and I, we served together here on the Committee on Energy, and I was with you yesterday at a special celebration about the ACE Rule. Despite what some people were whining about that, I think it is going to be a very effective rule over the long term.

Let me just quickly get into it. One thing that I have learned, Madam Chairman, to change direction here a little bit, is that in my 9 years here on the committee following the Constitution, one

of the things I have found out, the executive branch, pardon the pun here, but the executive branch trumps the legislative branch.

We are seeing time and time again that, as House Members and Members of Congress, that we have given up a lot of our authority to the agencies. Now, we are having this hearing today. Why? Because once again, the administration is unilaterally changing a regulation and someone is disapproving of it. That is the way this system has worked. I don't like it.

So my question goes back to more fundamentals, Madam Chair. If we don't like something, why don't we change the law? If we have a problem with 1975 CAFE standard, change the law, not whine and complain about it. They have been doing it for decades. When the GOP had the majority, we complained about what Clinton and Obama did. And when the Democrats are not whining about what happened under Trump, they did the same thing under Bush.

But let me understand—let me point out, if we continue to give up this authority to control how these agencies operate that are passing the rules and regulations, we are going to see more of this.

As an example, this is something we prepared. Our office prepared something about 4 or 5 years ago. These are—just let it roll out. These are the rules and regulations that were passed against the fossil fuel industry under the Obama administration—1,500 rules and regulations.

We need to regain control, I believe, of this process, instead of whining about what the agencies are doing because every 4 years, potentially, we change administrations and they change direction. We don't have certainty. When we had the Clean Air Act, it was passed and it gave certainty. We need to get that back again, instead of complaining about what the rules are. Then let's tighten up what the CAFE standards are, or whatever those might be.

We had back under the Obama administration, there was an interesting book written by Professor Howe, and it said—the title was “Power Without Persuasion,” and it was using the rulemaking to influence what we should be doing here in Congress. And he talked about Obama, the State waivers under Federal mandates, if they agreed to education overhauls, if they increased the greenhouse standards through environmental regulations, I could go on. We have all got some lesson of what the administrations have done. I don't care whether we are Republican or Democrat, we just have given up that power on it.

So Madam Chairman, I would say what is our authority in Congress? Is it every 4 years, we are going to sit there, we are going to have people come before us as these two folks, and we are just going to criticize them and rip them apart? Why don't we tighten up how our agencies should be operating, so that we have a role, instead of whining about them when they come in, or the next administration?

So I would ask just, and quickly, Heidi—Administrator King, what problems would be presented to your group in transportation if Congress had a voice in the regulations before they go final? Would that crush you?

Ms. KING. Representative McKinley, first, let me assure you for myself, on behalf of the entire Department of Transportation, that

we are seeking to comply with all of the direction and laws given to us by Congress. We are not seeking to trump Congress. In fact, I believe that the difficulties and the challenges we are having here and the purpose of this hearing is because we are trying to restore regular order.

The Administrative Procedure Act requires that we complete analysis, that we put it out for public comment, and that the public be allowed to replicate the modeling on our website and submit comment, and then we inform a final decision, not backroom deal-making where you take manufacturers and have a meeting at the White House and pick a number, and not violating statutory direction.

Mr. MCKINLEY. I respect that, but you saw the list, 86,000 mine jobs, coal mining-related jobs were lost because of those 1,500 regulations that were passed without congressional approval.

So it is not you, it is the process. We need to perfect the process instead of criticizing you.

Thank you. I yield back my time.

Ms. KING. I don't feel criticized. I am very pleased to comply with the direction of Congress in this very—

Ms. SCHAKOWSKY. The gentleman has yielded back.

And now I recognize Mr. McNerney for 5 minutes.

Mr. MCNERNEY. I thank the Chair, and I will resist the temptation to respond to Mr. McKinley's comments there.

Mr. Wehrum, do you support the role and expertise that the EPA Science Advisory Board can provide to assess underlying science backing regulatory actions?

Mr. WEHRUM. The SAB gives us important advice on a lot of important issues, absolutely.

Mr. MCNERNEY. Thank you. I think the same thing.

Four former EPA Administrators testified before this committee last week. All supported upholding the science in deciding Agency action.

Now, the SAB has recently decided to review the rule that is being proposed. Will you commit to cooperating with the SAB's review of the proposed rule?

Mr. WEHRUM. Congressman, the Administrator has already responded to that request in a letter back to SAB a few days ago. I don't have the exact date here.

Mr. MCNERNEY. Well, I am asking you. Will you commit to working with the Science Advisory Board?

Mr. WEHRUM. I guess what I am telling you is my boss made a decision, so I have got to do what my boss decided to do.

Mr. MCNERNEY. What was the decision of your boss?

Mr. WEHRUM. He said, and I am reading from his letter, and this is on the topic of, you know, SAB recommended that this rule, the SAFE proposal, be submitted for further review. So I am just reading from the letter.

And the last sentence of the Administrator's response on this particular topic says, "The EPA believes that the Clean Air Act Advisory Committee, which is one of my standing FACA committees, and its Mobile Source Technical Review Subcommittee, which is a mobile source-oriented subcommittee of the Clean Air Act"—

Mr. MCNERNEY. But those aren't science boards. Those are committees of some kind.

Mr. WEHRUM. Well, they are full of folks who are interested—with expertise. And particularly, the Subcommittee of Mobile Sources Technical Review is full of folks from car companies, and environmental groups, and outside experts.

Mr. MCNERNEY. So will you commit to not finalizing the proposed rule until the Science Advisory Board has had time to complete its review?

Mr. WEHRUM. The proposed rule was finalized a good while ago. I think you meant the final rule.

And again, the Administrator has responded to the SAB, and he said that we will get advice that we need from these other advisory committees.

Mr. MCNERNEY. That is not acceptable.

Do you think it is OK to continue business as usual with carbon dioxide emissions?

Mr. WEHRUM. Well, business as usual includes our efforts to regulate carbon dioxide through a wide variety of regulatory mechanisms. Yesterday, we finalized the ACE Rule, which regulates greenhouse gas emissions. We are working hard on finalizing the SAFE Rule that will regulate greenhouse gas emissions. I administer a major source permitting program that regulates greenhouse gas emissions.

And I think my job here with regard to greenhouse gas emissions is to faithfully and fully execute my responsibilities in the Clean Air Act, and that is exactly what we are trying to do.

Mr. MCNERNEY. Well, I mean, do you agree that the climate is changing largely due to carbon dioxide emissions, that the change is accelerating, that the impacts of climate changes are likely to be very damaging to catastrophic well before the end of this century? Do you agree with that?

Mr. WEHRUM. Well, Congressman, what is most important is what I do in my job. And the EPA, prior to my arrival, made an endangerment finding and a contribution finding that authorized and actually obligated regulation of the Clean Air Act and a wide variety of provisions.

I think it is noteworthy we have not sought to reverse that endangerment or those contribution findings. What we have done is continued the regulatory program and process, in the way that I described earlier.

Mr. MCNERNEY. And weaken the carbon dioxide emission standards, despite the evidence that we are seeing about the climate.

Mr. WEHRUM. No, the Obama administration was trying—

Mr. MCNERNEY. So do you believe that human-caused climate change is happening and that it is a danger?

Mr. WEHRUM. The Obama administration tried to use the Clean Air Act—

Mr. MCNERNEY. I am not asking about the Obama administration. Do you believe that climate change is a danger to this country?

Mr. WEHRUM. I am regulating greenhouse gases every day of the week.

Mr. MCNERNEY. So you are not going to answer that question directly.

Mr. WEHRUM. Like I said, what is most important is how I administer my authority. My authority and obligation is to regulate greenhouse gas emissions, and that is exactly what we are doing.

Mr. MCNERNEY. Well, your office told the SAB that the EPA and NHTSA jointly proposed the standards that public records shows career experts at the EPA Office of Transportation and Air Quality disagreed with NHTSA's work on that rule.

Your office also claimed that, quote, "the EPA believes the Clean Air Act Advisory Committee and its Mobile Source Technical Review Subcommittee would be more appropriate venues for any necessary advice on these actions."

It does appear that your office has been dismissive of the SAB at the time of its rulemaking to avoid input from the SAB on this action. Nothing you have said today has changed that conclusion.

I yield back.

Ms. SCHAKOWSKY. I now recognize Mr. Johnson for 5 minutes for questions.

Mr. JOHNSON. Thank you, Madam Chairman.

I was sitting here observing what my colleague Mr. McKinley did. I wish I had thought of that. That was pretty neat, rolling out all of those thousands and thousands of pages of regulations that you know many of them, many of them under the previous administration that had very little to do with protecting the environment and solving the problems that my colleagues on the left want to talk about. They were about shutting down fossil fuel industries, particularly the coal industry.

And I applaud what the administration is doing and what the EPA is doing to reverse that course. And you can count me in as a champion to help you do that every chance I get.

You know, like other Members on this committee, I come from a State that has a history of manufacturing and producing automobiles. I know firsthand that these manufacturing plants are typically steady and reliable sources of good-paying jobs, but with the recent closure of the GM Lordstown Plant, I have unfortunately also witnessed the kind of devastating impact that plant closures can have on local economies and communities when they do shut down.

Now, there were a lot of factors that went into that plant's closure, but the Federal Government—we know this, I believe this—the Federal Government should not be issuing overly burdensome rules that make it too costly to manufacture or for consumers to purchase American-made new automobiles, especially as the market trends further towards trucks and SUVs.

If another company decides to buy the Lordstown facility, I want to ensure that that company has a clear set of transparent, cost-conscious Federal rules to follow. The Federal Government should be a partner in American auto manufacturing and production, not a barrier.

So Administrator King, in your testimony, you highlight the effect the SAFE Vehicles Rule will have on the types of vehicles that will be available for consumers. Can you please explain how the proposed rule will help improve consumer choice?

Ms. KING. The proposed rule is considering the factors that Congress has required we consider to set a standard that is maximum feasible. Now within maximum feasible, there can be all kinds of cars that on average meet the maximum feasible fleet standard.

What we are reconsidering is a standard that is infeasible because the forecasts and the projections that were made in 2012 turned out to be wrong, one of those being that consumers don't want to drive only passenger cars, they increasingly want larger trucks. So we are trying to make sure that, following congressional direction, we set a standard that is in fact maximum feasible, considering all of the statutory factors that allows for the consumers to have access to vehicles they need.

Mr. JOHNSON. OK. Well, how can fuel economy standards drive up the price of cars?

Ms. KING. When a very, very stringent or infeasible standard is set, the investment that goes into meeting that standard could be very, very expensive. So for example—

Mr. JOHNSON. And they just pass that on to consumers, right?

Ms. KING. That is right.

So, for instance, moving cars into all electrified power trains, because—

Mr. JOHNSON. Sure.

Ms. KING [continuing]. That is a very expensive technology. Not every consumer wants it, but that might be the only one that fleetwide average could meet the standard.

Mr. JOHNSON. OK, well, thank you. Let me move on to Mr. Wehrum.

Mr. Wehrum, vehicle choice is important. And as Administrator King's testimony states, the SAFE Vehicles Rule contains no language that would prevent any auto manufacturer from designing and building different types of vehicles. Natural gas vehicles are an important part of that mix, and I hope that any final rule can help ensure regulatory parity between vehicles like NGVs and EVs.

As EPA and NHTSA continue to move through this rulemaking process, will you work with my staff and colleagues to ensure greater parity is achieved for NGVs?

Mr. WEHRUM. Yes, Congressman. We have heard from many folks in the natural gas vehicle industry about these issues, and I think we have a good appreciation of what the concerns are, and that is one of many things that we continue to deliberate as we put the final—

Mr. JOHNSON. Well, I appreciate that, because I think that is an area where, you know, if we are smart, we can find bipartisan agreement on. Everybody agrees that natural gas is much cleaner than many other forms of energy, and it makes perfect sense that we move in that direction and bring about that parity.

So thank you both for your testimony. I, too, appreciate the service that you are providing to our country.

I yield back.

Ms. SCHAKOWSKY. The Chair recognizes Congresswoman Clarke for 5 minutes.

Ms. CLARKE. Thank you very much, Madam Chair. I thank our chairs and our ranking members for this very important hearing on the Trump administration's proposed rollback of the fuel economy

and Clean Car Standards. And I thank our panelists for bringing your expertise to bear today.

Since 1975, the Corporate Average Fuel Economy standards, otherwise known as the CAFE standards, have played a critical role in improving vehicle fuel efficiency, increasing vehicle safety, spurring American innovation and investment, and significantly decreasing tailpipe emissions. As a direct result of these standards, families in my home State of New York have already saved nearly \$2 billion today, not to mention the invaluable public health benefits that have accrued, thanks to cleaner vehicles, especially in low-income communities and communities of color.

Unfortunately, even with these standards in place, greenhouse gas emissions from the transportation sector officially surpassed those from the electricity sector in 2017, making transportation the single largest source of climate-warming emissions in the United States. In fact, the amount of greenhouse gas emissions from our transportation sector alone is greater than almost every other single nation's total emissions. Now, at a time when we should be strengthening vehicle emission standards to protect our most vulnerable communities from the worst effects of climate change and air pollution, the Trump administration's EPA is once again abdicating its responsibility to protect public health and the environment. Instead, they are proposing a rule change that benefits no one except for the oil and gas industries.

So having said that, according to American Lung Association's most recent State of the Air Report, nearly 4 in 10 Americans live in areas with dangerous air pollution. My district might not be home to major auto manufacturers or suppliers, but it is home to over 700,000 Brooklynites, whose health is threatened by this proposal.

Mr. Wehrum and Ms. King, with a simple yes or no, would you agree with the medical community's determination that tailpipe pollution is linked to numerous health problems, such as aggravated asthma and other respiratory and cardiovascular conditions?

Ms. KING. Congresswoman, from the proposed rule, if we finalized a flat standard, there is no noticeable impact to net emissions of smog-forming or other criteria air pollutants. There is no impact.

Ms. CLARKE. But would you agree that it would be a health concern—

Ms. KING. In this rulemaking, no.

Ms. CLARKE [continuing]. Such as for those with aggravated asthma and other respiratory and cardiac-cardiovascular conditions?

Ms. KING. The impacts of this rulemaking, no, I do not agree, as the modeling and science show us.

Ms. CLARKE. Currently. So you are saying that with this rule, we are going to be decreasing the emissions, we are going to be decreasing the number of individuals who will be impacted by tailpipe emissions?

Ms. KING. I am glad you asked. It is about the same, and the reason for that is, if cars are—

Ms. CLARKE. So then you have answered my question.

Ms. KING. [continuing]. More expensive, people can't afford to buy a new car.

Ms. CLARKE. You have answered my question. It is not going to abate it.

Mr. Wehrum, yes or no?

Mr. WEHRUM. Excuse me, I didn't have my mic on.

You are asking simple questions about complex issues.

Ms. CLARKE. OK.

Mr. WEHRUM. No, we are balancing—

Ms. CLARKE. All right, if we can't—

Mr. WEHRUM. We are balancing highway safety against environmental—

Ms. CLARKE. If we can't even talk about health concerns—

Mr. WEHRUM. No, we are not going to put blinders on.

Ms. CLARKE. Yes.

Mr. WEHRUM. We are not going to put blinders on and seek additional emission reductions to the exclusion of what our analysis predicts to be substantial—

Ms. CLARKE. OK, let me—

Mr. WEHRUM [continuing]. Impacts on highway safety, fatalities, and—

Ms. CLARKE [continuing]. Move on. Let me move on. You are not going to filibuster here today. You are not going to filibuster. I am going to reclaim my time.

Are you both aware of how premature death rates among white children with asthma compare to those among black and Latinx children with asthma, yes or no?

Mr. WEHRUM. I haven't seen the latest data.

Ms. CLARKE. OK. Well, it turns out that Latinx children are twice as likely to suffer from asthma than their white peers. African American children are 10 times more likely.

These stark public health consequences are the primary reason that my home State of New York adopted California's Clean Car Standards in 1993, 26 years ago, to improve air quality, clean up our communities, and protect our children.

I only have 13 seconds left, but I think that you know this is a very critical issue for our communities. And as cities continue to grow and to expand, you have an obligation to know these stats. You have an obligation to know this information, because at the end of the day, the rulemaking that is taking place here will have an impact on human life.

Ms. KING. Your constituents won't be able to—

Ms. CLARKE. Madam Chair, I yield back.

Ms. KING [continuing]. Afford a clean, new, safe car. We want to—

Ms. SCHAKOWSKY. She has yielded back.

And now I recognize Congressman Long for 5 minutes.

Mr. LONG. Thank you.

Ms. King, I drive a midsized SUV. It is 13 years old, and that puts me right along with most of my constituents. And the average age of a registered vehicle in my district is almost 14 years old. So I guess when the 2020s come out, mine will be 14 years old.

When people are deciding to purchase new vehicles, a lot of them are buying trucks and crossovers. Three out of every 1,000 vehicles purchased are electric. With a rural district like mine, a person's

car is not just a means of getting around, it is oftentimes their business and their livelihood.

When I was a real estate broker and auctioneer for 30-some years before I came to Congress, on average I put 35,000 miles a year on my car, and I very rarely got out of what is now my congressional district. It is about 100 miles across and 100 miles deep. And so I know what it is like to make your living out of your car and driving 35,000 miles a year in a pretty limited area.

In your opinion, how did the previous administration's CAFE standards impact people like those in my district, and me in my life before Congress, who are looking to purchase a new car?

Ms. KING. Certainly, a regulation was estimated and seemed to have added to the price of the car somewhat. But it is important to recognize and distinguish between the standards that have been executed to date and the future standards.

The standards that were issued by the prior administration had a slow ramp-up in fuel economy, and we are now at the point where it would dogleg up, and shoot up, and become very costly. So, whereas the historically implementing fuel economy standards did not appear to take new cars—new cars are more expensive than they have ever been, but we are about to see where the standards are completely infeasible.

So my hope is that we have at least assured both safety and fuel economy improvements in recent years, but we have to be mindful before going up that dogleg to a very steep fuel economy improvement that would raise the price of a newer, safer, cleaner car, make it out of the reach of an American family.

Mr. LONG. OK. Staying with you, Ms. King, in my estimation, the Safer Affordable Fuel Efficient, SAFE, Vehicle Rule sets a more realistic goal for automakers to achieve, considering less than a quarter of major automakers met the performance targets for the model year 2017 under the CAFE standards. However, should more automakers reach the new goals, does it say anywhere in the new SAFE Vehicle Rule that once an automaker achieves the model year 2020 standards for miles per gallon, they can no longer continue to innovate further and increase the average mile per gallon of their fleet?

Ms. KING. Automakers can, and should, and I believe will continue to innovate to meet consumer demand and safety improvement requirements.

Mr. LONG. Aren't car companies incentivized to make safer and better cars, based on consumer demand instead of Government mandates?

Ms. KING. We, as consumers, depend upon it.

Mr. LONG. There is a lot of—

Ms. KING. Yes.

Mr. LONG [continuing]. Competition out there in the auto world, as you know, and I think that they all want to innovate and improve their miles per gallon as much as possible.

So thank you, and I yield back.

Ms. SCHAKOWSKY. I am happy to yield now, for 5 minutes, to Congresswoman Dingell.

Mrs. DINGELL. Thank you, Madam Chair. Thank you for organizing this hearing today.

Before I begin my questions, just in case you didn't know it, I want to make one thing perfectly clear. One National Program for fuel economy with strong reasonable standards that increase year over year and balance between goals of environmental protection and affordability are critical. Strong fuel economy standards have kept our environment clean, reduced our dependence on foreign oil, and have saved consumers money at the pump.

The administration's proposed rule has listed several options, the most unacceptable being the flatlining of fuel economy standards. Flatlining is harmful to American leadership and innovation, as well as the environment.

Additionally, the administration needs to respect, it just needs to respect California's role in the process. I am saying this as a Michigander who has had real—you know, it has been a history. And you have got to treat them as an equal partner in negotiations, rather than revoking their waiver under the Clean Air Act, which would result in years of litigation and uncertainty for an industry and their employees across the country that simply can't take this uncertainty.

I am really not interested in a pissing contest between California and this administration, to be perfectly blunt. And I take offense at this letter because I care about this and, just like I have nagged you two and everybody else in the administration, I have talked to Mary Nichols regularly, and I know she has wanted to come back to this table. And you all, quite frankly, have not put this table together, and it really bothers me.

I understand that you don't believe California has got a right to regulate in this space, but we do know that cutting a deal with them can save the industry money, give them more certainty, and reduce emissions as well. That is why they have written you a letter, and that is why they have written California a letter, and said we need one standard.

Mr. Wehrum and Administrator King, what is more important to this administration, scratching your ideological itch by picking a fight with California or solving a problem by cutting a deal that maximizes environmental benefits and affordability?

Ms. KING. Executing the laws given by Congress that we execute in the executive branch.

Mrs. DINGELL. Mr. Wehrum, and your law is clear.

Mr. WEHRUM. Yes, ma'am. The President gave us two overarching instructions with regard to this rule: one, he instructed us to go try to make a deal with California. Last year, he said, "Go try."

Mrs. DINGELL. Yes, I know he did.

Mr. WEHRUM. And he said, "Get this rule done."

So, from my perspective, we made an honest and a good-faith effort to find—

Mrs. DINGELL. Even the industry doesn't believe that, Mr. Wehrum. I talk to everybody every single week, and that is why I am coming at all of you. American people are tired of conflict. They are tired of partisan bickering. They want us to get something done. They want us to come up with practical solutions to practical problems. It is not rocket science.

The Obama administration put 5 percent increases. You are proposing a flat line. There is not a way to compromise someplace in here? Would you two commit if we hear Mary Nichols on the next panel say she is willing to go to the table, will you commit to resume discussions immediately on a compromise, yes or no?

Mr. WEHRUM. My answer is we will keep doing what the President said. So—

Mrs. DINGELL. So I have to call the President and ask him to ask you to go back to the table?

Mr. WEHRUM. No, no, no. He said make a good-faith effort. So I am willing to go—

Mrs. DINGELL. Well, I don't think your effort has been in good faith.

Mr. WEHRUM. Well, I disagree, but I am willing to continue making a good-faith effort, but I am also going to get this rule done as soon as I can.

Mrs. DINGELL. So if she says she will come to the table, can we get that—and the autos want you to go. What is it going to take?

Ms. King, would you go back to the table?

Ms. KING. I don't know whether that would actually achieve the goal. I think it would be—first of all, of course, we did meet for more than a year, or did meet for about a year. I—

Mrs. DINGELL. And then you stopped.

Ms. KING. I would be concerned about the uncertainty for auto-makers, should this rulemaking be dragged out for several more years.

Mrs. DINGELL. But they are worried about the uncertainty. If it is going to be dragged out, this is going to the courts. You and I both know that this is going to end up in the courts, and that is an uncertainty they don't want, and they have written you and written the President and told people that that is not what they want.

Ms. KING. In my experience, these rules tend to go to the courts, regardless of whether or not—

Mrs. DINGELL. This rule is going to the courts.

I am just going to make—you know, the auto industry is really fragile right now, and that is a message I want everybody here to take too. And we can't take its health for granted.

President Trump came to my State. He promised we would improve manufacturing in this country, yet everything you do creates chaos. Trade is creating chaos. The lack of clarity in the rule for autonomous vehicles, which this committee and the House did pass, and now your two agencies are seeking to throw another wrench into this mix with misguided proposal on fuel economy, revoking California's waiver, flatlining the standards will take years to litigate and will cost this industry a significant amount in regulatory uncertainty and the inability to move ahead.

I urge you to go back to the table, please.

Thank you, Madam Chair.

Ms. SCHAKOWSKY. Thank you, and I now recognize Mr. Bucshon for 5 minutes.

Mr. BUCSHON. Thank you. I mean, based on what my friend just said, it sounds like if we would just give into California, as a coun-

try, then we wouldn't have a problem. Unfortunately, the Constitution doesn't say that.

I also want to talk about what Mr. McKinley said about Congress and usurping our authority. I totally agree with him. We have passed, over the last few Congresses, through the House what is called the REINS Act, which would give Congress the ability to approve rules and regulations that have more than \$100 million impact on our economy, and Democrats haven't supported it. So maybe they want to reconsider. I think it had something to do with the fact that it was the Obama administration that didn't want it. Now we have Trump administration, and here we have conflict again.

As a Congressman in the 8th District of Indiana, this hearing is important, and it directly impacts the Hoosiers across all 19 counties. In my district, the auto and auto supplier manufacturers provide 191,495 jobs, and that changes, obviously, to Hoosiers, who contribute more than \$15 billion to Indiana's gross domestic product each year, the second highest in the Nation.

It is imperative that the CAFE standard creates certainty and uniformity. I do, I agree with that. And while we must take steps to curb emissions, we want to make certain that standards are feasible for the industry and address technological constraints in the current market realities within the industry, which have been described by both of you.

I wanted to directly bring up some concerns, though, about some statements in the NPRM on the statement of rationale that suggested that lightweighting vehicles is unsafe. This is in contradiction to two NHTSA studies from 2012 and 2017, where researchers concluded that lightweight materials meet or exceed Federal safety performance requirements. Furthermore, the statement puts at risk many high-skilled jobs, potentially, in Indiana in my congressional district.

I would request that you would consider removing this language from the NPRM, since it is contradicted by studies from NHTSA. Can you comment on that, Ms. King, and then Mr. Wehrum?

Ms. KING. Lightweighting is very important. It is not unsafe. Lightweighting is one of the most, and I believe it is the most cost-effective way to achieve increased fuel economy. So lightweighting is not unsafe. However, the laws of physics do apply. If I have one cup here of paper and an identical cup of lead and the two met, the lead cup, physics tell us, may endure better. So weight does matter because, when two objects collide on a street, the lighter weight object is likely to suffer more—

Mr. BUCSHON. I would agree, but if you crash a '57 Chevy into a new automobile today, which one is more likely to cause injury to the passenger?

Ms. KING. The newer cars are safer than older cars, and over time, because of the innovations and engineering, the relationship between safety and lightweighting has been broken, basically. So engineering techniques, safety technology, cars have never been so safe.

Mr. BUCSHON. Agreed.

Ms. KING. I go back to lightweighting is not unsafe. Physics still apply, but lightweighting is not unsafe.

Mr. BUCSHON. OK, Mr. Wehrum.

Mr. WEHRUM. I agree with Ms. King.

Mr. BUCSHON. OK, great.

Mr. WEHRUM. She is the safety expert.

Mr. BUCSHON. Thank you for that. I just want to—you know, like I said, you crash a '57 Chevy into an automobile today, which has a lot of plastic, aluminum, other lightweight products in it, it is more likely, for a multitude of reasons, why the lighter vehicle actually results in more safety for the passenger than the heavier, all-steel vehicle that we have had in the past.

So this is for Mr. Wehrum. On January 12, 2017, 8 days prior to President Trump's inauguration, the Obama administration implemented the final determination of the midterm evaluation, as we have talked about, providing only 30 days for public comment and 13 days for the administration to review those comments—13 days.

Mr. Wehrum, can you discuss how—is it feasible on something this complex for the EPA to review and address all the comments in 13 days, in your view?

Mr. WEHRUM. In my view, it is virtually impossible to do a good job in 13 days.

Mr. BUCSHON. And so did this play a role in the reasoning for reopening the midterm evaluation, the expediency of this proposal?

Mr. WEHRUM. The decision was made before I joined the EPA, but from discussing the issue with Administrator Pruitt, it is very clear he was concerned that there was a rush to judgment, and it is very clear he was concerned, as I said earlier in this hearing, that fundamental things had changed and that those changes had not been adequately considered. So, we believe there was a firm, firm basis for reconsideration.

Mr. BUCSHON. OK, I yield back. Thank you.

Ms. SCHAKOWSKY. And now I recognize Mr. Soto for 5 minutes.

Mr. SOTO. Thank you, Madam Chairwoman.

A bleeding-heart liberal chairman, Bill Ford, stated his company, the Ford Motor Company, didn't want to roll back and supported increasing Clean Car Standards through 2025. The cost of not believing in climate change, quote, "is just too high." So it kind of makes me curious why we are here today. Why are we rolling back standards when even major industry leaders aren't asking for it? And we would be lowering people's gas bills at the pump.

And I think a little back to the fact that, from the enactment of the Clean Air Act in 1963, under Johnson, through Obama we have had this progress made. So why are we pulling back? I mean, it is an aberration, I think, in history. We are going to look back on this period and say, "Why?" And I empathize because you all have to do what President Trump tells you to do. So I get the position you are in today. But, nonetheless, we have to talk about these things.

So we saw the rollout of the Affordable Clean Energy Rule, potentially a misnomer, that will lead to higher emissions than the EPA initially anticipated in the proposal. The increased carbon pollution resulting from this rollback would be equal to the annual emissions to 82 percent of the counties on Earth. That is a lot.

Ms. King, NHTSA used a new model to calculate fleet turnover. Why would you use a new model, and was this method ever peer-reviewed before you used it?

Ms. KING. Over the many years of issuing fuel economy standards, since NHTSA was first directed by Congress to do so, we used modeling econometrics and statistical analysis to inform the statutory factors. So the model we used is one that has been—the primary model—has been used in prior rulemakings. And each time we use that model, we take public comment, we hear from experts how we can improve it, and we continue to improve it.

Two of the improvements this time are accounting for vehicle turnover and accounting for consumers responding to price changes. And that is because we know that consumers are less likely to replace their older, less safe car with a newer, cleaner, safer car if that newer, cleaner, safer car is 20 percent more expensive.

Mr. SOTO. Why did NHTSA exclude several pieces of valuable modeling data, notably the fleet turnover model, from the public docket?

Ms. KING. I don't know what you are referring to, but we do take very seriously scrutinizing all public comments. And everything that can improve the model that is backed in facts, and science, and rigorous methodology, and can be done with available resources, we will incorporate.

Mr. SOTO. So you have the world-class OMEGA model that is being used by the EPA. Why wasn't that used for the modeling?

Ms. KING. So Congress directed fuel economy standards to be established by the National Highway Traffic Safety Administration, or NHTSA, and the CAFE model was developed exclusively for that purpose. We work with EPA. We work with Department of Energy. It has been peer-reviewed. It has been, for many years, publicly available. It performs—I understand from career staff comments, given identical inputs it would provide similar outputs to the OMEGA model.

But we did decide to use one model for this rulemaking because the public found it confusing to be navigating multiple models in prior rulemakings, and essentially we are representing that newer cars are safer than older cars, that if you increase prices, consumers are less likely to afford a new car, and fundamentally, more expensive, rigorous technologies to meet stringent standards would increase the price of a car.

Mr. SOTO. Thank you, Ms. King. My time is limited.

I guess the concern is that adding in these new economic factors is really—can fudge the numbers, can cook the books, could get to a desired result.

Mr. Wehrum, do you believe that NHTSA's unproven modeling was ready for prime time, or would EPA's OMEGA model have done the trick, as it has in the past?

Mr. WEHRUM. Well, as Ms. King just said, we decided early on we would use one model and not two models. It doesn't make any sense to keep two sets of books here.

And we have been working hard—

Mr. SOTO. OK, thank you. Thank you, Mr. Wehrum. Forgive me, my time is limited.

The last thing I just want to comment about is, we saw that long list of fossil fuel regulations rolled out, and I worry, you know, this rhetoric about a rural and urban divide in vehicles—big vehicles in the rural areas, smaller vehicles in urban areas—but these hurricanes don't discriminate. The floods in the upper Midwest don't discriminate. The tornadoes in the lower Midwest—you know there is going to be a longer list of disaster victims, of climate change victims, than that fossil fuel regulation list ever was, if we don't come together. It is not whining to combat climate change. It is our job.

And I yield back.

Ms. SCHAKOWSKY. Thank you.

I recognize Mr. Duncan for 5 minutes.

Mr. DUNCAN. Thank you, Madam Chair. And I want to thank both of you for being here. It has been an interesting hearing to listen to.

I think there are a lot of misconceptions perpetuated by some of the media and the other side related to the SAFE Act. This was not so much a rollback of regulations but an effort to maybe correct the course, regulatory assumptions that swung and missed on the realities of the market and what consumers want to drive.

Look, I am from South Carolina. I am in a rural district. Billy Long was in the auction business and was a broker. I was in the auction business and a broker. He drove 35,000 miles. I drove about 65,000 miles chasing business. I drive a Chevy Duramax diesel truck now to this day because of it.

In my district, according to Auto Alliance, almost 50 percent of my constituents that own a vehicle either drive an SUV, a pickup truck, or a minivan; 99 percent of the vehicles in my district are gasoline or diesel; 0.02 percent are electric vehicles.

This breakdown is emblematic of several of the Obama administration misconceptions that they based their aggressively high standards on. People in rural America do not want electric vehicles because they don't fit their lifestyle, their pocketbook, their needs, and they don't have the charging availability. People in rural America don't own small vehicles. Many of the jobs that my constituents have, they require pickup trucks or bigger vehicles.

The median household income in my district is just over \$47,000, but the price of a new vehicle continues to increase and they are now above \$37,000. Go price a new pickup truck, a Chevy Duramax diesel right now, and tell me what that cost is going to be, if you need that in your job. Maintaining the Obama-level standards will price the middle class of America out of the new vehicle market.

Now, I was thinking about an analogy, and I will try this one. South Carolina is a right-to-work State. So we don't allow the union security agreements, OK? What if the Department of Labor was given a tremendous rulemaking and regulatory promulgation ability under a broad act like the Clean Air Act that gave the EPA these broad rulemaking abilities, and the Department of Labor said, "You know what, we are going to reach out and we are going to grab South Carolina's right-to-work standard, and we are going to make that the standard for all the other States"? Because that is what is happening now, is this California standard is becoming the standard for all the other States, who are sovereign.

We are a republic. There is federalism. We, the Congress, has given a law so that we don't have one State dictating what other States have to do.

But what if the Department of Labor said, "We are going to make all the States adhere to right-to-work laws of South Carolina"? I don't think the other States would like that.

And so I am sitting here listening to a lot of the argument on the other side that takes market forces out of the equation of what the consumers want, because I believe the vehicle manufacturers, they are trying to see what the consumers want, and they are building the vehicles that they can sell.

But we are from the Government. We know best. We are going to tell you what you have to build, and we are going to force that on the American people. Because that is what is happening, is that Government is telling the automobile manufacturers what you have to build, regardless of what the consumer market wants, what you have to build and what you have to offer.

We don't want the vehicles that they are selling in Europe. Small, tiny roads require small, tiny vehicles, and that is not appealing to the American consumer.

We got to talking about federalism a while ago. And I am going to ask Administrator Wehrum, How does cooperative federalism factor into the Clean Air Act?

Mr. WEHRUM. Well, there are certain parts of the Act where Congress said that is how we should implement it, split responsibility between us and the States and local governments. And importantly, there are certain parts of the Act where the Congress said don't do that.

And the motor vehicle emission standards are one of those places. There are general Federal preemption in place. There is opportunity for a waiver for California, but that is under particular circumstances. And if those circumstances aren't met, then general Federal preemption is in place.

Mr. DUNCAN. Administrator King, real quickly, can you elaborate on how the California requirements create perverse disincentives on the national auto market, things I talked about, and not just for choice and affordability, but for safety as well? Real quick, you have got 20 seconds.

Ms. KING. We want to make sure that the innovators are focusing not only on fuel economy but on safety and other attributes that consumers value, and not only on that one dimension of fuel economy.

Mr. DUNCAN. Thank you both for being here.

And, Madam Chair, I yield back.

Ms. SCHAKOWSKY. Thank you.

And now I recognize Mr. Veasey for 5 minutes.

Mr. VEASEY. Thank you, Madam Chair.

As we will hear today, the standards implemented by the Obama administration are driving innovation, creating jobs, and saving consumers thousands of dollars at the pump over the lifetime of the ownership of their vehicle, and not to mention it is a major victory for the things that we are trying to accomplish for the environment. Despite these benefits, the Trump administration seems intent on rolling these standards back.

Mr. Wehrum—am I pronouncing that right, Mr. Wehrum?—and Ms. King, I assume that you have both seen the letter from the automakers to President Trump opposing the administration’s actions. You both have seen the letter?

Ms. KING. I have not seen the letter from consumers or the public to the President, only from the automakers.

Mr. VEASEY. You have seen it from the automakers. The letter states that the automakers support a unified standard that both achieves year-over-year improvements in fuel economy and facilitates the adoption of vehicles with alternative power trains.

Do you agree with the automakers on the value of these goals? If not, why?

Ms. KING. We must comply with the direction that Congress gave us, which is to include economic factors and which is to—

Mr. VEASEY. So do you disagree with the automakers?

Ms. KING. I agree in some parts and not in other parts. But again, I want to be very clear about the mission of NHTSA is to serve the public, 327 million Americans, and not one specific private-sector entity.

Mr. VEASEY. Mr. Wehrum, do you agree with the automakers?

Mr. WEHRUM. We have tried real hard to get to a deal.

Mr. VEASEY. Do you agree with the automakers?

Mr. WEHRUM. Well, their letter says keep trying. And I said earlier in the committee that the President said that we should try, and I am willing to do that. The President also said get the rule done, and I am working on doing that.

Mr. VEASEY. The letter goes on to say that, “for our companies, a broadly supported final rule will provide regulatory certainty and enhance our ability to invest and innovate by avoiding an extended period of litigation and instability, which could prove as untenable as the current program.”

Do you agree with the industry that the litigation, that is certain to occur as a result of these new proposed rules, will be extremely costly, create uncertainty, and make investments more difficult? Either.

Mr. WEHRUM. Well, I will start. I can’t control whether anybody challenges a final rule that I issue, and, frankly, virtually every final rule I issue gets challenged by somebody. So the fact of litigation doesn’t change my thinking.

Mr. VEASEY. So you don’t think the litigation is going to stifle that?

Mr. WEHRUM. Well, I was just going to say the fact of the litigation doesn’t influence the decisions. We have to decide under the law, based on specified factors, and that is what is most important. And if we can avoid litigation, that is great, but it is awfully hard to do in my business.

Mr. VEASEY. In a regulatory filing in 2018, Shell Oil Company said improving fuel economy is an important lever for reducing DHG from vehicles while emerging technologies continue to develop. To date, efficiency standards have demonstrated the greatest impact on CO₂ abatement in transport relative to other policies.

Do you agree with Shell that the fuel economy standards are one of the strongest tools we have in the fight against climate change, Ms. King?

Ms. KING. Forgive me. Do I agree with Shell that fuel economy standards are one of the most important—

Mr. VEASEY. Do you agree with Shell that fuel economy standards are one of the strongest tools we have in the fight against climate change?

Ms. KING. Based solely upon the analysis completed by NHTSA and EPA together, I would have to disagree only because, if you will see in the proposed rule analysis, there is almost no impact whatsoever on climate change between the proposed standard and the preferred alternative because of the impact of price that many families cannot afford a cleaner, safer, newer car with a strict price increase. So that means that we have the choice of either keeping families in older, dirtier cars or helping them get into newer, cleaner cars. That is where the impact comes.

So there is very, very little climate impact associated with this rulemaking.

I believe they may be referring to transportation more broadly, which I believe is responsible for between 25 and 30 percent of anthropogenic carbon emissions in the U.S.

Mr. VEASEY. And I understand that bringing more of these cars to scale makes them more affordable for a lot of the families, as you just mentioned.

Ms. KING. It depends.

Mr. VEASEY. Madam Chair, I wanted to also state for the record that myself and Congressman Ron Wright, a Republican from Texas, we both share General Motors' most profitable plant in their entire division. We make the SUVs in Arlington, Texas, the Tahoes, the Denalis, the Suburbans, and I will do anything that I can to make sure that that plant stays open and that it stays operating. It has been a plant that has been a very stable employer, particularly for many people in the black and Hispanic community. And I don't think that these standards that we are trying to put into place and keep in place that will keep our environment clean is going to harm the workforce at that facility in Arlington, Texas.

Thank you, Madam Chair. I yield back.

Ms. SCHAKOWSKY. Thank you.

Now I recognize for 5 minutes Mr. Carter.

Mr. CARTER. Thank you, Madam Chair.

And thank both of you for being here. Obviously, it is a very important subject.

Ms. King, I was struck earlier in your testimony by your concern of safety and some of the figures that you cited about the number of fatalities having gone up, and I couldn't help but think to myself about what has changed. And one of the things that I know—and full disclosure, I am adamantly opposed to the recreational use of marijuana and particularly those States that allow that. And impaired driving is something that is of concern to me. And being on the Health Subcommittee and being currently the only pharmacist serving in Congress, the opioid epidemic is something that I have worked diligently on.

And I am wondering, what role does NHTSA have in any of this? Is there anything that the Agency can do to help in this fight?

Ms. KING. Very much so, and we have been very active since I took office at the National Highway Traffic Safety Administration.

First, we launched a campaign demonstrating Federal leadership in educating the public that driving impaired by any substance, whether it be marijuana, opioids, pharmaceuticals, or illicit drugs, is dangerous.

We have also increased our support for local State programs, Offices of Traffic Safety grant monies, support for law enforcement, whose activities to identify impaired drivers and remove them from the roads. We support prosecutors who help make sure that, if there is a repeat offender, an impaired driver, that they have the tools, they are educated and have the tools to make sure that driver is directed appropriately in court.

So we have been supporting not only public education, but the system at the State and local level that can remove those dangerous drivers from our roads. I believe it starts with public education, because the market research has shown us again and again that marijuana users, in particular, think they drive better when they are high and yet, when they are in a test simulator, the evidence shows they are impaired. They are not driving better. They are slower to decide. They make bad decisions and their reaction time is slowed.

Mr. CARTER. Absolutely. I can't believe anyone would assert anything to the contrary.

Nevertheless, is there any technology? You know, you get to alcohol and you have got the breathalyzers and you have got, you know, we can lock the steering wheels and everything. Is there anything technologywise that can help us with something like that—

Ms. KING. There are numerous technologies—

Mr. CARTER [continuing]. Specifically the marijuana, and opioid use, and impaired driving?

Ms. KING. Of course, blood tests can show the evidence of—

Mr. CARTER. But you can't take a blood test before you crank a vehicle every time.

Ms. KING. Oh, I understand. So there is not something that is related to actually stopping operation of a vehicle. There are roadside tools being developed. There is something, oral fluid testing, where something like a swab can test for active THC or other marijuana constituents. And we should be issuing a report soon that discusses some of those technologies.

Mr. CARTER. But no kind of technology on the car itself that NHTSA might be able to say, you are going to have do this or do that?

Ms. KING. Not yet. We have for alcohol. We have supported innovations that can detect alcohol on the presence of breath and that can be related to whether or not the vehicle can be operated, but that has not been developed for marijuana. Not yet.

Mr. CARTER. Well, and I do thank you for your efforts on that, because it is something that is very important, and should be very important to all of us, and certainly something that is very important to me.

Mr. Wehrum, I would like to ask you very quickly, it looks like, from what I understand, the proposed SAFE Rule that should be finalized sometime soon freezes targets at the model year 2020 levels. And I understand that, but yet we are still going to, from what

I have gathered hearing here that, by 2026 because of certain elements, if you will, certain changes, that we are still going to be able to achieve the decrease in emissions that was proposed by the previous administration. How is that? How can we possibly do that?

Mr. WEHRUM. Well, part of what we are trying to do with the rule is make it cleaner and simpler. And I will give you an example of something that effects the standards on paper versus what they do in real life, which is for every electric vehicle sold, it counts as more than one vehicle for compliance purposes. And that doesn't produce any additional emissions reduction. That is purely an accounting exercise for purposes of trying to promote the development of electric vehicles.

So that is one example of where you look at the paper and it looks like, you know, that the current standards are considerably more stringent than the alternatives we have proposed, but when you take into account the practical reality, it is not so much.

Mr. CARTER. Well, good. Again, I want to thank both of you for doing this.

I am one who believes that this is what we should be doing when we come to policies and, particularly, legislation. I have never seen a perfect piece of legislation. It has to be tweaked. It has to be massaged over time, and I think that is exactly what we are doing here, and I applaud your efforts and thank you.

And I yield back.

Ms. SCHAKOWSKY. I now recognize Congresswoman Blunt Rochester for 5 minutes.

Ms. BLUNT ROCHESTER. Thank you Madam Chairwoman. And thank you to the panelists.

I wanted to first start my questions to Deputy Administrator King. Also, I wanted to thank Congressman Tonko as well for this joint hearing.

I wanted to first direct my questions to you. And there were more surrounding NHTSA's rulemaking and setting of standards. And it is my understanding, and you can just confirm or deny, that NHTSA was to set a standard on side impact requirements for child restraints systems by October 1, 2014. Are you familiar with that?

Ms. KING. I am familiar with the rulemaking but not the date, and I am familiar with the work. As you know, these very important safety rules that rely on engineering, we have to get them right if we are going to save lives. And so research is involved in developing the rules.

Ms. BLUNT ROCHESTER. OK. And then the rear seatbelt reminder rulemaking was due October 1, 2015. Are you familiar with that one?

Ms. KING. I am familiar. And similarly, we want to make sure we are making decisions from the best possible information.

Ms. BLUNT ROCHESTER. And then the rulemaking ensuring that consumers are notified of safety recalls via email, in addition to the mandate requiring consumer information about crash avoidance technologies to put on vehicle labels.

I guess the line of questioning is really to ask, how do you prioritize? What is the process that made NHTSA really focus less

on these congressional mandates that are in the pipeline and change the CAFE standards? How did you come to that determination of the prioritization?

Ms. KING. First, I am pleased to find a fan of our safety rulemakings. They are very important to us, and our teams work very, very hard. I can't say that it is—we issue the rulemakings when we are ready.

With vehicle technology, vehicles are more complicated than they have ever been before. They now are among the most complex digital products that each of us own—not our computers, but our cars. So when we are responding to congressional direction to issue a new rulemaking, we have to make sure that the researchers design and do research to inform that rulemaking so we don't accidentally issue a standard that could have unintended consequences, including unintended safety consequences.

So we have research in progress. Oftentimes, the rulemakings on our regulatory agenda that are not meeting timelines, that is because the engineers at NHTSA and the academic universities are finishing the research that will inform the rulemaking.

Ms. BLUNT ROCHESTER. So basically, you are saying these 5-year-old missed deadlines are because you are waiting for external forces to influence and that the change in the CAFE standards, which seems to be complicated as well—

Ms. KING. Yes, and a different team. We have a dedicated team on the fuel economy standards. Now these, the folks working on this, the engineers, rulemaking, they have an expertise in fuel economy engineering. We have a team of vehicle safety research engineers that work on the other research to inform rulemakings.

I am happy to sit with you or have my team sit with your staff and walk through all of our rulemakings. But I will say we will always be science- and data-driven to make sure we do the right thing for safety.

Ms. BLUNT ROCHESTER. Well, one of the concerns I have is that, when it is 5 years out and they are congressional mandates, that is a concern, and 40,000 deaths on the roads really, in our country, is a priority, particularly when we are trying to decrease the standards of something that have, I think, been for the betterment of our country.

And I want to turn now to Mr. Wehrum, because I wanted to follow up on Ms. Clarke's line of questioning. In the State where I am from, Delaware, we are one of the lowest-lying States in the country, and so we are the lowest, and it is—the whole issue of air pollution is a priority for us, especially emissions of nitrogen and sulfur oxides from other States that travel across State lines and settle over Delaware. Twenty-five percent of children in the city of Wilmington have been diagnosed with asthma. The rate is nearly 30 percent for African American children in my State.

And my first question is really just a yes-or-no question, which is: Is the EPA mandated to consider public health when developing environmental regulations? Is the EPA mandated?

Mr. WEHRUM. Of course.

Ms. BLUNT ROCHESTER. Yes. And then, will this proposed rule—this is also yes or no. Will this proposed rule, if promulgated, result in the increase of emissions of more localized air pollutants?

Mr. WEHRUM. As Ms. King pointed out, it is a mixed bag. Our projection says some pollution would go down and a couple of pollutants would go up. And when you put it all together, it is kind of a wash.

Ms. BLUNT ROCHESTER. So, Mr. Wehrum, please, in the Federal Register, you actually stated that it "will increase emissions of more localized air pollutants (or their chemical precursors)." That was in the Federal Register, Volume 83, Number 165, page 4,367.

Chairman Schakowsky, I ask unanimous consent to submit a copy of the Federal Register that I am quoting from.

Ms. SCHAKOWSKY. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Ms. BLUNT ROCHESTER. Thank you.

I just want to end up, because I know my time has run out, by saying we, as a country, want to be improving, not just maintaining or going backwards. And so I hope that this hearing will impress upon you the importance of it, not just for my State, not just for our country, but for the world.

Thank you and I yield back.

Ms. SCHAKOWSKY. Thank you.

And now, Mr. Gianforte, you have 5 minutes for your questions.

Mr. GIANFORTE. Thank you, Madam Chair. Thank you for our panelists being here today.

Administrator King, could you explain how costly regulations for fuel economy standards are forcing Americans to stay in older cars longer?

Ms. KING. I am happy to. Today, vehicles are more expensive than they have been in memory, certainly, more than \$37,000 is the average price of a new car.

Now, because vehicles have been developed to last for a while, the average age of our cars is also older. It is almost 12 years now. So one could say nobody needs a new car. There are more cars licensed to operate on our roads than there are adults, about 270 million cars licensed to operate on our roads, about 240 million drivers with driver's licenses.

So the question is, How do you get folks into newer, safer, cleaner cars to have the environmental safety and fuel economy benefits? Raising the price is not going to get people into newer cars. We know that consumers are price-sensitive because they have fixed budgets. So increasing the price of a new car will reduce safety and not help with the other goals either.

Mr. GIANFORTE. Could you explain a little more about how people staying in older cars longer impacts safety?

Ms. KING. Newer cars include technologies, whether it be lightweighting or whether it be crash avoidance. There are new designs for vehicles that help protect the passenger compartment. Airbags, that has been a fantastic innovation to improve safety. So we want to make sure that folks have the opportunity to buy a newer, safer car and take advantage of those technological advances, not only crash protections now, but also crash avoidance. Occupant protection and crash avoidance can save a lot of lives on our roads.

Mr. GIANFORTE. OK, a follow on the same question, except related to air quality.

Ms. KING. Yes.

Mr. GIANFORTE. What impact does keeping people in older cars longer have on air quality?

Ms. KING. Older vehicles are not as fuel efficient. Older vehicles, on average, emit more. So the decision or the policy that helps get folks into newer, safer, cleaner cars, while of course those newer, safer, cleaner cars, if they are a very stringent standard, folks may not go into—not as many people will buy the newer car. If it is a less expensive standard, more people can get into the newer, safer, cleaner cars.

And the effect on emissions is somewhat of a wash. So for the criteria pollutants that are associated with asthma or other health problems, particulate matter, ozone, NO_x, those pollutants, it is all a wash because you get more people into cleaner cars when the standard is realistic.

Mr. GIANFORTE. OK. Just to put a point on it, you stated in your testimony that newer cars are safer, and cleaner, and you repeated that here. Is one of the objectives of the SAFE Vehicle Rule to get more Americans into the newer cars? And if we do that, instead of the negative side, talk about the positive side of that. What would the outcome be if we got more people in newer, safer, cleaner cars?

Ms. KING. Now of course the standard is set, as it needs to be. Congress directed us to make it maximum feasible, which takes into account economic practicability.

So the positive effect of getting folks into newer, cleaner, safer cars is not only safety and reduced emission at the family level, improved fuel economy at the family level. So at the individual family level, there are tremendous benefits. And in aggregate, it is a very good option as well.

Mr. GIANFORTE. So everybody benefits?

Ms. KING. We believe so, but we have not made a decision yet. We are modeling. We are reading the public comments, and we are considering all public comments we receive before make decisions in the final rulemaking.

Mr. GIANFORTE. OK. And then Administrator King, I have a real problem with Government dictating consumer choice and repetitive, inconsistent bureaucracy increasing cost on consumers. Can you explain how the proposed rule is taking those concerns into consideration?

Ms. KING. Yes, this is a maximum feasible standard, which allows for innovation that suits people who do want highly fuel-efficient, battery electric alternative power train vehicles, as well as someone who might need a vehicle which is large, and powerful, and can help meet their needs in rural America, perhaps working in a setting where they don't have capability to plug in, charge.

So we are trying to set a standard that is maximum feasible across the entire fleet, taking into account market realities and consumer needs, safety, and prices.

Mr. GIANFORTE. Our needs in Montana are different than L.A. We need four-wheel drive in the winter. We need bigger vehicles just for road safety and other things. So I appreciate you taking that into account. We shouldn't be telling consumers what they can and can't buy. So I appreciate your testimony today.

With that, Madam Chair, I yield back.

Ms. SCHAKOWSKY. Thank you.

And now, Mr. O'Halleran, you have 5 minutes for questioning.

Mr. O'HALLERAN. Thank you, Madam Chair.

First, a little brief statement. I think on your modeling, and your safety issues, and stuff like that, I would like to know a little bit more. And are you going to allow those to be transparent to others within the public of how that modeling process works and what information went into the modeling process?

Ms. KING. Yes, in fact, it is on our website. It has been public for quite some time. It even has videos. You can download the model. You can run it. You can watch a video on how.

Mr. O'HALLERAN. Great. And also I am aware that health experts from around this country, hundreds and hundreds of them, have clearly indicated that health would be affected by this change. And as a grandfather, as a parent, folks, I just don't understand how we are going to balance this concern about healthcare and then, obviously, experts around the country are also concerned about the carbon emissions, and the impact we have seen on both our climate, our weather, and the long-term viability of some of the systems that we have in our country and our health.

So first of all, Deputy Administrator King, your agency received comments from the National Tribal Air Association, which has 136 principle member Tribes as participants, opposing the proposal to roll back carbon pollution standards and fuel efficiency standards. The association urged EPA and NHTSA to uphold the current standards.

Are you aware of this comment?

Ms. KING. I am aware of commenters who have that concern, yes.

Mr. O'HALLERAN. But this comment here, are you aware of it?

Ms. KING. We had received about 650,000 comments—

Mr. O'HALLERAN. OK, thank you.

Ms. KING [continuing]. And I don't remember them all. I am sorry.

Mr. O'HALLERAN. Thank you. Did your agencies consider the impact of this proposal on Tribal sovereignty?

Ms. KING. I am sorry?

Mr. O'HALLERAN. Did your consider the impact of your proposal on Tribal sovereignty?

Ms. KING. We are required by law to consider so, and so I believe that we must have. I don't recall the specific language here yet, but there are certain executive orders that apply to all regulations which we address rigorously in all rulemakings.

Mr. O'HALLERAN. OK, thank you.

To both witnesses: Is it your intention to finalize a rule that will weaken Tribal authority to improve air quality and reduce carbon pollution on Tribal lands?

Ms. KING. It is not our intention, no. And I am not familiar with the issues that may be raised there. So I would be happy to learn more.

Mr. O'HALLERAN. Is it because you didn't reach out to the Tribal Nations?

Ms. KING. No, that is not so. It is because we have 650,000 comments.

Mr. O'HALLERAN. Well, I will get to that in a second.

Is it your intention to finalize a rule that will prevent Tribes from reducing air pollution and its accompanying health problems in their communities?

Ms. KING. That is not an intention, no. Our intention is to execute the direction of Congress to the agency to set a maximum feasible fuel economy standard.

Mr. O'HALLERAN. And Mr. Wehrum, what about you?

Mr. WEHRUM. That is not our intention, Congressman.

Mr. O'HALLERAN. Thank you.

Considering these severe impacts on Tribes, did your agencies reach out to Tribes for consultation? Specifically, did your agency comply with Executive Order 13175, which requires consultation and coordination with Tribal Governments?

Ms. KING. I will check back with my agency and reply to you, to make sure I provide the most accurate information.

Mr. O'HALLERAN. I am disappointed by the lack of consultation. It appears, at least from my perspective, from the start, EPA and NHTSA have shut Tribal Governments and communities out of discussions about this rule. This is my input from—I represent 12 Tribal Nations and the largest number of population of any district in the country of Tribal members.

Will your agencies commit to engaging in a Government-to-Government consultation on this in future actions related to carbon pollution and emissions, and air pollution, especially considering the unique and disproportionate vulnerabilities to climate change experienced by Tribes?

Ms. KING. Our engagement with all partners is very, very important to us because safety is where the rubber hits the road in our communities, whether they be Tribal, city, county, State. So we will continue in all of our programs, whether they be regulatory or safety programs, to be very eager to partner and hear from our very important partners.

Mr. O'HALLERAN. And what about the EPA?

Mr. WEHRUM. I agree with Ms. King.

Mr. O'HALLERAN. Thank you.

And so I just guess that I hope we all agree, eventually, on the concerns about healthcare, and climate change, and all those other elements, and how they factor into your decisions, and how they factor, if at all, into your modeling processes into the future.

So thank you very much, and I yield.

Ms. SCHAKOWSKY. Thank you.

And now welcome to the subcommittees, Mr. Loeb sack, who is waiving on, and you are recognized now for 5 minutes.

Mr. LOEBSACK. Thank you, Madam Chair. And I want to thank Chairman Tonko and the Ranking Members McMorris Rodgers and Shimkus for allowing me to waive on today.

I am doing this for an important reason. I am from Iowa. That is corn country, and as you might imagine, Mr. Wehrum, we are going to be talking about some things that have to do with the RFS.

And I do want to thank you, first, you and the folks at the EPA and the President, who worked to finalize the rule for year-round E15. That is something I have been working on since I got to Congress, quite honestly. I took the previous administration to task on

that. I have taken this administration to task on that. I am fully bipartisan in my concerns because I am from Iowa, and as you might imagine, it is very important for us.

And, unfortunately, the rule cannot possibly undo the damage that is being done to the biofuels industry by the literal explosion of small refinery waivers that the EPA has issued under this administration. We have seen those numbers skyrocket in recent years.

I understand you were with Administrator Wheeler and the President in Iowa recently. Is that correct? Did you accompany them?

Mr. WEHRUM. Last week, yes.

Mr. LOEBSACK. Yes, thank you. Thank you for being there.

I understand, during that visit, that Kevin Ross from the Iowa and National Corn Growers Associations made another appeal to the President to listen to farmers and to stop the abuse of the RFS small refinery waiver program. I know Kevin very well. I know all those corn growers, as you might imagine, very well.

EPA recently has not denied a single waiver request for these small refinery waivers in the last 2 years, and in doing so, many have argued that essentially they have destroyed over 2 billion gallons of biofuel demand, directly hurting farmers who grow the corn and soybeans for ethanol and biodiesel, respectively.

EPA has cited the court decision in the Sinclair case as justification for granting these additional waivers, but a May 16th Reuters article—you may have seen that—calls that justification into question and indicates that the decision to stop denying the waivers was made at least 4 months before the Sinclair decision. If EPA's justification was valid, then EPA must have adjusted the criteria for evaluating waiver applications in response to the court's decision.

If this is the case, Mr. Wehrum, what are the new criteria for evaluating waiver applications, and why didn't EPA provide public notice of the change in criteria and obtain public comments?

Mr. WEHRUM. Well, Congressman, to my knowledge, the criteria we consider are the same as they have ever been, that we are ultimately obligated to look at whether there is significant economic hardship on the small refineries imposed by the RFS program. And we rely a lot on the analysis done for us by DOE, as I am sure you know, and they do a very detailed review of the applications we receive for economic viability, and market position, and other structural issues.

Mr. LOEBSACK. Yes, I have to say I don't think that is consistent with the changes we have seen. So I think we are going to have to agree to disagree on that because, prior to that decision, the criteria were different. Now, how they get operationalized by you folks, that is another question, and I do want to explore that more after this hearing, if we can do that.

And also you mentioned DOE. We have had DOE here before, and I have waved on to talk to folks from DOE. And I think that process is not very transparent, and I think that is a big part of the problem we have here, is a lack of transparency, quite honestly, both in DOE and how they do this, and how EPA does this as well.

So, you know, I guess the question really comes to just sort of what EPA is doing with respect to these waivers. I really want to have a lot more clarity on that. I would like to have a lot more transparency in this process, both EPA and the Department of Energy.

And I just think this really begs—what this begs is the question of sort of how close to bankruptcy, if you will, do these small refineries have to be really to be granted the waiver? And I think we are going to see some discussion of that coming up.

I just saw an article. I think the President has called for a review of this process. And so I am sure that you folks are going to be part of that review. We are going to continue to monitor that on a bipartisan basis, those of us who are from corn country and soybean country.

But I do want to just say that, unfortunately, EPA has continued to fail to acknowledge the likelihood of waived gallons for the RVO as well. Because if we are going to see waivers going down, coming from the EPA, I think when we talk about RVOs for the upcoming year, we have to take into account some anticipation that some of that is not going to be fulfilled because of those waivers, and we haven't seen that.

I just think that the EPA is egregiously undermining the biofuels industry, and has been the last couple of years, and its actions really are causing irreparable harm to a lot of folks in corn country, as you might imagine. Combine that with the trade issues that we are seeing as well, and it is a real problem for biofuels producers in the Midwest and for people who work in those factories, as well.

So I am looking forward to the President's review of the process. And I will continue to come back and, hopefully, be waived on and ask some more questions in the future.

Thank you.

Mr. WEHRUM. Thank you.

Mr. LOEBSACK. Thank you, Madam Chair, I yield back.

Ms. SCHAKOWSKY. Thank you.

Let me end by thanking our witnesses for being here. And so Panel 1, we thank you.

And we are going to take a 5-minute break, during which time if the Panel 2 can gather, we will be right back.

[Recess.]

Ms. SCHAKOWSKY. So we will now hear from our second panel, and the witnesses are Mary Nichols, who is chair of the California Air Resources Board.

Nick Loris, deputy director of the Thomas A. Roe Institute for Economic Policy Studies and Herbert & Joyce Morgan Fellow in Energy and Environmental Policy at the Heritage Foundation.

We have Ramzi Hermiz, who is president and chief executive officer of Shiloh Industries, Inc.

We have David Schwietert, interior chief executive officer of the Alliance of Automobile Manufacturers.

We have Josh Nassar, legislative director of the International Union, United Automobile and Aerospace Workers and Agricultural and Implement Workers of America.

We have Jeff Landry, attorney general of the State of Louisiana. Welcome. OK. All right. Former member.

Shoshana Lew, executive director of the Colorado Department of Transportation.

And David Friedman, vice president of advocacy for Consumer Reports.

We want to thank our wonderful, diverse panel of witnesses for joining us today. We look forward to your testimony.

At this time, the Chair will begin by recognizing Ms. Nichols for 5 minutes to provide her opening statement.

STATEMENTS OF MARY NICHOLS, CHAIR, CALIFORNIA AIR RESOURCES BOARD; NICOLAS LORIS, DEPUTY DIRECTOR AND HERBERT & JOYCE MORGAN FELLOW, ROE INSTITUTE FOR ECONOMIC POLICY STUDIES, THE HERITAGE FOUNDATION; RAMZI HERMIZ, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SHILOH INDUSTRIES, INC.; DAVID SCHWIETERT, INTERIM PRESIDENT AND CHIEF EXECUTIVE OFFICER, ALLIANCE OF AUTOMOBILE MANUFACTURERS; JOSH NASSAR, LEGISLATIVE DIRECTOR, UNITED AUTO WORKERS; JEFFERY LANDRY, ATTORNEY GENERAL, STATE OF LOUISIANA; SHOSHANA M. LEW, EXECUTIVE DIRECTOR, COLORADO DEPARTMENT OF TRANSPORTATION; AND DAVID J. FRIEDMAN, VICE PRESIDENT, ADVOCACY, CONSUMER REPORTS

STATEMENT OF MARY NICHOLS

Ms. NICHOLS. Thank you very much. It helps to turn the button on.

I, with your permission, am not going to read my prepared testimony, which has been submitted for the record, except for one paragraph, because it goes to something that was said earlier this morning and to a rather shocking letter actually that was released just today that I heard about from the press, accusing me in advance of saying untrue things about the status of the discussions between California and the administration. So I am just going to read this piece of it:

“California has worked hard to address the challenge with the spirit of innovation we bring to all we do. We have met more than a dozen times with members of this administration, including at the White House on multiple occasions, to try to come to resolution. We have been open to accommodations that would adjust compliance timing and flexibility, that would create new paths to promote innovative technologies and zero-emission vehicles, and that would benefit the public. Each time, the Trump administration has been unwilling to find a way that works. Their claim that California offered no counterproposal is false. They unilaterally decided to cut off conversations—an action which the automakers have asked them to reverse.”

I stand by every single word in that paragraph, Madam Chairman, and some of them are of particular significance, I think, because we have not talked publicly about precisely what was discussed in those meetings.

I was under the belief that the meetings themselves were confidential, being conducted under Chatham House Rules, and we never released specifics of what we talked about in those meetings.

But I would state categorically that we proposed areas in which we would be willing to come to a compromise with the administration, and we never were told precisely what was wrong with any of those proposals. We were simply told that they were inadequate and that we had somehow failed to do our job by not bringing a proposal that the administration found to be acceptable.

We were told in December that the administration had decided to cut off any further attempts to talk with us, and so that was the last conversation that we had.

Now, I want to talk a little bit about where we find ourselves at the moment. First of all, California is not here because we are seeking to defy the Federal Government.

We are in the business of setting emissions standards for vehicles based on a provision of the Clean Air Act that, in turn, has been part of the Clean Air Act ever since there was a national Clean Air Act going back to 1970, which recognizes the unfortunate fact that California is both very big and a very important market for vehicles, and also has some of the worst air quality in the United States in any given year, both in the Los Angeles region and in the Central Valley.

So it is not only the city or urban areas. We also have severe air quality problems in our more rural areas, and these areas, in turn, are particularly affected by the transport from large commercial vehicles that go up and down the freeways and bring goods from our ports and to our ports to locations throughout the United States but also have a very serious impact on the health of the residents of those areas.

So we have been working in these areas for a long time, and I was personally proud to be part of the negotiations that led to the standards that EPA and NHTSA are now proposing to roll back.

I want to just address a couple of things that I think were said or implied that I think are important for the committee to understand.

On several occasions when asked a question by members of the committee, one or the other of the administration witnesses said these were really complicated issues and therefore they couldn't really address them directly.

The issues actually are not all that complicated. What happened was that we adopted a set of standards that aligned the CAFE standards with the emissions standards that EPA administers.

California, which derives its power from the Clean Air Act, came to the table, was part of the discussions, and we then agreed that these Federal standards would serve as an alternative to the California standards.

So we deemed the Federal standards to be in compliance with California, thereby automatically accepting any car or light truck that meets the Federal standards as meeting California standards, and we have been in that position together with the Federal Government for quite some time now, and we have wanted to be part of any discussions that happened about changes.

We have participated in the technical review of the standards. We have also agreed that there were issues that were not entirely contemplated at the time that we adopted those standards, although I think it is stretching it to say that the companies have

not been able to comply because, in fact, we have had no companies that were in violation either of the Clean Air Act standards or CAFE standards ever, and up through this year.

Sometimes they have complied using credits that they had banked because of previous overcompliance with the rule. But that's how the rule was structured.

I know I am using my time. So if you would like me to stop at this point—

Mr. TONKO [presiding]. Yes. We will have a ton of questions—

Ms. NICHOLS. Yes.

Mr. TONKO [continuing]. And I agree with your sentiments that some of these questions earlier were straightforward. But, Chair Nichols, we thank you for participating.

[The prepared statement of Ms. Nichols follows:]

House Energy and Commerce Committee**Testimony of Mary Nichols, Chair, California Air Resources Board**

June 20, 2019

Chair, Ranking Member, Honorable Members of the Committee, thank you for having me. I am Mary Nichols, Chair of the California Air Resources Board.

The federal rollback we just heard about from Mr. Wehrum and Ms. King dispenses with fifty years of clean air progress made by the States and the federal government. It will cost Americans millions more in fuel costs, kill jobs upon which Americans depend, pump smog pollution into the air at special risk to children and the elderly, undermine the auto industry, and worsen the climate crisis. This rollback attacks decades of work and authority in California and thirteen other states to meet federal air quality standards. Many of the experts EPA cites to support the rule agree the proposal has no scientific foundation. Moreover, as a recent letter from seventeen major automakers to President Trump asserts, even the regulated industry has consistently said they support increasing standards and a deal worked out with California, not the Administration's proposal.

California has worked hard to address this challenge with the spirit of innovation we bring to all we do. We have met more than a dozen times with members of this Administration, including at the White House on multiple occasions, to try to come to resolution. We have been open to accommodations that would adjust compliance timing and flexibility, that would create new paths to promote innovative technologies and zero emission vehicles, and that would benefit the public. Each time, the Trump Administration has been unwilling to find a way that works. Their claim that California offered no counter-proposal is false. They unilaterally decided to cut off conversations – an action which the automakers have asked them to reverse.

We have long worked hand in hand with U.S. EPA's experts and engineers. Remember, Congress recognized California's unique role as a vehicle regulator decades ago, and we have been joined by thirteen states covering more than a third of the U.S. vehicle market. California regulators have, with Congress's sanction, developed rules that led to common-place technologies, like the check engine light and the catalytic converter. We are the nation's lab for clearing the air, but now the Administration refuses to look at past results or take Congress's direction, including from you and your colleagues.

Worse, the Administration is proposing to bar California and other states from relying on our standards – even though we and these other states have done so for going on fifty years. Disempowering the states and U.S. EPA experts, the Trump Administration

would instead have the nation's automotive future determined according to junk science, illogical assumptions and outdated technologies.

The proposal is unacceptable, illegal, and has been repudiated by leading experts in a peer-reviewed study in *Science*.ⁱ It is based on vastly inflated estimates of compliance costs inconsistent with the technical record and rejected by both U.S. EPA and NHTSA staff just a few years ago. We remain ready to chart a better course.

If this rollback goes forward, gas costs will increase (by about \$2500 over the life of a car), fuel use will increase by billions of gallons, jobs will be lost (as even the Trump proposal anticipates), and public health will be endangered. The most vulnerable among us are the most at risk. CARB's analysis shows that air pollution will jump in Los Angeles and other polluted parts of the state, and the country.ⁱⁱ So will greenhouse gases.ⁱⁱⁱ The rule will also undermine American competitiveness, create enormous uncertainty for the auto industry, and threaten jobs and investments in clean energy and cleaner cars. We conservatively estimate the net cost of the federal rollback nationally at \$168 billion.^{iv} And that is not counting the more diffuse cost of stalling out progress in the vital auto industry.

Nor does that cost estimate count potentially hundreds of billions of dollars in stalled federally-funded transportation projects. Federal transportation grants must conform to air quality plans -- and right now, that means they depend on continuously cleaner cars to keep new transportation projects from contributing improperly to air pollution. But if the federal government makes cars dirtier, these projects may no longer conform -- causing delays, contract lapses, and lost federal dollars for the infrastructure that moves America's people and goods, and lacking transportation dollars will stymie economic growth and worsen congestion. The Trump Administration did not even address this risk in its proposal.

U.S. EPA's professional staff and California's engineers were cut out of this proposal's development. As the *New York Times* has reported, the oil industry drove this action, mounting an ongoing disinformation campaign and seeking to coopt the former oil and coal industry lobbyists and lawyers who now work in leadership at the Agency.^v Further, the Administration continues to fail to respond to information requests for the made-up models and analyses underlying the flawed proposal. We actually had to file a lawsuit to try to get the modeling program and data used to support their rule.

The right way forward is to abandon this flawed proposal and come to the table with California, just as automakers representing the majority of the market asked the President just weeks ago. We know we can do better, because we have. As U.S. EPA's own scientists have confirmed, working with NHTSA and CARB staff, the existing program is cost-effective and successful. California and its partners are seeing ever

increasing numbers of cleaner cars. The auto makers are complying with the standards, and the technologies necessary to meet the standards exist today and are cost-effective. The standards in effect today put us on track to clean the air, protect public health, and address climate change. These standards work.

The global auto market is moving in exactly the opposite direction from the proposal. California has always been at the forefront of efforts to protect the public from smog and climate change. We have been pleased to have a strong partnership with the federal government. No one wants to end that joint effort and I am certain no one looks forward to the years of litigation and the associated “investment stifling” uncertainty that would inevitably follow.

We will take the actions we must to protect the public and follow the law if the federal agencies do not change course. It is not too late to choose a better way—a path forward that benefits consumers, air quality and climate, as well as investments and jobs tied to a clear and consistent long-term path to cleaner cars.

ⁱ Antonio M. Bento et al., *Flawed Analyses of U.S. Auto Fuel Economy Standards*, 362 *Science* 1119 (2018), available at: <http://science.sciencemag.org/content/362/6419/1119.summary/ld>.

ⁱⁱ CARB analysis, *supra* n. v, at pp. 291-292.

ⁱⁱⁱ *Id.* at 333-34.

^{iv} *Id.* at 332.

^v Hiroko Tabuchi, *The New York Times*, *The Oil Industry's Covert Campaign to Rewrite American Car Emissions Rules* (Dec. 13, 2018), available at: <https://www.nytimes.com/2018/12/13/climate/cape-emissions-rollback-oil-industry.html>.

Mr. TONKO Now we move to Mr. Loris for 5 minutes, please.

STATEMENT OF NICOLAS LORIS

Mr. LORIS. Thank you.

Chairman Tonko, Ranking Member McMorris Rodgers, Ranking Member Shimkus, and distinguished members of the subcommittee, thank you for this opportunity to testify today.

The views I express in this testimony are my own and should not be construed as representing any official position of the Heritage Foundation.

Fuel economy mandates harm American consumers by constraining choice and driving up prices for new and used vehicles. These costs have negative economic effects that ripple throughout our economy.

In this regard, I would like to make four brief observations.

First, consumers should control what type of cars they buy and drive. Consumers like saving money. They don't need the Federal Government to tell them that, nor do they need the Federal Government to tell them how to do it.

If car buyers value fuel economy over other vehicle traits, they will choose to purchase a more fuel-efficient car without any mandate in place.

In fact, a 2016 Journal of Public Economics study examined consumers' willingness to pay for fuel efficiency based on changes in gas prices and found that consumers do in fact fully value fuel economy in the way that they should.

However, consumers value other vehicle attributes such as weight, engine size, power, and safety. When the Federal Government imposes more stringent fuel economy mandates, regulators override these preferences and skew investment decisions that automakers must make in order to comply with CAFE.

Second, forcing automakers to install various fuel-saving technologies is costly. Mandates that drive up the sticker price by thousands of dollars per vehicle will price buyers out of the market.

Several teams of economists and engineers accurately predicted that the model year 2016 standards hurt consumers by at least \$3,800 per car.

My colleagues estimate that eliminating the more stringent standards will save 2025 car buyers thousands of dollars per vehicle more.

Moreover, higher prices for new cars increase demand for used ones, causing the price of used vehicles to increase as well. Even after accounting for reasonable gas savings, economists find that fuel economy mandates impose net costs to consumers with low-income households being among the hardest hit.

Higher prices reverberate throughout the market, which affects fleet turnover and consequently reduces fuel savings and emission reduction estimates.

My third observation is that fuel saving estimates from CAFE regulations are not only difficult to project but are also likely too generous.

When promulgating CAFE rules, the Federal Government projects gas prices several decades into the future. While those price scenarios are plausible, increases in oil supply and changes

in consumer behavior could drive prices down even further, and consumers would save much less money than projected.

Simply put, when gas prices are low, there is less value to higher fuel economy. Either way, the reality is it is difficult to project gas prices 30 weeks into the future, let alone for the next 30 years.

Importantly, many economic analyses of CAFE standards disregard the fact that households purchase more than one car. Three-quarters of American families are multicar households, and the purchase of their second or third vehicle may have less to do with fuel economy and more to do with size, storage, power, and other attributes that consumers desire.

According to a joint paper from economists at Cal Berkeley, MIT, and the University of Chicago, this substitution effect erodes a substantial portion of the estimated gas savings.

Furthermore, the well-known rebound effect and the lesser-known scrapping effect negates some of the estimated fuel savings. The rebound effect occurs when people drive more because their vehicles are more fuel efficient, and over time incentivizing more driving changes where people live and has perverse effects of creating more congestion.

The scrapping effect occurs because CAFE mandates affect prices in both the new- and used-car markets. Changes in used-car prices influence when owners decide to scrap their vehicles.

In a 2015 American Economic Review study, the authors note that the cascading price effects on used cars because of CAFE means consumers disproportionately hold on to their used gas guzzlers longer, resulting in additional fuel usage.

As more stringent fuel economy standards increase new- and used-car prices, the authors estimate that 13 to 16 percent of the expected fuel savings will leak away through the used-vehicle market.

My fourth observation is that no matter where one stands on the urgency to combat climate change, CAFE mandates are an ineffective policy instrument.

By the Obama administration's own account, the 2012 to 2025 standards would abate less than 200th of a degree Celsius warming by the year 2100.

In conclusion, fuel economy mandates do far more harm to American families than good. Consumers should have the freedom to buy the vehicle of their choice.

Neither Washington nor Sacramento should exclusively dictate those decisions. Rather than relying on regulations, pricing signals and consumers preferences should inform car buyers' choices.

The Federal Government implemented CAFE standards under the false premise of imminent resource exhaustion. They are a relic of the past.

These mandates were not good policy in the 1970s, and they make even less sense today in an era of oil abundance. Americans will be best served when consumers are fully in the driver's seat.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Loris follows:]



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CONGRESSIONAL TESTIMONY

The Administration's Rollback of Fuel Economy and Clean Car Standards

**Subcommittee on Consumer Protection and Commerce
and the Subcommittee on Environment and Climate
Change of the Committee on Energy and Commerce**

June 20, 2019

Nicolas Loris

Deputy Director and Herbert & Joyce Morgan Research Fellow

Roe Institute for Economic Policy Studies

The Heritage Foundation

My name is Nicolas Loris and I am the Herbert & Joyce Morgan Fellow in the Roe Institute for Economic Freedom at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation. Thank you for this opportunity to appear before the subcommittees to discuss the Environmental Protection Agency's (EPA's) proposal to maintain the Corporate Average Fuel Economy (CAFE) mandates at their 2020 levels. I would like to briefly discuss CAFE's adverse impacts on Americans and the broader market distortions caused when the federal government intervenes in activities best left for producers and consumers.

The Energy Policy and Conservation Act of 1975 charged the National Highway Traffic Safety Administration (NHTSA) to establish CAFE standards for cars and light trucks. Policymakers endorsed fuel-economy mandates under the false notion of resource scarcity; however, CAFE makes no sense now that we have an abundance of oil. Nevertheless, even if the world were running out of oil, fuel-economy mandates were not a good policy then and are not a good policy now.

CAFE regulations are not just a relic of the past, but a systemic problem of the way policymakers and regulators view energy markets. Although policymakers and regulators may be well-intentioned when designing fuel-economy mandates, a level of hubris exists that disregards how markets function and disregards why consumers make the choices they do. The market does a far better job of meeting consumers' needs, and each iteration of more stringent fuel-efficiency standards takes America's automobile market further in the wrong direction. The Obama Administration tightened fuel-economy mandates several times. In spring 2010, the EPA and NHTSA finalized standards for light-duty vehicles for model years (MY) 2012–2016. Two and a half years later, the agencies finalized fleet-wide mandates for MY 2017–2025. The regulations required automakers to meet a fleet-wide average of 54.5 miles per gallon (mpg) for MY 2025.¹ The Obama-era CAFE standards were the first of their kind in that they regulated both fuel economy and greenhouse gas emissions to address climate change.

In August 2018, the EPA and NHTSA proposed the Safer Affordable Fuel Efficient (SAFE) Vehicles rule for MY 2021–2026. The rule's "preferred" change would maintain the existing fuel-economy mandate through MY 2020 (increasing to 37 mpg) and keep the level at 37 mpg through 2025.² The SAFE rule is a much needed course correction.

¹Environmental Protection Agency and Department of Transportation, 2017, and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards, 77 Fed. Reg. 62624, October 15, 2012, <https://www.govinfo.gov/content/pkg/FR-2012-10-15/pdf/2012-21972.pdf> (accessed June 19, 2019).

²Environmental Protection Agency and National Highway Traffic Safety Administration, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks, 83 Fed. Reg. 42986, August 24, 2018, <https://www.federalregister.gov/documents/2018/08/24/2018-18418/the-safer-affordable-fuel-efficient-safe-vehicles-rule-for-model-years-2021-2026-passenger-cars-and> (accessed June 19, 2019).

Rather than imposing regulations and gifting subsidies to nudge consumers in a specific direction, policymakers should eliminate preferential treatment for all fuels and technologies. When it comes to car and light truck purchases, consumers should be in the driver's seat.

CAFE Mandates Override Consumer Choice

Consumers, not policymakers or regulators, should control what type of cars they drive. If consumers value saving money on gasoline over other vehicle characteristics, they will choose to purchase more fuel-efficient cars. Automakers will meet that demand without a federal mandate.

When consumers do not buy the most fuel-efficient car (or appliance), many policymakers argue that consumers, as former Department of Energy Secretary Steven Chu put it, "aren't acting in a way that they should act."³ The paternalistic view of federal intervention in energy efficiency ignores the trade-offs and budget constraints that families face and the preferences they hold. Consumers value other attributes such as vehicle weight, engine power, size, or safety. Out of all of the cars, trucks, and SUVs sold 2018, the top three selling vehicles were all trucks (Ford F-series, the Chevrolet Silverado, and the Ram Pickup).⁴

Academic research suggests that consumers appropriately value fuel economy. A 2016 study in the *Journal of Public Economics* examined consumers' willingness to pay for fuel economy. The study found, "By seeing how price differences across high and low mileage vehicles of different fuel economies change in response to shocks to the price of gasoline, we estimate the relationship between vehicle prices and future fuel costs. Our data suggest that used automobile prices move one for one with changes in present discounted future fuel costs, which implies that consumers fully value fuel economy."⁵

When the federal government imposes more stringent fuel-economy standards, regulators override consumers' preferences and skew decisions made by automakers in order to comply with the standards. A 2011 Massachusetts Institute of Technology study analyzed the trade-offs automakers must make as a result of the different qualities in a vehicle consumers desire. The article found that if vehicle weight, horsepower, and torque were held constant at 1980 levels, fuel efficiency would have increased 60 percent from 1980 to 2006 instead of the 15 percent increase that did occur.⁶ The reason fuel efficiency increased at 15 percent instead of 60 percent

³Ian Talley, "Steven Chu: Americans Are Like 'Teenage Kids' When It Comes to Energy," *The Wall Street Journal*, September 21, 2009, <https://blogs.wsj.com/environmentalcapital/2009/09/21/steven-chu-americans-are-like-teenage-kids-when-it-comes-to-energy/> (accessed June 19, 2019).

⁴Joey Capparella, "The Best-Selling Cars, Trucks, and SUVs of 2018," *Car and Driver*, January 3, 2019, <https://www.caranddriver.com/news/g25558401/best-selling-cars-suv-trucks-2018/?slide=23> (accessed June 19, 2019).

⁵James M. Sallee, Sarah E. West, and Wei Fan, "Do Consumers Recognize the Value of Fuel Economy? Evidence from Used Car Prices and Gasoline Price Fluctuations?" *The Journal of Public Economics*, Vol. 135 (March 2016), pp. 61–73, <https://www.sciencedirect.com/science/article/abs/pii/S0047272716000049> (accessed June 18, 2019).

⁶Christopher R. Knittel, "Automobiles on Steroids: Product Attribute Trade-Offs and Technological Progress in the Automobile Sector," *The American Economic Review*, Vol. 101, No. 7 (December 2011), pp. 3368–3399, http://web.mit.edu/knittel/www/papers/steroids_latest.pdf (accessed June 18, 2019).

is because auto manufacturers met buyers' demands for heavier vehicles with more torque and horsepower.

Fuel-Economy Mandates Hurt Middle America

New cars are a significant investment for American families. According to an analyst at Kelley Blue Book, the average transaction price for a new light vehicle in February 2019 was \$36,590.⁷ Forcing automakers to install various fuel-saving technologies is costly. Consequently, fuel-economy mandates increase the up-front price of new vehicles, which sets off a chain of decisions by potential car buyers and car owners in the new and used vehicle market. Mandates that drive up the sticker price by thousands of dollars will price buyers out of the market. Higher prices for new vehicles increases demand for used vehicles, causing the price of used vehicles to increase, as well. These higher prices ripple throughout the vehicle market, which affects vehicle fleet turnover for car owners and, consequently, affects fuel savings and emissions reductions.

The National Automobile Dealers Association projects that the Obama-era regulations would increase the average price of a new vehicle by \$3,000 in 2025.⁸ A 2016 Heritage Foundation analysis estimates the Obama fuel-economy mandates increased new-car prices \$6,800 more than the pre-2009 baseline trend, and that eliminating the more aggressive standards would save 2025 car buyers at least \$7,200 per vehicle.⁹ As my Heritage colleagues detail, "Economists and engineers accurately predicted that the [model year] 2016 standards would hurt consumers by at least \$3,800 per car."¹⁰ While it is impossible to say exactly what automobile prices would have been if the Obama Administration had not implemented CAFE standards, direction of the price impact from the regulations is clear.

Proponents of CAFE mandates argue that families save money over time through fuel savings. However, even when factoring monetary savings from greater fuel economy, economists have shown that there is a net cost to consumers.¹¹ Several economists examined the consumer welfare impact from CAFE's effect on the new car market and factored in reasonable fuel-saving estimates. They all found net costs.¹² University of California at San Diego economist Mark Jacobsen modeled the economic effects CAFE standards increase and the effect on consumers as

⁷Kelley Blue Book, "Average New-Car Prices Up Nearly 3 Percent Year-Over-Year for February 2019 on Full-Size Pickup Strength, According to Kelley Blue Book," March 1, 2019, <https://www.prnewswire.com/news-releases/average-new-car-prices-up-nearly-3-percent-year-over-year-for-february-2019-on-full-size-pickup-strength-according-to-kelley-blue-book-300804859.html> (accessed June 18, 2019).

⁸National Automobile Dealers Association, "NADA Fuel Economy Issue Brief," April 2016, <https://www.nada.org/CustomTemplates/GeneralPage.aspx?id=21474838142> (accessed June 18, 2019).

⁹Salim Furth and David Kreutzer, "Fuel Economy Standards Are a Costly Mistake," Heritage Foundation *Backgrounder* No. 3096, March 4, 2016, <https://www.heritage.org/government-regulation/report/fuel-economy-standards-are-costly-mistake>.

¹⁰*Ibid.*

¹¹Thomas Klier and Joshua Linn, "New-vehicle Characteristics and the Cost of the Corporate Average Fuel Economy Standard," *The RAND Journal of Economics*, Vol. 43, No. 1 (Spring 2012), pp. 186–213, <http://www.jstor.org/stable/23209303> (accessed June 18, 2019).

¹²Salim Furth and David Kreutzer, "Fuel Economy Standards Are a Costly Mistake," Heritage Foundation *Backgrounder* No. 3096, March 4, 2016, <https://www.heritage.org/government-regulation/report/fuel-economy-standards-are-costly-mistake>.

a result of the regulation's impact on the new and used car market. As the price impacts affect new cars and trickle down through the used car market, the aggregate consumer costs are significant. For the 9-mpg regulatory change through MY 2016, the total consumer cost was \$186.1 billion per year.¹³ As with other energy regulations that drive prices higher, the costs are borne disproportionately by the poor. Jacobson estimates that households with incomes below \$25,000 will be among the hardest hit.¹⁴

Americans incur additional costs associated with more stringent fuel-economy mandates as well. Government intervention to promote specific vehicles harms Americans as consumers, taxpayers, and ratepayers. Since the fuel-economy mandates per manufacturer are fleet-wide, automakers can increase the price of gas-guzzlers and keep the price of gas sippers low to encourage consumers to buy the more fuel-efficient vehicles an automaker must produce. Even so, car sales indicate that buyers are shunning smaller, cheaper cars and sedans for SUVs and trucks.¹⁵ In fact, light-truck sales captured a record 69 percent of the U.S. market in 2018 while car sales fell to 31 percent, down from 50 percent in 2013.¹⁶ Higher priced SUVs and light trucks consumers want to buy (in spite of the higher prices) are covering the costs of cars consumers do not want to buy. Manufacturers may have to tinker with prices more to shift vehicle-purchasing habits. Alternatively, auto companies may be stuck with cars that consumers do not want to buy.

Furthermore, the Obama-era mandates set fleet-wide targets to encourage the production and sale of electric vehicles. To comply with the Obama-era standards, manufacturers could receive additional credits to meet CAFE mandates by producing hybrid, electric, and other alternative vehicles. CAFE is far from the only way the federal government advances the production and consumption of electric vehicles (EVs). The federal tax credit for purchasing EVs extends up to \$7,500. Adding in state subsidies and that figure can easily surpass \$10,000. Furthermore, utilities that stand to benefit from drivers plugging in for fuel are spending tens of millions of dollars on EV charging stations and billing the costs back to all ratepayers.

EV drivers not pay any gas tax, which is literally highway robbery since the federal gas tax is supposed to pay for the Interstate Highway System. In aggregate, these policies aid states in meeting their Zero-Emission Vehicle programs. It should come as no surprise that nearly half of all EV sales occur in California, and the benefits accrue to the richest Americans. The federal government should not use its regulatory influence to nudge automakers to make a certain vehicle and then use taxpayer dollars to subsidize the consumption of that vehicle. If EVs or any other alternative fuel technology is an economically viable product, car buyers will readily purchase them without any intervention from federal or state governments.

Overly Generous Savings Estimates

¹³Mark R. Jacobsen, "Evaluating U.S. Fuel Economy Standards in a Model with Producer and Household Heterogeneity," *American Economic Journal: Economic Policy*, Vol. 5, No. 2 (May 2013), pp. 148–87.

¹⁴*Ibid.*

¹⁵David Muller, "Light Trucks Take a Record 69% of U.S. Market," *Automotive News*, January 7, 2019, <https://www.autonews.com/sales/light-trucks-take-record-69-us-market> (accessed June 19, 2019).

¹⁶*Ibid.*

The EPA and NHTSA not only underestimate the up-front cost increase from CAFE mandates,¹⁷ the agencies also very likely overestimate the fuel savings. Changes in gas prices change the value of fuel economy and more fuel-efficient cars to consumers. Understandably, high gas prices increase the value of more fuel-efficient vehicles while decreases in gas prices increase the value of gas-guzzlers.¹⁸ When designing the Obama-era standards, the EPA and NHTSA estimated that gas prices would be \$3.87 per gallon in 2025, increasing to \$4.24 per gallon by 2040.¹⁹ They used these price projections to project how much money consumers would save on fuel costs. However, through increased domestic oil production, Americans are saving a lot of money at the pump, meaning there is less value to higher fuel economy. While those price scenarios are still plausible, increases in supply and changes in consumer behavior could also drive prices down even more, and consumers would save less money than projected.

Of course, gas prices could increase even more than the EPA's projections, and consumers could save even more money from mandated fuel efficiency. The reality is, it is very difficult to project gas prices 22 weeks into the future, let alone for the next 22 years. Regardless, when proponents of CAFE mandates use topline savings estimates, they misinform the public.

Importantly, many economic analyses of CAFE disregard the fact that households purchase more than one car. These cost-benefit analyses treat each purchase as independent. However, three-quarters of American families are multi-car households, and the purchase of their second or third vehicles have less to do with fuel economy and value other attributes more such as size, storage, power and other features car buyers desire.

According to a joint paper from the University of California, Berkeley, the Center for Energy and Environmental Policy Research (CEEPR) at the Massachusetts Institute of Technology, and the Energy Policy Institute at Chicago, University of Chicago, "two car households exhibit strong substitution of attributes across vehicles when faced with an exogenous change to fuel intensity of a kept vehicle. Beyond calling into question a near ubiquitous assumption in durable goods demand models in the context of multi-car households, we demonstrate that attribute substitution exerts a strong force that likely erodes a substantial portion of the gasoline savings from fuel economy standards."²⁰

The well-known "rebound effect" and less-known "scrapping effect" also negate some of the fuel savings. The rebound effect (approximately a 10 percent increase in driving) occurs when people drive more because their vehicles are more fuel-efficient. The scrapping effect occurs

¹⁷Salim Furth, "Fuel Economy Standards Hurt the Middle Class," Heritage Foundation *Commentary*, March 14, 2016, <https://www.heritage.org/government-regulation/commentary/fuel-economy-standards-hurt-the-middle-class>.

¹⁸Mark R. Jacobsen and Arthur A. van Benthem, "Vehicle Scrappage and Gasoline Policy," *American Economic Review*, Vol. 105, No. 3 (2015), pp. 1312–1338, <https://www.aeaweb.org/articles?id=10.1257/aer.20130935> (accessed June 19, 2019).

¹⁹Environmental Protection Agency and Department of Transportation, 2017, and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards.

²⁰James Archsmith, Kenneth Gillingham, Christopher R. Knittel, and David S. Rapson, "Attribute Substitution in Household Vehicle Portfolios," E2e Working Paper 040, September 2018, <http://e2e.haas.berkeley.edu/pdf/workingpapers/WP040.pdf> (accessed June 18, 2019).

because CAFE mandates change prices in the new and used car market. Changes in gas prices and used vehicle prices impact when people scrap their vehicles. The changes affect both the composition of the vehicles scrapped and the rate at which consumers scrap them. In a 2015 *American Economic Review* article, Wharton economics and public policy professor Arthur van Benthem and Mark Jacobsen note that car owners scrap more fuel-efficient vehicles at a higher rate and hold onto the least fuel-efficient vehicles. Consequently, they estimate that “13-16% of the expected fuel savings will leak away through the used vehicle market.”²¹

Negligible Climate Benefits

No matter where one stands on the urgency to combat climate change, CAFE mandates are not an ineffective policy instrument. Even ignoring the negated emissions savings from the rebounding and scrapping effect, the global temperature impact would be practically immeasurable.

By the Obama Administration’s own account, the 2012–2025 standards would abate less than two-hundredths of a degree Celsius of warming by 2100.²² In fact, the U.S. could cut its carbon-dioxide emissions 100 percent and it would not avert much warming. According to the Model for the Assessment of Greenhouse Gas Induced Climate Change, using a climate sensitivity of 4.5 degrees Celsius (the warming effect of a doubling of carbon-dioxide emissions and an estimate exceeding some recent peer-reviewed research on the topic), the world would be less than two-tenths of a degree Celsius cooler by the turn of the century. The rise of sea levels would be reduced by less than 2 centimeters.

Markets, not Washington, Should Drive Consumer Choice and Innovation

Consumers should have the freedom to buy the vehicle of their choice. Neither Washington nor Sacramento should exclusively dictate those decisions. Rather than rely on regulations to tell producers and consumers what to do, price signals will guide these choices. Higher gas prices communicate information to energy producers to drill for more oil. They communicate information to entrepreneurs to invest in alternative vehicle technologies, or more fuel-efficient cars. Prices also communicate information to energy users to buy more fuel-efficient cars, to carpool, or to find other modes of transportation. The SAFE rule is an important step in the right direction for new and used car buyers and for consumer choice.

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²¹Jacobsen and van Benthem, “Vehicle Scrappage and Gasoline Policy,” pp. 1312–1338.

²²Environmental Protection Agency and Department of Transportation, 2017, and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards.

During 2017, it had hundreds of thousands of individual, foundation, and corporate supporters representing every state in the U.S. Its 2017 income came from the following sources:

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Mr. TONKO. Thank you, Mr. Loris.

Next, we will go to Mr. Hermiz for 5 minutes. You are recognized now. Thank you.

STATEMENT OF RAMZI HERMIZ

Mr. HERMIZ. Good afternoon, Chairman Tonko, Ranking Member Shimkus, and Ranking Member McMorris Rodgers. Thank you for inviting me for the opportunity to discuss the EPA and NHTSA's proposal for greenhouse gas emission standards, CAFE for light-duty vehicles, and One National Program.

My name is Ramzi Hermiz. I am the president and CEO of Shiloh Industries, and I am also the chairman of the board of the Original Equipment Suppliers Association, which is a division of MEMA.

Shiloh is a U.S.-based company headquartered in Ohio focused on developing and manufacturing technologies that provide improved performance, environmental, and safety benefits to the mobility market.

Shiloh has over 3,800 employees, with operations in North America, Europe, and Asia. Twenty-one hundred of those employees are located in Indiana, Michigan, Kentucky, Ohio, Tennessee, and Wisconsin.

MEMA represents more than 1,000 companies that supply components to the automotive industry. The supply base is the Nation's largest sectors of manufacturing jobs, directly employing 871,000 workers and creating more than 4.2 million indirect jobs.

Every day, companies like Shiloh work to provide job opportunities in the United States. We push ourselves to be world leaders in the development of innovative and safe technologies.

As leaders, we challenge ourselves and our teams every single day. Shiloh and MEMA support the challenge of meeting continued improvement to fuel economy and emission standards under One National Program.

We believe that this committee, through its leadership, has a unique opportunity to enable U.S. job growth, promote the U.S. automotive industry, and support U.S. technology leadership while benefiting the consumer and the environment.

Of the alternatives proposed, it is our view that the U.S. can most effectively seize these opportunities through alternative 6 and 8, which call for annual improvements to the standards.

My comments today will focus on three points: jobs, investment, and technology.

First, IHS market recently found that demand for technology created by alternative 8 would result in the auto industry growing an additional 250,000 jobs by 2025 in comparison to a zero percent improvement path that would result in the loss of 500,000 jobs over the same period.

Second, a zero percent improvement path would strand billions of dollars in its supplier investments made in the U.S. already that have transformed the industry's fuel economy and emissions performance.

Further, a continued improvement objective coupled with One National Program will provide certainty in economies of scale necessary for additional investment in R&D, manufacturing, jobs, and

training, which will create a competitive advantage for the U.S. automotive industry and lead to continued innovation, reduce compliance costs, and provide more choices and value for consumers.

Third, continuous improvement to the standards will provide the U.S. industry with the structure and incentive to innovate here at home in the U.S. as we pursue global leadership in safe, fuel-efficient, and emissions-reducing technologies.

Finally, we urge you to set the objectives without specifying a specific solution, as we believe that our industry will use its experience, ingenuity, and grit to succeed while providing the automakers and consumers and with a wide array of options.

Overall, our strategy for fuel economies and fuel efficiencies can be achieved through many different alternatives, lightweighting being one of those opportunities.

In conclusion, in order to preserve and grow jobs in investments in the U.S. and support U.S. technology leadership, Shiloh and MEMA urge you to support continuous improvement to the fuel efficiency and emissions standards and One National Program.

Thank you.

[The prepared statement of Mr. Hermiz follows:]



Written Statement of
Ramzi Hermiz
President and Chief Executive Officer
Shiloh Industries, Inc.
before the
U.S. House of Representatives Committee on Energy & Commerce
Subcommittee on Consumer Protection & Commerce
and
Subcommittee on Environment & Climate Change
Hearing on the Trump Administration's SAFE Proposal
June 20, 2019

I. Introduction

Good morning Chairwoman Schakowsky and Ranking Member McMorris Rodgers and good morning Chairman Tonko and Ranking Member Shimkus and to all of the members on the committee.

My name is Ramzi Hermiz, and I am the President and Chief Executive Officer of Shiloh Industries, Inc., a U.S. based, Ohio headquartered, provider of innovative component technologies to the mobility market.

Thank you for inviting me to speak to you about the Safe Affordable Fuel Efficient (SAFE) Vehicles proposal for greenhouse gas emission standards, the Corporate Average Fuel Economy Standards (CAFE) for light duty vehicles and the One National Program.

Throughout my testimony, I will present you information regarding the excellent work companies like Shiloh are doing to provide job opportunities for U.S. workers and to make our country the world leader in the development of new and important auto component technologies.

I will first provide you with some background on Shiloh. I will then turn to discussing Shiloh's and the Motor & Equipment Manufacturers Association's perspectives on the SAFE proposal. I am also happy to answer any questions you may have now or after this hearing.

II. About Shiloh Industries

Shiloh Industries, Inc. (NASDAQ: SHLO) is a global innovative solutions provider focused on developing and implementing lightweighting technologies that provide improved performance, environmental and safety benefits to the mobility market. Our company designs and manufactures products within body structure, chassis and propulsion systems.

Shiloh has over 3,800 dedicated employees with operations, sales and technical centers throughout North America, Europe and Asia. We employ over 2,100 employees in the United States at our facilities in Indiana, Kentucky, Michigan, Ohio, Tennessee and Wisconsin.

Shiloh's multi-component, multi-material solutions are composed of a variety of alloys in aluminum, magnesium and steel, along with its proprietary line of noise and vibration reducing **ShilohCore** acoustic laminate products. Our strategic **BlankLight**, **CastLight** and **StampLight** brands combine to maximize lightweighting solutions without compromising safety, quality, sustainability, performance or cost.

III. About the Motor & Equipment Manufacturers Association

Shiloh is a member of the Original Equipment Suppliers Association (OESA), a division of the Motor & Equipment Manufacturers Association (MEMA). I am the current Chairman of the Board of OESA.

MEMA represents more than 1,000 vehicle suppliers¹ that manufacture and remanufacture new original equipment (OE) and aftermarket components and systems for use in passenger cars and heavy trucks. MEMA members lead the way in developing advanced, transformative technologies that enable safer, smarter, and more efficient vehicles, all within a rapidly growing global marketplace with increasing regulatory and customer demands.

Vehicle suppliers are the largest sector of manufacturing jobs in the United States, directly employing over 871,000 Americans in all 50 states. Together with indirect and employment-induced jobs, the total U.S. employment impact of the supplier industry is 4.26 million jobs.² Nearly \$435 billion in economic contribution to the U.S. GDP is generated by the motor vehicle parts manufacturers and its supported activity.

Suppliers provide about 77 percent of the vehicle value. To put this into perspective, a typical vehicle contains more than 30,000 components. Vehicle suppliers manufacture materials, parts, and systems for a wide range of customers including new vehicle manufacturers (a.k.a. "OEMs") and other Tier 1-3 suppliers. They also manufacture for the vehicle aftermarket by way of multiple channels to provide vehicle service technicians, commercial fleets, and consumers the parts and materials needed for vehicle maintenance and repair. The variety of service applications ranges widely too: from passenger cars, SUVs and pick-ups to heavy-duty vocational trucks, semi-tractor trailers and military tactical vehicles –

¹ MEMA represents vehicle suppliers through the following four divisions: Automotive Aftermarket Suppliers Association (AASA), Heavy Duty Manufacturers Association (HDMA), Motor & Equipment Remanufacturers Association (MERA) and Original Equipment Suppliers Association (OESA).

² "Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S." IHS Markit on behalf of MEMA, January 2017. https://www.mema.org/sites/default/files/MEMA_ImpactBook.pdf

suppliers provide the components necessary to support the production of millions of these vehicles annually.

MEMA members manufacture and remanufacture a wide array of vehicle components for new vehicles as original equipment and for the aftermarket as replacement parts. They manufacture and produce essential vehicle components and materials – such as axles, brakes, tires, wheels, batteries, wire harnesses, seats, front/rear lights, bearings, oil filters, fluids, plastics, metals, composites, and thousands more. Suppliers also innovate by developing and deploying complex and highly integrated vehicle systems – such as emissions control technologies, alternative propulsion systems, regenerative braking technologies, advanced driver assistance systems, vehicle-to-vehicle communications, automated driving systems, advanced refrigerants and HVAC systems.

Unless specifically noted in this Written Statement, the testimony presented is provided by me on behalf of Shiloh Industries, Inc. and MEMA.

IV. Executive Summary

The proposed SAFE Vehicles rule that the U.S. Environmental Protection Agency (EPA) and U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) released for public comment in August 2018 proposed keeping the existing emissions standards in place through model year 2020 followed by zero percent improvement in model years 2021-2026 (Alternative 1 in Graphic 1 below). The proposed rule also sought comment on a no-action alternative and eight other options. Shiloh and MEMA support continuous improvement in both Corporate Average Fuel Economy (CAFE) standards and light duty vehicle greenhouse gas (GHG) emissions standards through Alternative 6 and Alternative 8 (see Graphic 1 below). Continuous improvement in these standards along with achieving the goals set forth in the One National Program will preserve long-term supplier investments and employment, provide clarity for suppliers to continue to invest in the U.S., and ensure that the U.S. remains a global mobility technological leader, ultimately benefitting our environment.

Graphic 1. The SAFE Vehicles Rule Proposed Alternatives

Alt 1	0% increase year-on-year for passenger cars and trucks MYs 2021-2026
Alt 2	.5% increase year-on-year for passenger cars and trucks MYs 2021-2026
Alt 3	.5% increase year-on-year for passenger cars and trucks MYs 2021-2026, phase out of A/C and off-cycle
Alt 4	1% increase year-on-year for passenger cars and 2% increase year-on-year for trucks MYs 2021-2026
Alt 5	1% increase year-on-year for passenger cars and 2% increase year-on-year for trucks MYs 2022-2026
Alt 6	2% increase year-on-year for passenger cars and 3% increase year-on-year for trucks MYs 2021-2026
Alt 7	2% increase year-on-year for passenger cars and 3% increase year-on-year for trucks MYs 2021-2026, phase out of A/C and off-cycle
Alt 8	2% increase year-on-year for passenger cars and 3% increase year-on-year for trucks MYs 2022-2026

* Also proposed to eliminate the low-GWP AC refrigerant credit in each alternative

Providing direction and regulatory certainty to the automotive industry by supporting the continuous improvement approach to these standards would enable the continued

development and commercialization of a broader range of advanced technology options, ultimately providing consumers with more fuel efficient vehicles, relief at the pump and charging stations, and a healthier environment. This approach is also good business and will promote motor vehicle industry job growth in the U.S. Shiloh and MEMA support positively impacting U.S. job growth, promoting long-term supplier investments, and maintaining U.S. global leadership in critical economic and technological areas. These benefits would be at risk if the U.S. does not finalize an option improving fuel efficiency and greenhouse gas emissions reductions beyond MY 2020 standards.

Motor vehicle suppliers help enable OEMs to achieve the current standards through the use of strategies such as advanced lightweighting and regenerative braking to alternative propulsion systems and emissions control, making vehicles safer and more efficient while reducing emissions. Shiloh and many of these suppliers have the opportunity and incentive to continuously develop and commercialize technologies well beyond their current state to enable OEMs to meet continuously improved standards, and would prioritize their investment in the U.S. as the U.S. continues to lead the world through its CAFE vehicle and GHG emissions standards.

V. Shiloh and MEMA Support Continuous Improvement to the Standards

Shiloh and MEMA support continued year-over-year improvement to the CAFE standards and the GHG vehicle emissions standards for passenger cars and light trucks. This improvement will continue to drive technology development, commercialization and manufacturing in the U.S. and help the U.S. auto industry remain competitive in the global marketplace. Of the alternatives proposed in the SAFE rule, it is our view that alternative 6 (which would keep existing standards through model year 2020 and then 2 percent annual increases for passenger cars and 3 percent annual increases for light trucks for model years 2021-2026), and alternative 8 (which would keep existing standards through model year 2021 and then 2 percent annual increases for passenger cars and 3 percent annual increases for light trucks for model years 2022-2026), best preserve long-term supplier investments and U.S. employment decisions and will enable the U.S. to continue to be a global automotive technological leader. Further, if current standards are relaxed in the U.S., the emission performance gap created by the revised standards may impede vehicles manufactured to the lower standards from being exported and used in the large markets of Europe and Asia directly impacting volumes manufactured in the U.S. This gap would also provide a strong incentive for suppliers to pursue business opportunities in Europe or Asia where these technologies would be utilized, resulting in investment in people and development to occur in other markets, potentially to the detriment of investment in the U.S.

Shiloh and MEMA support the U.S. leading by example, through setting appropriate standards, while not dictating how to achieve them. We believe that industry should have the flexibility to take innovative and different approaches towards meeting new standards. In fact, Shiloh and MEMA welcome the challenge and opportunity to continue to enable our OEM customers to meet the standards by using a full array of technologies and development techniques and leveraging our full supply chain. Conversely, dictating any one particular technological pathway or means of compliance would only preclude innovation in our industry.

From Shiloh's perspective, our lightweighting technologies enable our customers to improve vehicle and emissions performance, in many cases reducing their supply chain and manufacturing costs as compared to the replaced technologies, which creates an opportunity to provide additional consumer benefits.

VI. Continuous Improvement to the Standards Supports Continued Motor Vehicle Supplier Job Growth

Motor vehicle supplier manufacturing jobs are critical to the U.S. economy. The motor vehicle components manufacturing industry is the nation's largest sector of manufacturing jobs in the U.S. The supplier sector employs over 871,000 workers with a total employment impact of 4.26 million jobs. Suppliers have seen an employment growth rate that is three times that of any other major manufacturing sector in the U.S. – an overall 19 percent increase in employment since 2012. The growth rate of employment for original equipment automotive suppliers since 2012 was even higher at 23 percent.³ Since 2012, Shiloh has increased its U.S. employment by more than 90 percent, driven primarily by the opportunity that Shiloh sees in developing its lightweighting technology in the U.S. to enable our customers to meet the GHG and CAFE program standards set in 2012 and providing this technology to its customers globally.

The supplier industry's increase in employment can also partly be attributed to these long-term investments in advanced technology development because of existing GHG and CAFE program standards.⁴ Motor vehicle supplier direct employment in the U.S. is highest in Indiana, Michigan and Ohio. In addition, the Southeast region, including Alabama, Kentucky, North Carolina, South Carolina and Tennessee, has seen the highest growth over the past few years and now accounts for one-third of all supplier jobs.⁵ Thus, the economic impacts to the motor vehicle supplier industry affect the entire U.S., not just the Midwest.

Analysis conducted by IHS Markit on behalf of MEMA⁶ found the SAFE proposal of zero percent improvements through 2026 (Alternative 1) would result in a loss of 67,000 direct auto industry jobs with a full impact of 500,000 direct, indirect, and induced jobs by 2025, due to the change in component output in comparison to the employment levels supported by the existing standards.⁷

According to the same analysis, in comparison to implementing a zero percent improvement year-over-year, the implementation of Alternative 8⁸ would instead provide enough demand for these advanced technologies that it would result in (i) the automotive industry growing 32,000 more direct jobs by 2025, and (ii) 250,000 more direct, indirect and induced jobs by 2025.

³ "Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S." IHS Markit on behalf of MEMA, January 2017, pg. 2. https://www.mema.org/sites/default/files/MEMA_ImpactBook.pdf

⁴ 2017 and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy Standards (Docket Numbers EPA-OAR-201-0799; FRL-9495-2; NHTSA-2010-0131)

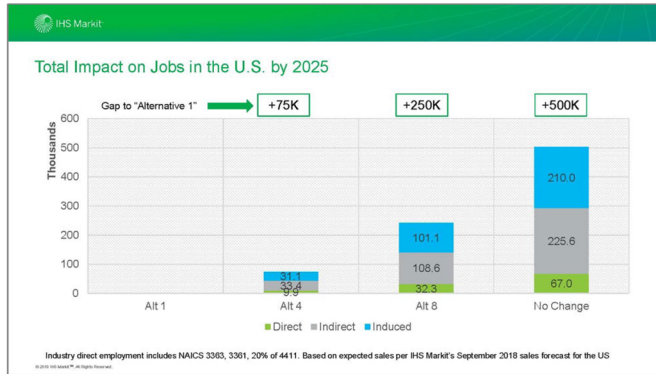
⁵ "Driving the Future: The Employment and Economic Impact of the Vehicle Supplier Industry in the U.S." MEMA and IHS Markit, January 2017, pg. 8.

⁶ MEMA commissioned IHS Markit to conduct the analysis in 2018.

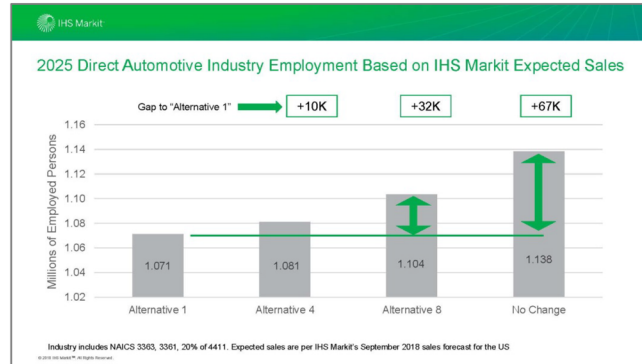
⁷ Auto industry jobs includes auto dealership, vehicle manufacturers and motor vehicle parts supplier jobs.

⁸ 2 percent for passenger cars year-over-year and 3 percent for light truck year-over-year.

Graphic 2. Alternative 1 Total Impact on U.S. Jobs in Comparison to the Augural Standards⁹



Graphic 3. 2025 Direct Employment Impact in Comparison to Alternative 1¹⁰



VII. Continued Improvement to the Standards Will Support Investments Made by U.S. Suppliers

A zero percent improvement year-on-year through model year 2026 (Alternative 1) would strand billions of dollars in motor vehicle supplier technology investments made in the U.S. In pursuit of transformative technology, suppliers have invested in innovation to enable

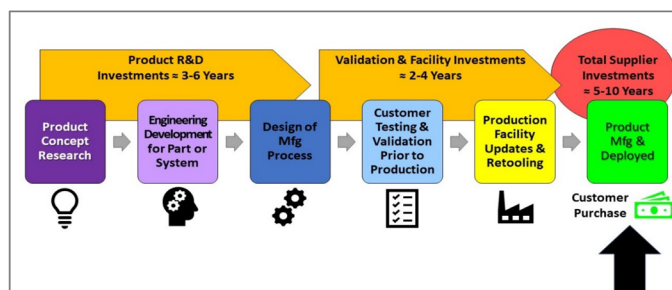
⁹ Based on IHSM modeling and data. The 2016 employment baseline is set to the BLS baseline for NAICS codes 3363, 3361, 20 percent of 4411 per Section 8 of the PRIA.

¹⁰ Based on IHSM modeling and data.

performance to the standards set in 2012. These investments have gone into the wide array of technology advancements and innovative material development needed to improve vehicle safety, fuel efficiency and emissions reduction. Motor vehicle suppliers are leading these innovation efforts to develop and commercialize these emissions-reducing, fuel-efficiency technologies, while taking on the associated risk. Eliminating progress in the standards reduces the incentive for the U.S. auto industry to continue to improve, ultimately jeopardizing these investments and the supplier industry as a whole.

The roll-out of these emission-reducing, fuel-efficiency technologies require substantial lead-time and major economic resources. A supplier's product planning and investments timeline includes several stages, each stage ranging from 6 months to 2 years depending on the technology (see Graphic 4). Importantly, suppliers do not get paid until these technologies are deployed. The return on investment is estimated very carefully and amortized over several years. Therefore, a significant delay in product deployment, a shortening of a product's anticipated lifespan or a curtailment in demand will jeopardize these investments put in place several years in advance.

Graphic 4: Motor Vehicle Parts Suppliers Product Planning and Investments Timeframe



Even with the risks and challenges of the industry, the suppliers are currently providing the products and technology necessary for the OEMs to compete in the global marketplace. These same suppliers look forward to taking on the innovation leadership role to develop concepts that increase fuel efficiency of vehicles and reduce vehicle emissions while working collaboratively with the vehicle manufacturers to validate them. To fulfill this role and pursue the related opportunities, suppliers like Shiloh will continue to invest significant resources on research and development (R&D), including building technical centers and manufacturing facilities and employing and training the human resources necessary to innovate. Continuous improvement in the U.S. standards will enable these investments to be made in the U.S., greatly benefiting employees, the vehicle manufacturers, and the environment, all while enabling the U.S. to remain a global leader in vehicle technology and manufacturing.

VIII. American Innovation Relies on Continued Improvement to the Standards and One National Program

The U.S. has a strong history of being a global leader in innovation and has the opportunity to be the world leader in advanced fuel efficiency and emissions-reducing technologies. We do not want to see stagnation in the standards move world leadership to another country. Therefore, continued improvement to the standards is necessary.

If a finalized SAFE rule weakens standards in the U.S. and removes the U.S. from its leading position, it seems inevitable that the investment in these emissions-reducing technologies will shift to other markets where the set standards have created a business incentive for development and commercialization. If suppliers do not have the certainty that the technology is needed in the U.S., suppliers may have the incentive to invest in innovation and manufacturing for this technology outside of the U.S.

If other countries progress ahead of the U.S. in the targets, investments that would have been made in the U.S. on emission-reducing technologies, and the related jobs, will instead go to these other markets such as the EU and China where there is a higher likelihood of payback for these investments. In order to preserve and grow supplier jobs and investments in the U.S., Shiloh and MEMA support continued year-over-year improvements to the standards.

A “One National Program” of unified targets and timelines is critical in allowing suppliers to make important necessary long-term business planning decisions which drives domestic investments in these emissions-reducing technologies, grows supplier jobs and is key to U.S. companies’ global leadership in innovation. Further, a One National Program creates a competitive advantage for the U.S. auto industry by providing its stakeholders with certainty and economies of scale, leading to reduced compliance costs for the OEMs and better vehicle costs ultimately benefiting consumers. For these reasons, Shiloh and MEMA support the stability and certainty of a One National Program.

IX. Shiloh and MEMA Support the Role of Lightweighting in Fuel Efficiency

Lightweighting is an important part of the overall strategy for improving fuel efficiency and improving product performance. The general rule of thumb for U.S. Department of Energy (DOE) research is that a 10 percent mass reduction would lead to a possible 6-8 percent fuel consumption reduction.¹¹ As currently implemented in the fleet and as anticipated to be deployed in the future (with a focus on larger, heavier automobiles), lightweighting technologies provide greater efficiency, without compromising strength or safety. Automakers validate these technologies in the current fleet by meeting the required strict NHTSA safety standards and showing improved crash ratings over time.

¹¹ U.S. Department of Energy Office of Energy Efficiency and Renewable Energy. *Lightweight and Propulsion Materials*. Retrieved on June 17, 2019. <https://www.energy.gov/eere/vehicles/lightweight-and-propulsion-materials>, this is based on numerous research and modeling exercise by both independent researchers and a variety of DOE national labs.

In recent years, research – including NHTSA’s own studies – have proven that lightweight materials maintain fleet safety.^{12,13} NHTSA and numerous other automotive safety experts acknowledge the overall safety and fuel economy benefits of reducing weight in the largest, heaviest trucks and cars, while maintaining or increasing their size for safety and comfort.^{14,15,16}

Despite these well documented studies, the SAFE proposal that came out of the EPA and NHTSA last year included some inaccurate assertions regarding the safety of lightweighting technology in today’s fleet. The proposal made the statement that if OEMs increasingly choose the technology option of “vehicle lightweighting ... as the stringency of the standards increases, so does the likelihood that higher stringency will increase on-road fatalities.”¹⁷ This assertion, that there is a correlation between lightweighting and decreased safety as it is implemented in the fleet today is unfounded and unsupported. Shiloh looks at lightweighting well beyond simply taking mass out of vehicles. Shiloh invests to develop products for its customers under the method of “Lightweighting without Compromise.” Our company continues to provide products to its customers that lightweight their vehicles without compromising safety, quality, sustainability, performance or cost by using a variety of design, manufacturing and material innovations. In our experience, specially designed components made from lighter weight aluminum, magnesium or high-strength steels can be just as strong or stronger than similar parts made from traditional materials.

Unfounded challenges to the safety of lightweighting threatens the industry’s significant investments in these innovative technologies, the sector’s jobs and the public perception of these technologies. Statements asserting a correlation between lightweighting and safety concerns should be removed from the final rule.

X. Conclusion

I urge the members of the two subcommittees to support the U.S. automobile industry and the large number of companies and U.S. workers that make up its component part and supply chain. To summarize my testimony in one sentence, I would say that I am here today to support U.S. jobs and our nation’s technological leadership, with the added benefit of a healthier environment.

In this particular case, the motor vehicle supplier sector requires long-term investments in facilities and employees, so certainty is paramount. Shiloh and MEMA see a great opportunity for the U.S. to provide this certainty through regulatory leadership in pursuit of continued innovation and the long-term health and competitiveness of the industry.

¹² Relationships Between Fatality Risk, Mass, and Footprint in Model year 2000-2007 Passenger Cars and LTVs, Report No. DOT HS 811 665, NHTSA 2012, Kahane, C.J.

¹³ Relationships between Fatality Risk, Mass, and Footprint in Model Year 2003-2010 Passenger Cars and LTVs (Docket No. NHTSA-2016-0068), NHTSA, 2016, Puckett, S.M., Kindelberger, J.C.

¹⁴ Independent Review: Statistical Analyses of Relationship between Vehicle Curb Weight, Track Width, Wheelbase and Fatality Rates,” UMTRI, 2011, Green *et. al.*

¹⁵ Updated Analysis of the Effects of Passenger Vehicle Size and Weight on Safety, Phase I. Report No. DRI-TR-11-01. (Docket No. NHTSA-2010-0152-0030) 2011, Dynamic Research, Inc., Van Auken, R.M., Zellner, J. W.

¹⁶ Supplemental Results on the Independent Effects of Curb Weight, Wheelbase, and Track on Fatality Risk in 1985-1998 Model Year Passenger Cars and 1985-1997 Model Year LTVs [17] DRI-TR-05-01, 2005, R.M. Van Auken and J.W. Zellner.

¹⁷ 83 Fed Reg 42991

Our goal is to support the continued growth of our economy, and we believe that Alternatives 6 or 8 best facilitate the protection of U.S. industry, U.S. workers and U.S. leadership. U.S. companies like ours have made significant investments in driving global improvement in emissions. Alternatives other than 6 or 8 would reduce the incentives for companies to invest in technology development and manufacturing in the U.S. These impacts would have significant ramifications to job growth in the motor vehicle supplier industry, strand long-term investments by motor vehicle suppliers and threaten the U.S. global leadership position in the motor vehicle industry.

In sum, thank you for inviting me to share my views on the importance of continuous improvement to the CAFE and emissions standards and how the federal government can provide the important leadership and certainty that U.S. automotive suppliers need to continue to innovate, develop new technologies and remain a global leader in job creation, in reducing emissions and protecting the environment. Shiloh and MEMA support these worthy goals and welcome questions from the committee.

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STATEMENT OF DAVID SCHWIETERT

Mr. SCHWIETERT. Good afternoon, Chairwoman Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, and Ranking Member Shimkus.

I would ask that my formal written statement be submitted for the record along with the attachments that I submitted to the committee earlier. But I will give an abbreviated oral statement.

Ms. SCHAKOWSKY. Let me make sure that everybody knows who we are talking to. Mr. Schwietert—is that right?

Mr. SCHWIETERT. That's correct.

Ms. SCHAKOWSKY. OK. I am sorry. Go ahead.

Mr. SCHWIETERT. Wonderful. I am David Schwietert—

Ms. SCHAKOWSKY. Let me—one other thing. I wanted you to know that in the anteroom here I was watching everything. So I saw the testimony. I don't want you to think that I left the room on you. I was just in the side room.

Thank you. OK.

Mr. SCHWIETERT. Thank you, Madam Chairwoman. I am David Schwietert, and I am the interim president and CEO of the Alliance of Automobile Manufacturers, and we represent 12 leading automakers who hail from three countries who manufacture over 70 percent of new passenger vehicles sold in the United States.

By creating jobs, fueling innovation, building exports, and advancing mobility, automakers are driving the American economy forward. No other single industry is linked so much to U.S. manufacturing or generates so much retail business and employment.

Nationwide, nearly 10 million workers and their families depend on the auto industry. Automakers are committed to a cleaner future, and the auto industry has invested billions of dollars on power train development, and that investment is paying off.

Automakers are providing customers with record-breaking choices in fuel-efficient vehicles. Today, more than 490 models are available on sale that achieve at least 30 miles per gallon, an increase of nearly 70 percent from the 2012 model year, and more alternative power trains are on sale, including 45 models of hybrids, 34 plug-in hybrids, 24 full battery electric models, and 3 fuel cell models.

These investments are making a difference both for consumers and the environment. Since 2005, real-world fuel economy has increased by over 27 percent.

These record gains are also important, but they're not the only success story. Today, per-mile carbon emissions from new passenger vehicles have dropped 22 percent in just 15 years, which approaches the goals of the Paris Climate Accord for the U.S. to reduce economywide greenhouse gas emissions by 26 to 28 percent over 20 years.

Alliance members have committed to a roadmap for fuel economy and clean-car progress. According to consumer research, our customers want it all, which is why automakers are committed to offering more fuel-efficient autos with fewer emissions and the latest safety technologies.

Automakers seek to accomplish this while working to keep automobiles affordable. Simply put, automakers support year-over-year

increases in fuel economy that align with market demand, and we support a data-driven final rule in One National Program.

One National Program is important for many reasons because in the last decade automakers have been subject to three different regulators—NHTSA, EPA, and the California Air Resources Board—pursuing similar objectives in different ways.

Redundant government programs drive compliance costs, and that ultimately comes out of the wallets of our customers. Automakers worked with the three regulators to more closely align standards in two rulemakings covering model years 2012 to '16 and 2017 to 2025.

The result was what is now called One National Program. Unfortunately, to this day we still have three separate programs. However, One National Program is still good policy to keep new vehicles affordable so more Americans can buy new vehicles, replacing older, less efficient models.

Automakers also support a data-driven final rule. When the 2012 to 2025 standards were developed, the midterm evaluation was planned to be completed by April of 2018, halfway through the 14-year rulemaking.

This evaluation was intended to compare assumptions made in 2012 or earlier with what was actually happening to evaluate whether future standards should be maintained or adjusted up or down, depending on a wide range of factors.

This was an agreement by all parties—automakers, the Department of Transportation, EPA, and CARB. One market reality is clear: No factor is more relevant than gas prices, which remain significantly lower than projected in 2012, when fuel standards were last set.

As a result, consumers are buying more SUVs, pickups, larger engines and fewer automotive power trains like hybrids and electric vehicles than regulators expected.

The clear challenge facing automakers is that consumer preferences do not align with market targets originally envisioned back in 2012.

Under current Federal regulations, automakers are judged by what consumers buy, not what they offer for sale in showrooms. Consumers have many different preferences, goals, or priorities when purchasing a new vehicle.

The market demonstrates that these many factors—notably, affordability, safety, reliability—rank much higher than fuel economy. Despite record numbers of models of alternative power trains and fuel-efficient vehicles being offered in dealer showrooms, sales of these vehicles remain low—less than 4 percent of all new vehicle sales last year.

If you remove hybrid vehicles, plug-in electric vehicles account for less than 2 percent of all sales nationwide. To put it concisely, at present consumer preference and market realities do not align with policy aspirations outlined in 2012.

The previous '22 to '25 standards do not reflect market realities and therefore warrant adjustments. In conclusion, this requires compromise, understanding, and a willingness to find a path forward that serves all interests, and this is why automakers remain

steadfast in our support for an agreement that balances environmental goals, consumer preference, and market realities.

When it comes to fuel economy, the auto industry is committed to ongoing progress and a journey that has no end. After all, automakers have invested substantially in energy-efficient technologies that we would like to see consumers embrace. We expect that fuel economy will keep rising. The only issue is at what speed.

Thank you.

[The prepared statement of Mr. Schwietert follows:]



AUTO ALLIANCE
DRIVING INNOVATION®

**STATEMENT
OF THE
ALLIANCE OF AUTOMOBILE MANUFACTURERS**

**BEFORE THE:
ENERGY AND COMMERCE COMMITTEE
SUBCOMMITTEE ON ENVIRONMENT AND CLIMATE CHANGE
AND
SUBCOMMITTEE ON CONSUMER PROTECTION & COMMERCE
U.S. HOUSE OF REPRESENTATIVES**

**HEARING TITLE:
“Driving in Reverse: The Administration’s Rollback of Fuel Economy and
Clean Car Standards”**

June 20, 2019

PRESENTED BY:

David Schwietert
Interim President and CEO

Introduction

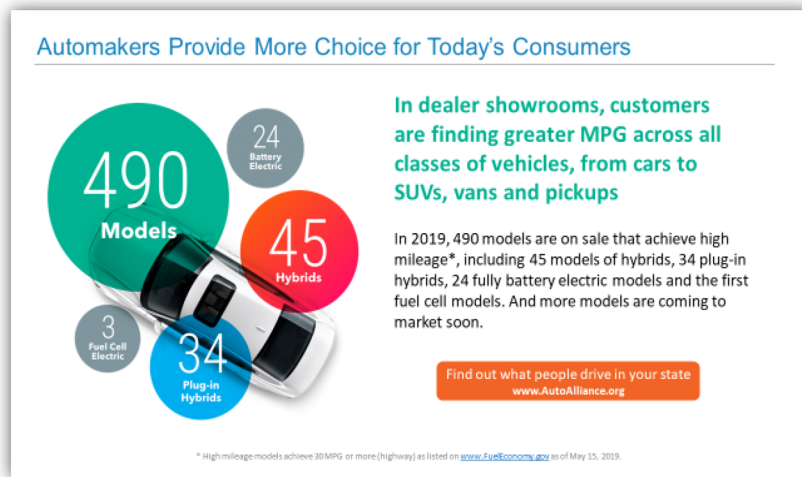
Good morning Chairwoman Schakowsky, Ranking Member McMorris Rodgers, as well as Chairman Tonko, Ranking Member Shimkus and all members of the subcommittees. On behalf of the 12 members of the Alliance of Automobile Manufacturers (Alliance), thank you for the opportunity to testify today regarding future light-duty vehicle Corporate Average Fuel Economy (CAFE) and greenhouse gas standards.

The Alliance is the leading advocacy group for the auto industry representing over 70 percent of new car and light trucks sold in the United States. The Alliance's diverse membership includes companies headquartered in the U.S., Europe and Asia -- the BMW Group, FCA US, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America and Volvo Car Group.

By creating jobs, fueling innovation, building exports and advancing mobility, automakers are driving the American economy forward. Nationwide, nearly 10 million workers and their families depend on the auto industry. Each year, the industry generates \$500 billion in paychecks, and accounts for \$205 billion in tax revenues across the country. Historically, the auto industry has contributed between 3 - 3.5 percent to America's total gross domestic product. No other single industry is linked to so much of U.S. manufacturing or generates so much retail business and employment.

Automakers Are Invested in a Cleaner Future

The auto industry has invested billions of dollars on powertrain development and that investment is paying off – automakers are providing customers with record-breaking choice in fuel-efficient vehicles.



Today, more than 490 models are on sale that achieve at least 30 miles per gallon, an increase of nearly 70 percent from the 2012 model year. While this increase recognizes annual improvements in internal combustion engine efficiency, it also reflects automakers' investments in alternative powertrains, including 45 models of hybrids, 34 plug-in hybrids, 24 fully battery electric models and three fuel cell models.

These investments are making a difference – both for consumers and environment. Since 2005, real-world fuel economy has increased on average nearly 2 percent per year from 19.9 miles per gallon (MPG) to a projected 25.4 MPG in 2018 – which represents about a

27.6 percent fuel economy improvement for the new car fleet over that time period.¹

These record efficiency gains are important, but they are not the only success story.

Today, per mile carbon emissions from new passenger vehicles have dropped 22 percent in just 15 years, which approaches the goals of the Paris Climate Accord for the U.S. to reduce economy-wide greenhouse gas emissions by 26-28 percent over 20 years.²

Alliance members have committed to a roadmap for fuel economy and clean car progress.

According to consumer research, our customers want it all which is why automakers are committed to increasing fuel economy to offer more energy-efficient autos with fewer emissions and the latest safety technologies. And, automakers seek to accomplish this while working to keep new automobiles affordable.

The Mid-Term Review and Future Standards

Despite progress in developing cleaner and more energy-efficient vehicles for sale, automakers face significant challenges in the years ahead. To understand those challenges, I think it is important to briefly review the history of fuel efficiency standards – specifically One National Program.

In the last decade, automakers have been subject to three different regulators – NHTSA, EPA and the California Air Resources Board (CARB) - pursuing similar objectives in different ways. In order to address these inconsistent and conflicting regulations that

¹ U.S. Environmental Protection Agency, The 2018 Automotive Trends Report: Greenhouse Gas Emissions, Fuel Economy, and Technology since 1975, EPA-420-R-19-002, (March 2019) at 32.

² First U.S. Nationally Determined Contribution submission in accordance with the UN Paris Agreement

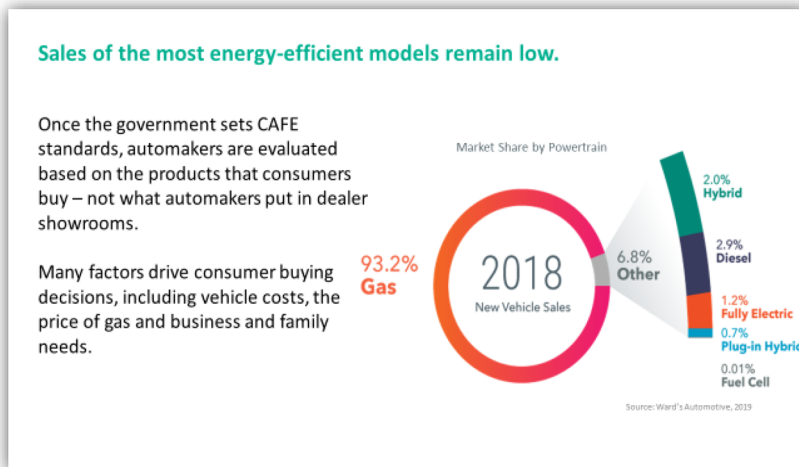
ultimately raised costs to consumers with no additional environmental benefits, automakers worked with the three regulators to more closely align standards in two rulemakings covering Model Years (MY) 2012-2016 and 2017-2025. The result was what is now called One National Program, an attempt to better align the three regulatory programs, thereby reducing regulatory burdens and cost, which helped automakers rapidly improve fuel economy and greenhouse gas emissions. It is important to note that while the program sought to better align the regulatory programs on stringency, they remained three separate programs.

Critical to automakers' agreement to the aggressive MY 2017-2025 standards proposed under One National Program in 2012 were two key elements: (1) a robust, data-driven, and transparent Mid-Term Evaluation to determine the feasibility of the MY 2022-2025 standards by April 2018 and (2) continued alignment of the two federal programs including California's acceptance of compliance to the EPA program.

Unfortunately, in January 2017, EPA finalized the Mid-Term Evaluation in a manner that did not fully account for the data-driven and coordinated process envisioned in the 2012 agreement. In fact, when EPA made their Final Determination that no changes were warranted for MY 2022-2025 GHG standards, NHTSA had yet to begin the statutorily required rulemaking to determine the feasibility of future CAFE standards between MY 2022-2025. EPA's abrupt action effectively undermined the agreement that was reached with the federal government (EPA and NHTSA), California and automakers in 2012.

Current Market Conditions

Changing consumer preferences and market realities continue to be a big challenge for automakers. Under existing regulation, automakers are judged by what consumers buy, not what we offer for sale. Consumers have many different preferences, goals or priorities when purchasing a new vehicle. The market demonstrates that many of these preferences – notably affordability, safety and reliability – rank much higher than fuel economy.³ Despite record numbers of models of alternative powertrain and fuel efficient vehicles being offered in dealer showrooms, sales of these vehicles remain low – less than 4 percent of total U.S. sales for all alternative powertrains (including plug-in EVs, hybrid and Fuel Cell Vehicles). If you remove hybrid vehicles, plug-in EVs account for less than 2 percent of all sales nationwide.



³ "Strategic Vision New Vehicle Experience Study (2018); ranking of purchase reasons"

Other factors contributing to the compliance challenge include changing consumer buying preferences and lower than projected gas prices. In early 2011, the Department of Energy’s AEO report used in crafting the draft rules projected today’s gasoline would average \$3.99 per gallon instead of the national average of \$2.67.⁴ When gas prices fall, the desire to pay more for a vehicle with higher fuel economy diminishes. Since 2012, low gas prices, as well as improved engine efficiency have contributed to a dramatic shift in consumer demand away from passenger cars to vehicles with other attributes such as sport utility vehicles (SUVs) and crossover utility vehicles (CUVs). The 2012 Final Rule projected that the 2016 light-duty fleet mix would be comprised of 65.6% passenger cars and 34.4% trucks.

Assumptions vs. Market Realities

Rulemaking assumptions needed to be compared to market realities to ensure that future standards are attainable.

	2016	2017	2018
Gas Prices <u>Projected</u> (2012) <small>(1)</small>	\$3.68	\$3.77	\$3.82
Gas Prices <u>Actual</u>	\$2.34	\$2.58	\$2.81
Sales: New Cars v. Light Trucks <u>Projected</u> (2012)	66/34% (Car/LT)	63/37% (Car/LT)	64/36% (Car/LT)
Sales: New Cars v. Light Trucks <u>Actual</u> <small>(2)</small>	55/45% (Car/LT)	52/48% (Car/LT)	49/51% (Car/LT)
Annual New Vehicle Sales	<i>Record Year</i>	<i>Softening</i>	<i>Flat</i>

(1) Based on 2011 EIA Annual Energy Outlook in 2018 dollars
(2) Regulatory definition of car and light truck

⁴ Annual Energy Outlook 2011, motor gasoline converted to 2019 dollars; AAA national average gasoline price on June 18, 2019.

Yet, in reality, the actual 2016 light-duty fleet mix was 55.7% passenger cars and 44.3% trucks. In 2018, the light-duty fleet mix has actually reversed as passenger cars are now only 49% of the market and trucks are now 51% and this trend is projected to continue. In fact, to illustrate this new fleet mix reality, a pickup is the top selling new vehicle in 289 congressional districts, or 66% of Congress.

To shine more light on consumer preferences the attached chart shows the individual state breakdown for both new vehicle purchases and registered vehicles (see Attachment 1). A few additional data points regarding vehicle sales in 2018 further illuminate consumer preferences:

- SUVs/CUVs are the top selling vehicles in 85 congressional districts (19%)
- Sedans are the top selling vehicles in 56 congressional districts (13%)
- There are 150 congressional districts (34%) where the top three selling vehicles are pickup trucks.

Consumers can now buy EVs of all different shapes and sizes — small cars, large cars, SUVs and minivans, in 2WD or AWD, with shorter and longer ranges, from entry-level vehicles to luxury models and everything in between. However, despite the record offering of such EV's, again, less than 2 percent of all new vehicles purchased last year were plug-in hybrids, fully battery electric or fuel cell vehicles.⁵

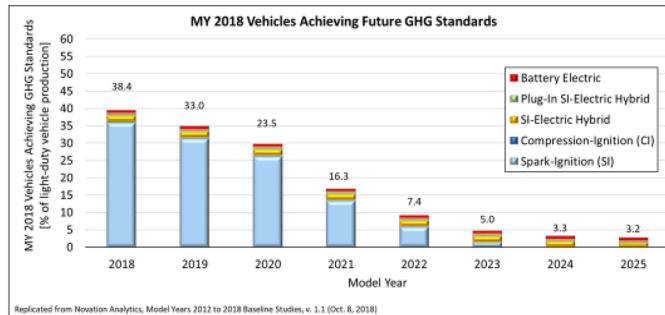
⁵ Alliance of Automobile Manufacturers (2019). Advanced Technology Vehicle Sales Dashboard. Data compiled by the Alliance of Automobile Manufacturers using information provided by IHS Markit. Data last updated 3/12/2019. Retrieved 6/18/2019 from <https://autoalliance.org/energy-environment/advanced-technology-vehicle-sales-dashboard/>.

Bumpy Road Ahead

At present, consumer preferences and market realities do not align with policy aspirations outlined in 2012. As noted in the most recent EPA Automotive Trends Report for MY 2017 vehicles, there is a substantial gap between government targets and what Americans are buying. For instance, in MY 2017 ten of the top 13 manufacturers (by volume) relied on the use of credits earned in prior years to achieve compliance. This was up from only four of the top 13 using banked credits in MY 2015. Without a more realistic set of future standards, automakers will struggle to achieve compliance, which will only become more difficult as credits expire and standards ratchet up even more rapidly after MY 2020. Last but not least, despite the continued gains that have been made to improve vehicle efficiency, only a few models available today could meet the MY 2025 standards envisioned under the previous One National Program.

Few Models Available Today Could Meet 2025 Standards

Only some hybrids and electric models are projected to meet future targets.



Furthermore, only about 5 percent of MY 2018 vehicles meet the 2023 greenhouse gas standards. It's important to note that not even all MY 2018 hybrid vehicles meet the 2025 GHG targets.

So where do we go from here? Many may see this as a binary choice – you either support the previous standards or you support a freeze at MY2020 standards. For the industry, the environment and consumers, this is anything but binary. The previous MY2022-2025 standards do not reflect market realities and, therefore warrant adjustment. Likewise, a federal standard that causes a split with California and the 13 other states, breaking up One National Program, will create a bifurcated market, not to mention prolonged litigation – adding uncertainty as well as additional costs to automakers and consumers, possibly limiting consumer choice in some areas, and effectively providing less environmental benefit than a single national standard.

This, therefore, cannot be a binary choice but instead requires compromise, understanding and a willingness to find a path forward that serves all interests.

This is why automakers remain steadfast in our support of a negotiated solution that balances environmental goals, consumer preferences and market realities. Our priorities remain unchanged and include:

- Year-over-year increases in fuel economy to provide our customers with more energy-efficient vehicles with greater emissions reductions and the latest safety technology.
- Partner with public/private groups to get more energy-efficient vehicles on our roads via charging/fueling infrastructure, consumer incentives, government fleet sales and car-sharing and ride-sharing programs.
- Continue increasing investments in research and development for more advancements in safety and efficiency.
- Do all this while keeping vehicles affordable for consumers.

Conclusion

Automakers remain committed more than ever to deploying ever-more efficient vehicles on U.S. roads to maximize our energy security and environmental objectives. It is not a matter of *if* we will meet the aspirational goals set by the previous Administration in 2012, but rather, it is simply a matter of *when*. Although it remains unclear exactly when the U.S. Department of Transportation and the Environmental Protection Agency will issue a Final Rule regarding motor vehicle standards, there's no question that changes are warranted based on the agreement in 2012 that specified that a Mid-Term Review would ensure that the future standards reflected market realities. The Auto Alliance and our members eagerly await the final rule and will continue to advocate an outcome that better aligns future standards with market realities.

Attachment 1

2018 Light Vehicle Registrations And New Purchases: Body Style														
State	2018 Registrations							2018 New Purchases						
	Total	Vehicle Type		Light Truck Segments				Total	Vehicle Type		Light Truck Segments			
		Cars	Light Trucks	CUVs	SUVs	Pickups	Vans/Minivans		Cars	Light Trucks	CUVs	SUVs	Pickups	Vans/Minivans
AK	607,052	25.62%	74.38%	18.24%	15.59%	34.02%	6.53%	26,452	19.57%	80.43%	35.52%	10.93%	28.17%	5.81%
AL	4,920,798	43.46%	56.54%	13.74%	12.21%	25.95%	4.64%	209,124	31.79%	68.21%	31.68%	9.87%	22.47%	4.19%
AR	2,649,722	35.90%	64.10%	14.83%	12.93%	31.70%	4.65%	122,614	24.72%	75.28%	32.51%	10.62%	28.39%	3.76%
AZ	6,304,340	44.29%	55.71%	16.36%	12.02%	20.88%	6.45%	386,255	31.83%	68.17%	30.82%	7.74%	18.53%	11.08%
CA	31,507,331	51.22%	48.78%	17.09%	10.15%	15.78%	5.76%	1,959,243	45.73%	54.27%	31.66%	6.89%	11.67%	4.05%
CO	5,309,996	36.48%	63.52%	21.66%	15.69%	21.26%	4.91%	270,687	23.32%	76.68%	40.49%	12.58%	19.29%	4.32%
CT	3,052,626	47.54%	52.46%	24.97%	9.95%	11.77%	5.78%	169,074	30.57%	69.43%	47.19%	8.86%	9.78%	3.60%
DC	349,111	63.24%	36.76%	19.64%	7.57%	3.93%	5.61%	22,770	44.18%	55.82%	39.80%	6.89%	3.61%	5.53%
DE	854,561	45.12%	54.88%	21.00%	11.22%	15.85%	6.81%	49,592	31.23%	68.77%	40.05%	9.50%	14.27%	4.95%
FL	17,133,318	48.46%	51.54%	19.97%	9.72%	15.75%	6.10%	1,328,459	38.51%	61.49%	36.17%	8.34%	12.29%	4.70%
GA	8,908,162	44.44%	55.56%	16.60%	11.96%	21.20%	5.80%	509,087	35.17%	64.83%	32.32%	9.08%	18.23%	5.21%
HI	1,227,125	42.26%	57.74%	17.77%	10.32%	22.06%	7.59%	88,909	35.52%	64.48%	27.61%	14.34%	15.07%	7.46%
IA	3,123,958	37.48%	62.52%	17.79%	10.51%	26.63%	7.59%	131,176	20.45%	79.55%	38.41%	8.91%	26.45%	5.79%
ID	1,765,462	35.26%	64.74%	15.22%	13.28%	31.08%	5.16%	64,596	18.67%	81.33%	37.98%	9.48%	30.31%	3.57%
IL	10,641,237	44.95%	55.05%	22.59%	10.46%	13.82%	8.18%	616,104	30.15%	69.85%	43.23%	8.42%	11.75%	6.45%
IN	5,955,100	41.01%	58.99%	18.61%	11.12%	21.55%	7.72%	247,013	25.60%	74.40%	39.06%	8.77%	19.01%	7.56%
KS	2,831,833	40.32%	59.68%	16.07%	10.95%	26.29%	6.36%	98,285	25.88%	74.12%	35.22%	10.01%	23.43%	5.46%
KY	4,028,531	41.58%	58.42%	16.46%	10.81%	25.14%	6.01%	149,421	28.59%	71.41%	37.01%	8.86%	20.48%	5.06%
LA	3,779,281	38.04%	61.96%	14.81%	12.53%	30.66%	3.96%	218,709	28.76%	71.24%	28.95%	10.88%	27.91%	3.50%
MA	5,382,570	45.10%	54.90%	27.06%	9.34%	12.36%	6.14%	355,731	28.56%	71.44%	45.65%	9.25%	12.39%	4.15%
MD	4,723,057	48.45%	51.55%	21.45%	9.43%	13.23%	7.43%	329,936	35.22%	64.78%	37.58%	7.75%	11.89%	7.55%
ME	1,287,077	37.65%	62.35%	22.40%	9.31%	25.29%	5.35%	70,462	19.64%	80.36%	42.22%	7.78%	26.48%	3.87%
MI	8,710,114	38.02%	61.98%	23.38%	12.06%	19.19%	7.37%	606,504	16.41%	83.59%	47.09%	10.53%	21.84%	4.13%
MN	5,134,436	39.78%	60.22%	21.54%	10.63%	20.40%	7.66%	250,471	21.17%	78.83%	44.05%	8.18%	21.29%	5.31%
MO	5,776,127	40.92%	59.08%	17.49%	10.35%	24.01%	7.23%	311,578	27.11%	72.89%	32.14%	9.00%	23.11%	8.64%
MS	2,809,895	42.83%	57.17%	11.80%	12.60%	28.58%	4.19%	106,676	31.06%	68.94%	28.68%	10.22%	26.54%	3.50%
MT	1,351,398	32.74%	67.26%	13.34%	13.61%	35.33%	4.97%	57,724	16.49%	83.51%	33.75%	12.28%	32.91%	4.57%
NC	8,924,646	43.77%	56.23%	17.76%	11.34%	20.95%	6.18%	462,028	33.27%	66.73%	35.28%	9.19%	17.45%	4.81%
ND	783,878	31.02%	68.98%	16.10%	12.62%	34.80%	5.46%	39,472	12.41%	87.59%	32.58%	11.38%	40.43%	3.20%
NE	2,003,160	38.64%	61.36%	16.75%	11.93%	26.28%	6.41%	86,138	20.92%	79.08%	37.70%	10.23%	26.12%	5.03%
NH	1,306,353	40.62%	59.38%	24.82%	8.80%	20.02%	5.74%	97,069	24.93%	75.07%	42.67%	7.52%	20.76%	4.13%
NJ	7,243,886	47.81%	52.19%	25.03%	10.34%	9.35%	7.47%	581,215	33.57%	66.43%	44.61%	9.55%	7.83%	4.43%
NM	1,891,881	38.83%	61.17%	14.25%	12.44%	30.05%	4.43%	87,576	30.98%	69.02%	30.76%	9.31%	25.92%	3.03%
NV	2,364,062	44.96%	55.04%	17.87%	12.80%	19.62%	4.74%	143,917	36.80%	63.20%	34.01%	9.24%	15.94%	4.01%
NY	11,731,223	43.75%	56.25%	26.83%	10.24%	11.55%	7.64%	1,011,032	27.75%	72.25%	47.72%	9.86%	10.05%	4.61%
OH	10,743,373	45.11%	54.89%	20.84%	9.26%	17.37%	7.42%	598,699	29.34%	70.66%	42.43%	7.49%	15.36%	5.37%
OK	4,354,435	37.82%	62.18%	17.35%	11.39%	26.88%	6.56%	770,178	33.78%	66.22%	29.75%	9.50%	16.45%	10.52%
OR	3,790,198	40.68%	59.32%	18.38%	11.49%	22.99%	6.45%	175,570	27.51%	72.49%	39.84%	8.09%	19.00%	5.56%
PA	12,032,941	44.14%	55.86%	22.11%	10.77%	15.97%	7.01%	661,479	27.13%	72.87%	44.52%	7.96%	15.49%	4.90%
RI	859,116	49.62%	50.38%	23.63%	8.58%	12.50%	5.67%	49,166	30.65%	69.35%	45.37%	7.63%	13.20%	3.14%
SC	4,902,802	43.47%	56.53%	16.12%	12.71%	21.96%	5.73%	218,753	31.10%	68.90%	35.48%	9.34%	19.38%	4.71%
SD	961,184	33.60%	66.40%	15.59%	12.86%	31.55%	6.40%	38,271	14.68%	85.32%	37.35%	10.49%	33.67%	3.81%
TN	6,124,542	42.20%	57.80%	16.71%	12.40%	23.40%	5.28%	273,666	31.83%	68.17%	33.97%	9.73%	19.88%	4.58%
TX	22,847,822	38.63%	61.37%	17.50%	12.89%	26.48%	4.49%	1,515,438	29.75%	70.25%	31.03%	10.55%	25.12%	3.55%
UT	2,675,339	41.80%	58.20%	16.58%	12.56%	22.92%	6.14%	143,459	24.86%	75.14%	31.77%	10.40%	27.87%	5.10%
VA	7,532,673	45.39%	54.61%	19.23%	11.24%	17.44%	6.69%	382,955	34.53%	65.47%	37.59%	8.54%	12.41%	6.94%
VT	564,886	37.77%	62.23%	26.82%	7.22%	23.53%	4.66%	42,913	20.90%	79.10%	44.09%	5.76%	26.40%	2.86%
WA	6,908,023	44.62%	55.38%	18.36%	10.78%	20.01%	6.24%	295,582	30.67%	69.33%	40.24%	7.59%	16.45%	5.04%
WI	5,351,303	40.28%	59.72%	21.18%	10.25%	20.14%	8.14%	246,648	21.93%	78.07%	42.87%	8.02%	21.32%	5.85%
WV	1,584,252	35.68%	64.32%	19.45%	12.36%	27.85%	4.66%	81,580	22.12%	77.88%	40.01%	9.87%	25.20%	2.79%
WY	637,640	27.53%	72.47%	13.79%	15.27%	39.47%	3.95%	26,171	13.19%	86.81%	31.59%	11.80%	40.67%	2.75%
U.S. Total	278,243,836	43.49%	56.51%	19.30%	11.13%	19.83%	6.26%	16,785,627	31.6%	68.40%	37.3%	8.9%	17.0%	5.2%

2018 Light Vehicle Registrations And New Purchases: Powertrain												
State	Total	2018 Registrations					2018 New Purchases					
		Gas	Diesel	Hybrid	Electric	PHEV	Total	Gas	Diesel	Hybrid	Electric	PHEV
AK	607,052	92.09%	6.88%	0.89%	0.09%	0.05%	26,452	91.47%	6.48%	1.46%	0.37%	0.22%
AL	4,920,798	96.27%	2.98%	0.69%	0.03%	0.03%	209,124	95.06%	3.49%	1.03%	0.25%	0.16%
AR	2,649,722	95.22%	3.93%	0.80%	0.02%	0.03%	122,614	93.74%	4.74%	1.17%	0.21%	0.14%
AZ	6,304,340	94.78%	3.20%	1.64%	0.24%	0.14%	386,255	93.43%	2.80%	1.93%	1.44%	0.39%
CA	31,507,331	92.60%	2.40%	3.48%	0.83%	0.70%	1,959,243	85.83%	2.31%	3.94%	4.74%	3.18%
CO	5,309,996	93.43%	4.57%	1.64%	0.22%	0.14%	270,687	90.78%	4.51%	2.11%	1.82%	0.78%
CT	3,052,626	96.28%	1.89%	1.51%	0.15%	0.18%	169,074	95.00%	1.25%	1.73%	1.09%	0.93%
DC	349,111	94.94%	0.95%	3.55%	0.28%	0.28%	22,770	92.35%	0.43%	3.87%	1.78%	1.56%
DE	854,561	96.35%	1.96%	1.47%	0.08%	0.13%	49,592	95.15%	1.71%	1.88%	0.70%	0.57%
FL	17,133,318	96.06%	2.33%	1.36%	0.15%	0.10%	1,328,459	95.57%	2.02%	1.38%	0.74%	0.29%
GA	8,908,162	96.00%	2.62%	1.12%	0.17%	0.09%	509,087	94.67%	2.72%	1.42%	0.88%	0.30%
HI	1,227,125	95.35%	1.69%	2.20%	0.54%	0.22%	88,909	94.79%	0.85%	1.78%	1.75%	0.84%
IA	3,123,958	95.06%	3.79%	1.05%	0.03%	0.06%	131,176	93.23%	4.31%	1.76%	0.37%	0.33%
ID	1,765,462	90.93%	7.82%	1.13%	0.06%	0.07%	64,596	87.71%	9.40%	2.11%	0.45%	0.32%
IL	10,641,237	96.17%	1.99%	1.63%	0.12%	0.10%	616,104	94.91%	1.65%	2.25%	0.88%	0.31%
IN	5,955,100	95.88%	2.89%	1.12%	0.05%	0.07%	247,013	93.87%	3.53%	1.78%	0.55%	0.27%
KS	2,831,833	94.99%	3.76%	1.13%	0.06%	0.07%	98,285	93.18%	3.91%	1.95%	0.64%	0.32%
KY	4,028,531	95.81%	3.19%	0.92%	0.03%	0.04%	149,421	94.39%	3.49%	1.60%	0.31%	0.21%
LA	3,779,281	95.25%	4.15%	0.55%	0.03%	0.02%	218,709	94.11%	4.89%	0.72%	0.18%	0.10%
MA	5,382,570	96.15%	1.43%	2.03%	0.18%	0.21%	355,731	94.39%	1.11%	1.97%	1.39%	1.13%
MD	4,723,057	95.38%	2.24%	2.02%	0.17%	0.18%	329,936	93.53%	2.19%	2.37%	1.16%	0.75%
ME	1,287,077	95.61%	2.59%	1.60%	0.06%	0.14%	70,462	94.50%	2.51%	1.86%	0.36%	0.77%
MI	8,710,114	95.49%	3.37%	0.95%	0.05%	0.15%	606,504	96.72%	1.57%	1.12%	0.27%	0.32%
MN	5,134,436	95.52%	2.86%	1.44%	0.09%	0.09%	250,471	94.05%	2.83%	1.98%	0.74%	0.39%
MO	5,776,127	94.99%	3.61%	1.27%	0.06%	0.07%	311,578	93.51%	3.76%	2.00%	0.49%	0.24%
MS	2,809,895	96.04%	3.40%	0.52%	0.01%	0.02%	106,676	94.53%	4.37%	0.89%	0.11%	0.11%
MT	1,351,398	90.24%	8.90%	0.79%	0.04%	0.03%	57,724	88.16%	10.08%	1.28%	0.31%	0.16%
NC	8,924,646	95.71%	2.71%	1.42%	0.08%	0.08%	462,028	94.52%	2.74%	1.72%	0.71%	0.31%
ND	783,878	92.44%	7.00%	0.52%	0.02%	0.02%	39,472	90.71%	8.37%	0.67%	0.13%	0.11%
NE	2,003,160	94.64%	4.37%	0.90%	0.04%	0.05%	86,138	93.60%	4.19%	1.49%	0.44%	0.29%
NH	1,306,353	95.61%	2.56%	1.59%	0.09%	0.15%	97,069	95.10%	2.13%	1.61%	0.60%	0.56%
NJ	7,243,886	96.89%	1.55%	1.24%	0.17%	0.15%	581,215	96.21%	0.90%	1.30%	0.97%	0.62%
NM	1,891,881	93.02%	5.48%	1.36%	0.07%	0.07%	87,576	91.34%	5.76%	2.10%	0.45%	0.35%
NV	2,364,062	94.13%	3.92%	1.62%	0.20%	0.13%	143,917	92.75%	3.59%	2.04%	1.17%	0.44%
NY	11,731,223	96.43%	1.68%	1.54%	0.14%	0.21%	1,011,032	95.92%	1.09%	1.42%	0.68%	0.88%
OH	10,743,373	96.64%	2.16%	1.06%	0.06%	0.07%	598,699	95.95%	1.82%	1.49%	0.50%	0.24%
OK	4,354,435	94.48%	4.39%	1.02%	0.08%	0.03%	770,178	95.79%	2.26%	1.60%	0.31%	0.04%
OR	3,790,198	90.63%	6.23%	2.58%	0.33%	0.23%	175,570	86.76%	6.26%	3.57%	2.05%	1.35%
PA	12,032,941	96.57%	2.16%	1.12%	0.07%	0.09%	661,479	94.94%	2.50%	1.65%	0.57%	0.34%
RI	859,116	96.81%	1.53%	1.45%	0.07%	0.13%	49,166	96.01%	1.19%	1.54%	0.56%	0.70%
SC	4,902,802	96.56%	2.40%	0.96%	0.04%	0.05%	218,753	95.38%	2.75%	1.33%	0.31%	0.22%
SD	961,184	92.57%	6.67%	0.70%	0.03%	0.03%	38,271	91.26%	7.18%	1.20%	0.18%	0.17%
TN	6,124,542	96.18%	2.69%	1.01%	0.06%	0.05%	273,666	94.83%	2.96%	1.48%	0.51%	0.22%
TX	22,847,822	94.43%	4.34%	1.06%	0.10%	0.07%	1,515,438	92.81%	5.24%	1.17%	0.54%	0.23%
UT	2,675,339	91.76%	6.37%	1.53%	0.20%	0.13%	143,459	84.44%	11.92%	2.04%	1.13%	0.47%
VA	7,532,673	95.56%	2.34%	1.88%	0.11%	0.11%	382,955	94.17%	1.73%	2.44%	1.18%	0.49%
VT	564,886	94.10%	3.18%	2.19%	0.19%	0.33%	42,913	93.26%	2.78%	2.04%	0.83%	1.09%
WA	6,908,023	92.41%	4.37%	2.60%	0.41%	0.21%	295,582	86.86%	4.57%	4.29%	3.06%	1.22%
WI	5,351,303	95.47%	3.02%	1.36%	0.07%	0.09%	246,648	94.44%	2.83%	1.93%	0.47%	0.32%
WV	1,584,252	95.65%	3.63%	0.67%	0.01%	0.03%	81,580	94.68%	3.86%	1.19%	0.12%	0.15%
WY	637,640	87.67%	11.62%	0.66%	0.03%	0.03%	26,171	84.77%	13.92%	0.96%	0.23%	0.12%
U.S. Total	278,243,836	95.01%	3.05%	1.57%	0.20%	0.17%	16,785,627	93.2%	2.9%	1.9%	1.2%	0.7%

Ms. SCHAKOWSKY. Thank you, Mr. Schwietert.
Let me now recognize Mr. Nassar for 5 minutes.

STATEMENT OF JOSH NASSAR

Mr. NASSAR. Thank you, Chairwoman Schakowsky, Ranking Member McMorris, Chairman Tonko, and Ranking Member Shimkus and members of the committee for the opportunity to testify today.

I am testifying here on behalf of, and it is a real honor, of the 1 million members and retirees of the United Auto Workers, our president, Gary Jones, and the International Executive Board, and I want to just talk about why we care so much about this.

Obviously, a lot of our members work in the industry and their very livelihoods are on the line here with the decisions that are made.

It is not just that. It is also the wellbeing of our retirees is greatly dependent on the success of the auto industry. So, simply put, we look out for what is best for our members and what is going to create the most good jobs. That's our priority here.

Now, as far as this proposal, we—after real careful consideration—we do not support the preferred alternative because we are really concerned that it is going to actually stifle companies from innovating and also from, you know, competing in a global economy as far as being export markets.

And I do want to say that, you know, many of the new technologies you see in cars and more efficient cars are built here in the United States, and we want to keep it that way.

Now, for us another reason why we oppose this is because protracted legal chaos and just uncertainty of what's going on really does damage investment decisions. It absolutely does.

So our concern is how policies being made today impact workers today and tomorrow. And so, in other words, for us this is not an abstract exercise, and I could point to new technologies that our members make that probably would not have been made without the existing standards.

So, for us, you know, we really see this as something that can be a win-win. I mean, we are proud of the role we played in helping set previous standards, where there was compromise, where people did work together, and we think that should happen again.

We also do believe that, you know, very much that climate change is real and that we really have to do something about it. We all have an obligation.

So good CAFE and GHG policy is good for our membership. It is good for the auto industry, if it is done right—and it has to be done right—and the only way that's going to happen is if all the parties are around the table working on a compromise. That's what we want to do. That's what we did last time.

Now, there are a lot of headwinds facing autoworkers. Over the past 15 years, when adjusted for inflation, wages have dropped over 20 percent for autoworkers in parts and final assembly—over 20 percent, adjusted for inflation. And those are official stats.

So for us, we are looking at, you know, why is that the case, and there's a few—there's many, many reasons. One has to do with, you know, frankly, we have trade agreements which have really encour-

aged offshoring, and we are hoping that these adjustments made to trade agreements will deal with that situation.

You know, we also—there are perverse incentives in our tax code that really reward companies investing overseas rather than in the U.S.

We also lack an industrial policy as far as worker training and really encouraging workers—you know, an alternate career path to college. We really don't do enough to encourage that at all.

And, you know, at the end of the day, we also have very weak labor laws, and we have a lack of enforcement of our labor laws, which has really led to a really hostile environment many workers face.

These are the reasons why wages are dropping. It is not because of CAFE standards. So CAFE standards are not the main problem facing autoworkers, is what I am here to say.

And finally, I want to talk for a minute about EVs. There's been a lot of talk about EVs.

We agree there's a low acceptance. It is just—the question is the world's moving forward with EVs. What are we going to do to make sure they're made here in the United States?

We are really concerned that more and more EVs are made overseas, if you look at a lot of investments from the companies, and we are falling behind as far as, you know, building a lot of the technologies here in the U.S. and we are worried that trend is going to continue.

The CAFE standards help encourage some of that. But we need other policies, too. We need to really improve the infrastructure for charging stations. We also think that companies who receive Federal subsidies through the tax code or otherwise do have an obligation to build more in America and to treat their workers right. That is not the case today.

So for us, this is a situation where we can have a win-win. We have had a win-win. But that's going to take a different approach, and I just want to say we are ready to work with everyone and this should not be a partisan issue. This is about what's best for the U.S. and what's best for workers.

Thanks for your time. Look forward to answering your questions.
[The prepared statement of Mr. Nassar follows:]



INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

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June 20, 2019

Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards
House Committee on Energy and Commerce Subcommittee on Consumer Protection and
Commerce and Subcommittee on Environment and Climate Change
Submitted by Josh Nassar
UAW Legislative Director
1757 N Street NW, Washington, D.C. 20036

Madam Chair Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, Ranking Member Shimkus and members of the Subcommittee on Consumer Protection and Commerce and Subcommittee on Environment and Climate Change, it is my honor to testify on behalf of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), President Gary Jones, the UAW International Executive Board (IEB) and our one million active and retired members. Thank you for the opportunity to share our views on the Safer Affordable Fuel Efficient (SAFE) proposed rule and its potential impact on the economy and working people.

No other membership organization in the United States is more directly affected by the health and stability of the domestic auto manufacturing industry than UAW members and retirees. The majority of our members and retirees work in or have retired from the auto industry and are therefore are directly impacted by fuel economy and clean car standards. By extension, these standards also impact their families and communities.

After careful consideration, the UAW opposes the preferred alternative in the SAFE proposed rule, which would freeze emissions standards at Model Year 2020. UAW shares concerns expressed by auto manufacturers that the preferred alternative could lead to protracted litigation and uncertainty in the industry that will limit growth.¹ We fear the preferred option would stifle innovation and discourage investment in the industry while insufficiently combating climate change. We are very concerned that the final rule will be a setback for U.S. workers, the economy and environment. We urge the Administration, Congress, California Air Resources Board (CARB), manufacturers, and all other stakeholders to develop balanced regulations that are good for the environment, American workers, U.S. manufacturing, and the economy. We stand ready to work with all stakeholders to create a win-win for the industry and environment.

¹ <http://media.freep.com/uploads/digital/Trump-GHG-CAFE-Letter-June-6-2019.pdf>

Importance of the U.S. Auto Industry

The United States' motor vehicle industry is the cornerstone of American manufacturing jobs. Nearly one million people work in the auto and auto-parts manufacturing sectors.² Of course, the economic impact of the auto industry reaches far beyond the workers employed at the plants and their families. The domestic vehicle assembly and parts industries are vital to our manufacturing base and it is imperative that we stay strong and competitive now and into the future. When jobs from other linked industries are included, the auto industry is responsible for over 7.25 million jobs nationwide.³ The long-term health of the industry is critically important to both workers and the economy at large.

Manufacturing workers and domestic manufacturing face serious headwinds including the continued offshoring of U.S. jobs as many home-grown corporations choose to invest overseas instead of at home. The causes are many from bad trade deals that lower wages and destroy good paying U.S. jobs, perverse tax provisions that incentivize businesses to move jobs overseas, and employers who do not recognize workers' right to collectively bargain. Extensive damage has already been done and workers are paying the price for policy failures and neglect by our elected leaders over many decades. Corporate Average Fuel Economy (CAFE) and Greenhouse Gas (GHG) Emissions standards have not created the circumstances that workers are in today.

Over the past ten years, U.S. automotive production workers' wages have shrunk. When adjusting for inflation, average hourly earnings for workers in auto assembly have declined by 10%, while average hourly earnings for parts workers have declined by over 15%. Real wages have dropped despite remarkable increases in productivity.⁴ From 1973 to 2017, net worker productivity rose 77 percent, while the hourly pay of typical workers essentially stagnated—increasing only 12.4 percent over 44 years (after adjusting for inflation).⁵

GHG and CAFE Standards

We are proud of the role we played in the creation of the GHG Emissions Standards for Model Year (MY) 2011-2025 light duty vehicles by helping to reach a consensus among a wide variety of stakeholders including the prior Administration, state and federal regulators, the automobile industry, environmental advocates, elected officials and many others. This consensus was not easily obtained and required decades of hard work and compromise. It would be a tragic mistake to ignore this progress and go back to square one. To be clear, adjustments to regulations are sometimes necessary and appropriate. With that said, the changes must be done in a targeted and judicious manner. The proposed rule does not meet this test.

² Bureau of Labor Statistics, "Automotive Industry: Employment, Earnings, and Hours", <https://www.bls.gov/iag/tgs/iagauto.htm>

³ Hill, Kim, Deb Menk, Joshua Cregger, and Michael Schultz. "Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center for Automotive Research. January 2015.

⁴ BLS "Average hourly earnings of production and nonsupervisory employees" (Series CEU3133610008 & CEU3133630008); BLS "Inflation Calculator"

⁵ Economic Policy Institute, "The Productivity- Pay Gap," August 2018: <https://www.epi.org/productivity-pay-gap/>

To date, current standards have resulted in significant reductions in greenhouse gases, increases in the average fuel economy of passenger vehicles sold in the United States and the creation of the “One National Program” that was implemented in 2012. We have learned from experience that strong standards are good for the environment and domestic manufacturing. Analysis by the Union of Concerned Scientists projects these standards will create an estimated 650,000 jobs (full-time equivalent) throughout the U.S. economy by 2030, including 50,000 in light-duty vehicle manufacturing (parts and vehicle assembly).⁶ According to the Blue Green Alliance, more than 1,200 U.S. factories and engineering facilities in 48 states—and 288,000 American workers—are building technology that improves fuel economy for today’s innovative vehicles. Nine states (Michigan, Indiana, Ohio, Tennessee, Kentucky, California, Alabama, North Carolina, and South Carolina) each count 10,000 or more manufacturing and engineering jobs building fuel-efficient technologies, and half of U.S. States count fuel-efficient technology jobs in the thousands.⁷

We are troubled that the preferred alternative appears to have not been based on a consensus and holds the possibility of becoming mired in extended litigation and polarization. The preferred alternative could inadvertently threaten to disrupt the “One National Program,” creating uncertainty for the industry and likely discouraging investment. It also risks allowing the U.S. auto industry to fall behind on advanced vehicle technology and sustainable innovation, just as other nations are promoting increased efficiency and lower emissions. It would set back efforts to address air pollution and the climate change crisis. We cannot afford to ignore this global crisis that threatens our shared future.

Consequently, we do not support the preferred alternative in the SAFE proposed rule, which would freeze emissions standards at Model Year 2020. If implemented, it could prove harmful to the U.S. economy, the domestic auto industry, our members, and the communities that rely on union manufacturing jobs. Any changes to the existing standards should be created with meaningful input among all key stakeholders to reach a single National Program. States along with workers, manufacturers, environmental advocates, and consumer groups should work together to reach consensus on regulations that help the economy and the environment.

Final regulations must continue to promote increased efficiency and lower emissions to ensure the U.S. auto industry does not fall behind on advanced technology. Our rules need to acknowledge the dynamic realities of the auto industry and give automakers the flexibility necessary to meet stringency requirements and bring new products to market. It will be important for the final standard to strengthen incentives for companies to invest in diverse domestic fleets, provide credits for off cycle technologies that reward innovation, and increase efficiency.

⁶ Union of Concerned Scientist, “Fact Sheet: Fuel Economy and Emissions Standards for Cars and Trucks, Model Years 2017 to 2025”, June 2016: <https://www.ucsusa.org/sites/default/files/attach/2016/06/Fuel-Economy-Standards-2017-2025-summary.pdf>

⁷ Natural Resources Defense Council (NRDC) and the Blue Green Alliance, Supplying Ingenuity II: U.S. Suppliers of Key Clean, Fuel-Efficient Vehicle Technologies, June 2017. Available online: <https://www.bluegreenalliance.org/resources/supplying-ingenuity-ii-u-s-suppliers-of-keyclean-fuel-efficient-vehicle-technologies/>.

Importance of Addressing Climate Change

We reject the notion that we must choose between environmental standards and economic prosperity and job security. This is a false choice that hinders our ability to tackle real dangers and build a better future. Significant actions are needed across the globe to mitigate this threat. This is why the strong vehicle emissions standards must be part of a broader policy to address climate change, which includes emissions regulations, investment in sustainable infrastructure and the green economy, and international cooperation, such as the Paris Climate Accord.

As referenced earlier, the need to address climate change is urgent and we have no time to lose. The connection between fossil fuel consumption, rising carbon dioxide levels in the earth's atmosphere, and climate change is real, and we are now living with the impact, which promises to only worsen. A large body of scientific research predicted for decades that climate change would increase the number and strength of extreme weather and climate events such as heat waves and droughts. Unfortunately, their predictions are proving correct. Global sea level rose about eight inches in the last century. The rate in the last two decades, however, is nearly double that of the last century and is accelerating slightly every year.⁸ We must act now to protect our future and the future of our children and grandchildren.

Single National Program

We continue to support the harmonization of the Environmental Protection Agency (EPA), National Highway Traffic Safety Administration (NHTSA), and state regulations in the development of a single national program. We should all work towards a single National Program. Any proposed changes to emissions standards that result in a bifurcated market or a protracted legal battle will make regulatory compliance burdensome and create uncertainty, both of which will discourage investments in the U.S. auto industry. The auto industry is especially sensitive to uncertainty. Vehicle design and product decisions occurs years before vehicles are produced and come to market. Without certainty about where emissions targets will be set, it will be difficult for companies to make the massive, long-term investments required to auto production. To avoid this outcome, all stakeholders must have a seat at the table. The longer we wait, the greater the uncertainty, which undermines strategic business planning.

Regulations must strike a balance between achieving the program's objectives while not adversely impacting working families and domestic U.S. manufacturing. Done right, standards can benefit the environment, American workers, U.S. manufacturing and the economy.

Support U.S. Domestic Manufacturing

Our rules must recognize the long-term importance of manufacturing a diverse fleet of motor vehicles in our country. Emission and efficiency standards must never incentivize automakers to move production out of the U.S. or import more passenger cars as a path towards compliance with the standards. In addition, manufacturers must be held accountable by policymakers for the

⁸ R. S. Nerem, B. D. Beckley, J. T. Fasullo, B. D. Hamlington, D. Masters and G. T. Mitchum. Climate-change-driven accelerated sea-level rise detected in the altimeter era. *PNAS*, 2018 DOI: [10.1073/pnas.1717312115](https://doi.org/10.1073/pnas.1717312115)

way they treat their workers. For far too long, companies have received extensive support from taxpayers only to turn around and shirk their responsibilities to U.S. workers and our economy.

Similarly, it is critical for the regulations to maintain the domestic footprint formula that is currently used. Simply put, to do otherwise undermines domestic manufacturing, workers' living standards, and communities' well-being. All vehicles do not have the same function and surely our rules need to continue to reflect this reality.

The growth of electric vehicle (EV) production provides an example of the importance of policy to encourage domestic production and the growth of high-quality jobs. Nearly all major automakers have set ambitious goals for EVs, and they plan to spend over \$300 billion globally to transition to EVs.⁹ While some manufacturers have made commitments to domestic EV production, without additional policy guidance and market growth, much of the industry could move overseas, compromising the quality of jobs.

Current EV and plug-in hybrid models are being produced in California (Tesla), Michigan (GM), Tennessee (Nissan), and South Carolina (Volvo). Automakers have made recent announcement of more EVs to be produced in the US. These include Ford's plans to make EVs in Flat Rock, MI,¹⁰ GM's plans to build a new EV in Orion Township, MI,¹¹ Volkswagen's plans to make Chattanooga, TN the company's center for EV manufacturing in North America,¹² and Mercedes's plans to build an EV SUV in Vance, AL.¹³

Promote U.S. Leadership in Advanced Automotive Technology

Fuel efficiency is the auto industry's future. From EVs to full-sized pickups, fuel efficiency is improving across the industry, including in vehicles made by UAW members. We support the development of EVs but are deeply concerned that a significant portion of vehicles or their components will not be built in the United States as companies continue to pour investments in EVs overseas.

The global market is moving towards ever more efficient vehicles, including hybrids and e vehicles. Sales of EVs are expected to continue to grow at a rapid pace. It has been projected that by 2040, over 50 percent of new car sales globally will be electric and over 30 percent of cars on the road will be powered by batteries.¹⁴ Yet, where will the batteries that power these vehicles be made? As it stands today, most of the production footprint of tomorrow's advanced automotive technology will be overseas. It is projected that by 2021, 56 percent of battery manufacturing

⁹ *Bloomberg New Energy Finance*, "Electric Vehicle Outlook 2018": <https://about.bnef.com/electric-vehicle-outlook/>

¹⁰ <https://media.ford.com/content/fordmedia/fna/us/en/news/2019/03/20/ford-adds-2nd-north-american-site-to-build-battery-electrics.html>

¹¹ <https://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/us/en/2019/mar/0322-orion.html>

¹² <https://media.vw.com/releases/1117>

¹³ <http://www.madeinalabama.com/2018/10/mercedes-launches-construction-of-alabama-battery-plant-for-evs/>

¹⁴ <https://about.bnef.com/electric-vehicle-outlook/>

capacity will be in China and another 19 percent will be in Europe. The U.S. will only have 14 percent of global battery production capacity.¹⁵

Additionally, EVs and autonomous vehicles (AVs) of the future will be heavily reliant on semiconductors. It is estimated that an EV/AV will have over a thousand dollars' worth of semiconductors. This increase in semiconductor usage comes at a time when U.S. semiconductor manufacturing has been in decline. The total number of U.S. fabs has decreased from 123 in 2007 to 95 today,¹⁶ while the industry employs 100,000 fewer production workers than it did at the turn of the century.¹⁷ Currently, U.S. manufacturers account for only 13 percent of the global semiconductor supply. This is because the U.S. is no longer attracting new fabs. In 2011, of 27 high-volume fabs built worldwide, only one was in the U.S.; 18 were in China and 4 in Taiwan. In 2018, 20 new fab projects had been announced in China, with total investment exceeding \$10 billion.¹⁸

We cannot allow this trend to continue, and we are concerned that the preferred alternative in the proposed rule could unintentionally make the problem worse as countries around the globe continue to promote greater efficiency and lower emissions. The greener vehicles of the future are going to be made somewhere and other countries are preparing for these new technologies. We could see the U.S. auto industry fall behind on advanced technology, hurting the American economy and American workers.

The final regulations must strongly incentivize continuing investment in and production of advanced technology components and vehicles in the U.S. We are concerned that the preferred alternative does not sufficiently incentivize investment in the U.S. Countries around the globe continue to implement regulations that promote technological innovation and investment in future manufacturing. If the U.S. falls behind on this front, it will erode our competitive advantages in manufacturing and research. We all have an obligation to not cede the jobs and technology of the future to other countries.

The U.S. is in a race with other advanced countries to develop the automobiles and technologies of the future. We recognize that trade enforcement actions alone will not get the job done. While Germany and other industrial countries have developed policies that are investing in its citizenry and infrastructure, the U.S. has instead taken a low-road approach. American companies may develop new products, but they have increasingly outsourced manufacturing to low-cost countries. As noted above, with job losses and decreases in wages, this has hollowed out much of middle America. Maintaining the status quo is not an option. Special attention must be paid

¹⁵ *Financial Times*, "The Great Battery Race", December 18, 2017: <https://www.ft.com/video/0bdc9c56-021a-4f02-b508-e26a0170b903>

¹⁶ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

¹⁷ BLS, Quarterly Census of Employment and Wages (QCEW) for NAICS 334413, <http://www.bls.gov/cew/>.

¹⁸ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

to key components that are important for the U.S. to remain relevant in vehicle parts manufacturing.

Safeguards should be put in place to ensure domestic production of specific strategic parts. Technologies that have been developed primarily thanks to American R&D (for example, AVs) and regulatory requirements (emissions and fuel efficiency standards) should be manufactured in the U.S. Protecting strategic parts will help ensure U.S. manufacturers will remain industry leaders, and that all American workers will share in that prosperity.

Tariffs can be an effective when appropriately targeted to specific trade practices and are a part of a comprehensive strategic plan to address unfair trade actions. However, tariffs alone are insufficient to boost U.S. jobs and strengthen our industrial base. The UAW believes that tariffs are a tool, not a comprehensive plan for ensuring industries of the future are created and built in the U.S. It would be shortsighted to categorically rule out using tariff and other enforcement mechanisms to level the playing field. We shouldn't compete with one arm tied behind our back.

Program Flexibility

As we know, the auto industry is dynamic and major advances in technology are happening in real time. Effective regulations must respond to changes in technology and consumer preference through a data-driven process that gives all key stakeholders a seat at the table.

Automakers need significant flexibility to meet stringent requirements and bring new and more efficient products to market via a mix of different technologies and paths driven by competitive advantages, market position, brand, customer demands and product cadence. Flexibility is vital to the program's success. EPA and NHTSA's analysis stresses the importance of maintaining a flexible standard that takes into account that every automaker has a unique footprint and should pursue innovations that have the greatest impact on their specific fleet.

Conclusion

Done right, emissions and fuel efficiency standards can continue to be good for the environment, American workers, U.S. manufacturing and the economy. Well-constructed regulations can promote investment, establish certainty, create new jobs in vehicle production and advanced technology, and allow manufacturers the flexibility necessary to meet the standards. This can only happen if we work together towards a common goal.

We urge Congress to support policies that invest in US manufacturing, promote US leadership in advanced auto technology, fuel efficiency and reduced emissions, and provide the industry flexibility to meet those standards. The proposed standards do support these goals. We stand ready to work with you and all other stakeholders on developing standards that are good for working people and our environment. Thank you for considering our views. I look forward to answering your questions.

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Ms. SCHAKOWSKY. Thank you, Mr. Nassar. You hit it right on the button, too.

Now, Mr. Landry, you're recognized for 5 minutes.

STATEMENT OF JEFFERY LANDRY

Mr. LANDRY. Thank you, Chairwoman Schakowsky, Ranking Member Rodgers, Chairman Tonko, Ranking Member Shimkus, and members of the committee. Thank you for the opportunity to testify today.

As stated, I am Attorney General Jeff Landry from the great State of Louisiana. Before I begin, I would like to acknowledge my former colleagues in the 112th Congress who are here on the committee.

It is great to see so many of my friends before me. I was honored to serve in this body on behalf of Louisiana's 3rd Congressional District, and I am grateful for the opportunity to testify before the people's representatives.

I am here today to support the administration's proposed Safer Affordable Fuel Efficient vehicles rule, which will safeguard lower-income Americans from unnecessary costs, increases on newer safer vehicles. I support the proposal for the following reasons.

One, a national standard should apply. Congress has made it clear that a single policy should apply, and no compelling air quality concern exists that is unique to one State.

California should not be able to effectively dictate fuel economy standards, tailpipe emission requirements, and mandates for zero-emission vehicles for Louisiana and the rest of the Nation.

When a State is allowed to usurp congressional intent for their own design, all other States in our republic suffer, and by enacting its own regulations California is circumventing Congress and using its size to create a de facto national fuel efficiency framework affecting the national economy.

Recognizing this abuse of authority, I joined a coalition of other State attorneys general in requesting the administration revoke California's waiver for emissions regulation.

Number two, the rule of law should be—it must be upheld. I am a firm believer in the separation of powers and the rule of law.

I am committed to these principles even when it may not be politically prudent to do so, and I recognize that maintaining consistency in these arenas is critical for our republic and our economy to thrive.

I also concur with the assertion in a proposed rule that State-based greenhouse gas tailpipe standards mandates are preempted under the Energy Policy Conservation Act of 1975.

That legislation was enacted to address the United States' dependency on OPEC by establishing uniform motor vehicle fuel economy standards across the Nation.

Unfortunately, it is impossible to achieve those uniform standards under current Federal policy. Instead, the voters of States that prefer more stringent standards are allowed the latitude to legislate as they see fit while voters in States that prefer less stringent standards find themselves subjected to the more stringent State standards.

When we allow one State's authority to increase Federal standards for the entire Nation while preempting any State that seeks to decrease them, we are acting inconsistent with bedrock principles of federalism.

The current policy originated with the purported waiver issued under the Clean Air Act. I agree that this ostensible waiver was likewise preempted by the terms of the Energy Policy Conservation Act.

Contrary to the Environmental Agency's prior interpretation of the correlation of these statutes, State standards preempted under the Energy Policy Conservation Act cannot rationally be afforded a valid waiver of preemption under the Clean Air Act.

Number three, California's GHG waiver is inconsistent with the Clean Air Act. Finally, I believe that the administration improperly approved the California GHG waiver, as it is inconsistent with Section 209 of the Clean Air Act.

After the Bush administration rejected California's application in 2007, the Obama administration granted it in 2009. In doing so, EPA completely disregarded its own administrative duty and refused to consider opponents' waivers argument.

California was then allowed to enact its own emissions regulations. There is no sound basis on which to conclude that California standards address compelling and extraordinary air quality concerns unique to California.

Finally, manufacturing costs associated with a moving target standard create a great burden on our citizens. Accepting this approach will increase costs that are borne by consumers.

We should not be in the business of letting one State drive the policy of the Nation. This is inherently undemocratic and, in this case, inefficient to accomplish national goals.

I support the implementation of President Trump's safe-vehicle rule and urge a revocation of the EPA's previous waiver to California. After all, CAFE does not stand for California Assumed Federal Empowerment.

Thank you very much for your time. I look forward to answering your questions.

[The prepared statement of Mr. Landry follows:]

BEFORE THE

**HOUSE OF REPRESENTATIVES SUBCOMMITTEES ON CONSUMER PROTECTION AND COMMERCE
AND THE ENVIRONMENT AND CLIMATE CHANGE OF THE COMMITTEE ON ENERGY AND
COMMERCE**

HEARING ON

**“DRIVING IN REVERSE: THE ADMINISTRATION’S ROLLBACK OF FUEL ECONOMY AND CLEAN
CAR STANDARDS”**

JUNE 20, 2019

TESTIMONY OF

JEFFERY LANDRY

ATTORNEY GENERAL

STATE OF LOUISIANA

Chairwoman Schakowsky, Ranking Member Rodgers, Chairman Tonko, Ranking Member Shinkus, and Members of the Committee, thank you for the opportunity to testify today.

As stated, I am Jeff Landry - Attorney General for the great State of Louisiana. Before I begin, I want to acknowledge my former colleagues in the 112th Congress on the dais. It is great to see so many friends before me. I was honored to serve in this body on behalf of the 3rd Congressional District, and I am grateful for the opportunity to testify today before the People's Representatives.

I am here to support the Administration's proposed Safer Affordable Fuel Efficient (SAFE) Vehicles Rule, which will safeguard lower income Americans from unnecessary cost increases on newer, safer vehicles. I support the proposal for the following reasons:

I. One national standard should apply.

Congress has made clear that a single policy should apply and no compelling air quality concern exists that is unique to one state. California should not be able to effectively dictate fuel economy standards, tailpipe emission requirements, and mandates for zero emission vehicles (ZEV) for Louisiana and the rest of the Nation. When a state is allowed to usurp Congressional intent for their own designs, all the other states in our republic suffer. And by enacting its own regulations, California has circumvented Congress and used its size to create a de facto national fuel efficiency framework – affecting the national economy. Recognizing this abuse of authority, I joined a coalition of State Attorneys General in requesting the Administration revoke California's waiver for emissions regulation.

II. The Rule of Law should be upheld.

I am a firm believer in the separation of powers and the rule of law. I am committed to these principles, even when it may not be politically prudent to be so. And I recognize that maintaining consistency in these arenas is critical for our republic and our economy to thrive.

I also concur with the assertion in the proposed rule that state-based greenhouse gas (GHG) tailpipe standards and ZEV mandates are preempted under the Energy Policy Conservation Act of 1975. That legislation was enacted to address the United States' dependency on OPEC by establishing uniform motor vehicle fuel economy standards across the entire nation.

Unfortunately, it is impossible to achieve those uniform standards under current federal policy. Instead, the voters of states that prefer more stringent standards are allowed the latitude to legislate as they see fit while voters in states that prefer less stringent standards find themselves subjected to the more stringent state's standards.

When we allow one state the authority to increase federal standards for the entire nation while preempting any state that seeks to decrease them, we are acting inconsistent with bedrock principles of federalism. We also thwart Congress' purpose of establishing a unified national standard when it created the CAFE program in 1975.

The current policy originated with a purported waiver issued under the Clean Air Act. I agree that this ostensible waiver was likewise preempted by the terms of the Energy Policy Conservation Act. Contrary to the Environmental Protection Agency's prior interpretation of the correlation of these statutes, state standards preempted under the Energy Policy

Conservation Act cannot rationally be afforded a valid waiver of preemption under the Clean Air Act.

III. The California GHG waiver is inconsistent with CAA.

Finally, I believe the previous Administration improperly approved the California GHG waiver as it is inconsistent with Section 209 of the Clean Air Act. After the Bush EPA rejected California's application in 2007, the Obama EPA granted it in 2009. In doing so the EPA completely disregarded its own administrative duty and refused to consider opponents of the waiver's arguments. California was then allowed to enact its own emissions regulations.

There is no sound basis on which to conclude the California standards address "compelling and extraordinary" air quality concerns unique to California.

In fact, California has made no secret of the fact that their standards are aimed at establishing nationwide policy toward carbon emission and will not have a meaningful impact on ambient GHG concentrations in the state.

This is very problematic. California should not be able to dictate the cost of vehicles or the consumer choices of those residing in your home state or mine.

Moreover, the California standards are unlawful in that they are infeasible and do not provide sufficient lead time or give appropriate consideration to compliance costs under Section 209 of the Act.

I support implementation of President Trump's SAFE vehicle rule and urge revocation of the EPA previous waivers to California. After all, CAFE does not stand for California Assumes Federal Empowerment.

Thank you very much for your time, I look forward to answering your questions.

Ms. SCHAKOWSKY. And now I recognize Ms. Lew for 5 minutes.

STATEMENT OF SHOSHANA M. LEW

Ms. LEW. Thank you, Chairwoman Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, Ranking Member Shimkus, members of the committee.

My name is Shoshana Lew, and I am the executive director of the Colorado Department of Transportation. Thank you for inviting me here to address the State's opposition to the proposed rule which would freeze fuel efficiency standards that require year-over-year improvements to cars and light trucks.

With the transportation sector on track to become the leading source of emissions in Colorado, it is of the utmost importance that we act boldly and aggressively to reduce congestion in the air and on the road.

Achieving a cleaner fleet is a key component of Governor Polis' roadmap to achieving 100 percent renewable energy by 2040.

At the State level, we are making tremendous progress. Colorado electric vehicle sales in 2018 were over 2½ times what they were in 2016. We are cutting ribbons at charging facilities.

We are building fast-charging stations along five major routes, and our legislature and Governor enacted a range of bills to accelerate electric vehicle updates, including extending tax credits in 2025.

We are encouraged to see bipartisan collaboration in our legislature and cooperation between States and local partners. We are also encouraged by the commitment that automakers and dealers are showing to expanding ZEV sales in Colorado.

This is an important moment with great promise for cleaner cars if we move together to move the ball forward. Unfortunately, the Trump administration's proposal and the contentious tone that it has perpetuated nationwide threatens just the opposite.

If finalized, this proposal would unravel an effective consensus-based program that has brought together Federal agencies, States, automakers, and environmental and labor partners.

The proposal would also seek to undermine States' rights to retain strong standards. Improving the fuel efficiency in cars and trucks has historically transcended Federal administrations and party lines.

Both the Bush and Obama administrations increased fuel standards, and fuel economy has improved by over a quarter since 2004.

Predictable standards help industry to focus on improvements that benefit the environment, create jobs, and keep the American auto industry competitive.

By contrast, if Federal agencies finalize their current proposal, it will be rightly challenged, creating needless uncertainty for an industry that employs over 7 million Americans, including over 3 percent of Colorado's workforce.

In sharp contrast to the administration's proposal, calls to compromise on a continued program of strong national standards have been widespread from States, carmakers, suppliers, and utilities.

The Alliance of Automobile Manufacturers has repeatedly encouraged collaboration to retain a program of strong standards that continue increasing fuel economy year after year because, quote,

“climate change is real and we have a responsibility to reduce greenhouse gases.”

This month 17 automakers reiterated that call in letters to President Trump and Governor Newsom, asking for a, quote, “unified standard” with consensus that includes States at the negotiating table.

Even President Trump at one point directed his team to make a deal with California, but that directive was followed by the current flat-line proposal which is based on deeply flawed modeling conclusions that defy common sense.

Let me give you just a few examples. First, while conserving energy is the premise of NHTSA’s statute, they argue that cutting oil consumption is now a lesser priority.

Their proposal would increase U.S. fuel consumption by about half a million barrels per day. It is no surprise that much of the oil industry supports that pathway, though recently several oil companies have called for consensus as well.

Second, new modeling of consumer behavior doesn’t make sense, though it is a good idea to analyze this topic further in the future.

For example, modeling predicts that stronger standards by virtue of increasing retail costs would depress new car sales, keep many more old cars on the road with the new cars they displace, and result in 692 billion extra miles driven because of higher standards.

In the real world, why would you defer one new car purchase, hold on to multiple old ones, and then drive farther to the grocery store than you would have in a shiny new crossover?

Third, the model shows that freezing standards would reduce roadway fatalities by 12,700, breaking from a long literature on the relationship between safety and fuel economy.

The model is driven by problematic and internally conflicting assumptions about how stronger fuel standards would increase driving and crashes. Vehicle weight, the best research area in the safety literature on fuel economy, accounts for just 1.2 percent of assumed total fatalities.

These are just a few examples of the many problems with this proposed rule. There’s a lot here that needs to be fixed, and serious and substantive dialogue between all parties could still yield a thoughtful resolution if the administration were willing to come to the table rather than force to conclusion a deeply flawed and ideologically driven proposal that lacks the backing of stakeholders across the country.

Thank you. I look forward to your questions, and I would ask that my full statement be submitted to the record.

Thank you.

[The prepared statement of Ms. Lew follows:]



Written statement of

Shoshana M. Lew

Executive Director

Colorado Department of Transportation

Before the

United States House of Representatives Committee on Energy and Commerce

Subcommittee on Consumer Protection and Commerce

And

Subcommittee on Environment and Climate Change

Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards

June 20, 2019

Good morning Chairwoman Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, Ranking Member Shimkus and to all of the members on the committee.

My name is Shoshana Lew and I am the Executive Director of the Colorado Department of Transportation.

Thank you for inviting me here to address the State of Colorado's opposition to the Administration's proposed "Safer Affordable Fuel Efficient Vehicles" proposal – which would freeze fuel economy and greenhouse gas emissions standards that require year-over-year improvements to efficiency of cars and light duty trucks.

With the transportation sector on track to become the leading source of emissions in our state, it is of the utmost importance that we act boldly and aggressively to reduce congestion in the air and on the road – both through a cleaner fleet of vehicles and through providing more sustainable and efficient transportation choices for Coloradoans that help stem currently projected increases in vehicle miles traveled. Achieving a cleaner, and increasingly electrified, fleet is a key component of Governor Polis' Roadmap to achieving 100% Renewable Energy by 2040, which is motivated by the moral imperative to fight climate change and curb pollution of our natural resources – which are key to both our economy and quality of life in Colorado – as well as the opportunity to drive innovation and harness the consumer savings and economic benefits of leading the transition to a clean energy economy.

At the state level, we are making tremendous progress with respect to driving a cleaner vehicle fleet, and taking an “all of the above” approach to increasing the penetration of Zero Emissions Vehicles (ZEVs), especially. With respect to ZEVs, we are seeing a unique alignment of increasing supply, growing consumer acceptance, and state incentives and policies that are further easing the transition for consumers as these vehicles permeate the mainstream. Colorado ZEV and PZEV sales in 2018 were over 2.5 times what they were in 2016¹, and those numbers continue to grow. We see local communities cutting ribbons at charging facilities, and we have efforts underway to build fast charging stations every 50 miles along 5 major highways in Colorado by 2020. Our legislature passed, and Governor Polis signed, new legislation that will stimulate utility investment in EV charging, extend ZEV tax credits through 2025, and develop incentives for Transportation Network Companies to electrify their fleets. We are also investing public funds in electric vehicle (EV) charging, allocating all VW Settlement funds to transportation electrification, expanding use of ZEVs and hybrids in our own state fleet, and launching a program designed to stimulate EV adoption by local governments.

We believe it is the right time for bold, aggressive, and pragmatic action to achieve a cleaner transportation sector. Indeed, we are encouraged to see bipartisan collaboration in our own legislature, and cooperation between state and local government partners across Colorado. We are also encouraged by the commitment that both automakers and dealers are showing to the expansion of ZEVs in Colorado, and particularly appreciate the ongoing commitment of the auto industry to work constructively with us as we continue through our ongoing rulemaking process to adopt ZEV standards under Section 177 of the Clean Air Act.² This is an important moment, with great promise for cleaner cars if we work together to move the ball forward.

Unfortunately, the Trump Administration’s proposed rule, and the contentious tone that it has perpetuated nationwide, threatens just the opposite. If finalized, this proposal would unravel an effective, consensus-based program that has historically brought together federal agencies, states, automakers, and partners from the environmental and labor communities to advance a critical and common-sense priority that improves our air quality and energy security, provides better options for drivers, and creates regulatory certainty for manufacturers and suppliers. The proposal would also seek to undermine the ability of states like Colorado to retain strong standards in the absence of federal leadership, an effort that cuts against both longstanding precedent and the spirit of cooperative federalism, which EPA Administrator Wheeler has described as “a cornerstone of the Administration’s approach.”³

The imperative to improve the fuel efficiency of cars and trucks has historically transcended federal administrations and party lines. Fuel standards, which both the Bush⁴ and

¹ <https://autoalliance.org/energy-environment/advanced-technology-vehicle-sales-dashboard/>

² <https://autoalliance.org/2019/06/04/automakers-statement-on-colorado-adopting-california-vehicle-mandate/>;
<https://www.globalautomakers.org/posts/press-release/automakers-statement-on-colorado-adopting-california-vehicle-mandate>.

³ https://www.epw.senate.gov/public/?a=Files.Serve&File_id=EFD4608D-CCCE-424C-8B69-C0028762F82E

⁴ Following a period of regulatory freeze that ended in Model Year 2004, President Bush began to raise standards for light trucks, which became effective in MY2005. At the State of the Union in 2007, President George W. Bush implored Congress to make the fuel economy of cars and trucks a national priority and, less than a year later, he

Obama Administrations increased, have resulted in fuel efficiency for light duty vehicles steadily increasing to an all-time-high. Since Model Year 2004, real world light-duty fuel economy has improved by 29 percent, and real world CO2 emissions have decreased by 23 percent, according to EPA's most recent Automotive Trends report.⁵

Following on bipartisan work to shepherd the passage of the Energy Independence and Security Act in 2007, and President Bush's proposal to further increase fuel economy standards for both cars and light trucks, the Obama Administration negotiated an historic program that brought together two federal agencies, automakers, environmental and labor partners, and the state of California, whose unique authority under Section 209 of the Clean Air Act enables them to set regulatory standards that other states may subsequently adopt, pursuant to Section 177 of the Clean Air Act. This partnership established a streamlined national program that provided coordinated, long range regulatory certainty, and a path towards consistent improvement in vehicle efficiency through Model Year 2025.

Both the requirements and the predictability of these standards enable industry to focus their effort on improvements that benefit the environment, create jobs, and keep the American auto industry at the forefront of manufacturing innovation. For example, one recent Indiana University report on the impact of fuel efficiency standards estimated that investment in innovation could increase jobs by between 200,000-375,000 in the year 2025, and add between \$138 billion to \$240 billion in GDP between 2017 and 2025.⁶ By contrast, if the current Administration finalizes its proposal, it will be rightly challenged, creating needless uncertainty for an industry that directly and indirectly employs 7 million Americans – **including over 3 percent of Colorado's workforce**.⁷ Indeed, the Trump Administration's own analysis shows that their proposal will result in fewer job years than the current program.⁸

In contrast to the Administration's proposal, calls to achieve a compromise for a continued program of strong, national standards – keeping states at the negotiating table with federal agencies – have been widespread and, notably, broadly inclusive of states as well as industry stakeholders including carmakers, suppliers, and utilities. The Alliance of Automobile Manufacturers has repeatedly encouraged working together to retain a program of standards that “continue increasing fuel economy – year after year”⁹, because “climate change is real, and we have a responsibility to reduce greenhouse gases.”¹⁰ Just this month, 17 automakers reiterated

welcomed Speaker Pelosi and others to thank them for their partnership in bringing to fruition the Energy Independence Security Act of 2007 (EISA), which delivered on his call to establish “the first statutory increase in fuel economy standards for automobiles since they were enacted in 1975” (<https://georgewbush-whitehouse.archives.gov/news/releases/2007/01/20070123-2.html>). The Bush Administration then proposed further increases to fuel standards for both cars and light trucks, ultimately deferring the finalization of those rules to the next Administration in 2009. (<https://www.ccjdigital.com/bush-administration-wont-finalize-cafe-rulemaking/>).

⁵ <https://nepis.epa.gov/Exec/DisplayPDF.cgi?P100W5C2.PDF?Dockey=P100W5C2.PDF>, p. 6.

⁶ <https://spea.indiana.edu/doc/research/working-groups/auto-report-032017.pdf>

⁷ <https://autoalliance.org/in-your-state/CO/>

⁸ Table 7-5 of the RIA shows that the proposed freeze would result in the loss of 50-60 thousand job years, relative to current EPA standards.

⁹ <https://autoalliance.org/>

¹⁰ <https://morningconsult.com/opinions/automakers-addressing-climate-change/>

that call in letters to President Trump and Governor Newsom – asking for “a unified standard that both achieves year-over-year improvements in fuel economy and facilitates the adoption of vehicles with alternative powertrains”¹¹ with consensus that includes states – a sharp contrast to the Administration’s proposed rule. Their message resonates with calls last year by Chairwoman Nichols, who articulated willingness to compromise and hopes that “reason could prevail.”¹²

Even President Trump at one point directed his team to negotiate a deal with California, though that directive was followed by the current proposal from the U.S. Department of Transportation and the Environmental Protection Agency to freeze standards, a move that expectedly provoked opposition from our state as well as many others.

This proposal, notably, was based on deeply flawed modeling and conclusions that defy both the spirit of their underlying statutes, common sense, and the real world imperatives that we face today. Let me give you just a few examples of the problems with this rule and the analysis supporting its flawed conclusion:

First, while conserving energy is the premise of USDOT’s corporate average fuel economy program, established first in the 1970s (under the Energy Policy and Conservation Act) in the wake of the oil embargo, the Administration is arguing that cutting oil consumption is now a lesser priority. That’s evident in this rule, which would increase U.S. fuel consumption “by about **half a million** barrels per day (2-3 percent of total daily consumption, according to the Energy Information Administration.)”¹³ It’s no surprise that the oil industry supports the proposed flatline.

Second, they include new modeling of consumer behavior – an area that’s a good idea to analyze further, but the conclusions of the model don’t make sense and are clearly not ready for prime time. For example, they predict that stronger fuel economy standards would result in **692** billion extra miles driven, if standards stay high.¹⁴ This is an artifact of a flawed model that projects that continued owners of existing vehicles, which are unaffected by new vehicle standards, will drive more miles if new vehicles have greater fuel economy. It’s clear from the administrative record that even many federal experts know that the results of this modeling are flawed.

Third, they claim that freezing the emissions standards would reduce roadway fatalities, breaking from a long literature on the relationship between safety and fuel economy.

Safety is the first priority in transportation, and so it has been a part of decision-making throughout the history of the fuel economy standards, to ensure that standards protect driver

¹¹ <https://assets.documentcloud.org/documents/6140607/Trump-GHG-CAFE-Letter-June-6-2019.pdf>; <https://assets.documentcloud.org/documents/6140606/Newsom-GHG-CAFE-Letter-June-6-2019.pdf>

¹² <https://www.bloomberg.com/news/articles/2018-04-10/california-says-a-car-emissions-deal-with-trump-could-be-doable>

¹³ <https://www.federalregister.gov/documents/2018/08/24/2018-16820/the-safer-affordable-fuel-efficient-safe-vehicles-rule-for-model-years-2021-2026-passenger-cars-and>, p. 42986

¹⁴ NPRM, Table VII-88. This figure represents the sum of the two lines on the table that represent Vehicle Miles Traveled, excluding rebound.

safety and improve fuel economy at the same time. But, relying heavily on their untested modeling techniques for analyzing elasticity of consumer demand and fleet turnover – and illogical assumptions about increased driving – they claim that the freeze would reduce fatalities by 12,700.¹⁵ Vehicle weight, the best researched area in the literature on safety and fuel economy, accounts for just 160 (1.2%) of that total.

Moreover, for those of us in the field, managing the reality of rapidly changing transportation systems, the proposed rule’s claims about safety paint an antiquated picture of mobility, in which consumers make binary choices between cars and trucks, and between buying a new car and nurturing the last years of an aging one. Consumers in metropolitan areas in particular have ever-evolving choices that range from ride-sharing to car-sharing to motor scooters—and these changing mobility patterns carry varying safety risks. Between 2005 and 2016, combined traffic fatalities for motorcyclists, bicyclists, pedestrians, and other non-motorists increased¹⁶ from a quarter to a third of total roadway fatalities. A truly dynamic approach to the fleet and the safety of travelers would question how sales and fleet composition evolve as consumers make different mobility choices than prior generations.¹⁷

Those are just a few examples of the many problems with this analysis. There’s a lot that needs to be fixed here, and serious and substantive dialogue between all parties could still yield a thoughtful resolution if the Administration were willing to come to the table, rather than force to conclusion a deeply flawed and ideologically driven proposal that lacks the backing of stakeholders across the country. If the Administration finalizes what it has proposed, our state will fight it in the courts, in partnership with California and many other states.

¹⁵ <https://www.federalregister.gov/documents/2018/08/24/2018-16820/the-safer-affordable-fuel-efficient-safe-vehicles-rule-for-model-years-2021-2026-passenger-cars-and>, Table 11-27

¹⁶ <https://www.nhtsa.gov/research-data/fatality-analysis-reporting-system-fars>

¹⁷ Note: the content in the three paragraphs above, as well as material related to job impacts and other analysis of the regulation, is also found in a piece that I co-authored with Jason Miller, and that was published by Brookings: <https://www.brookings.edu/blog/the-avenue/2018/08/03/the-trump-administrations-fuel-efficiency-proposal-is-unnecessary-and-harmful/>

Ms. SCHAKOWSKY. Let's see. Thank you.
And Mr. Friedman, you are now recognized for 5 minutes.

STATEMENT OF DAVID J. FRIEDMAN

Mr. FRIEDMAN. Thank you, Chairwoman Schakowsky, Ranking Member Rodgers, and Ranking Member Shimkus and committee members. Thank you for inviting Consumer Reports to testify today.

Now, we are here because the current administration, at the request of automakers and oil companies, has proposed to take money out of consumers' pockets to harm auto sales and to reduce our Nation's energy security, all while failing to address a public health epidemic on our Nation's roads.

Consumer Reports is a data-driven nonprofit, so let's start with some facts. First, newer cars are safer and more efficient, thanks primarily to NHTSA's safety and fuel economy standards.

The former saved more than 600,000 lives through 2012, and the latter will save Americans over \$660 billion going forward.

Second, Consumer Reports survey after survey show that consumers want safer, more fuel-efficient vehicles, and yet they face very limited choices on both counts when automakers don't have to meet strong efficiency and safety requirements. Just look at the rollover-prone, gas-guzzling SUVs of the '90s as Exhibit A.

Finally, Americans like to spend money when they can afford it. So when consumers save money, thanks to strong fuel economy standards, they spend it on things like going out to dinner, getting cool new tech, and buying new cars with more safety features.

As we've seen over the last decade very clearly, this creates jobs, boosts auto sales, and insulates our economy from future price shocks.

Despite these clear facts, the current administration released a plan to roll back fuel efficiency and emissions standards based on a fundamentally flawed proposal filled with errors, untested modeling, faulty logic, and unsupported conclusions.

I have to say, before, during, and after my time at NHTSA, I had never seen anything like this come out of the joint NHTSA and EPA efforts. Quite the opposite.

In the end, it appears this administration was so determined to roll back the standards that no fact, no data, and not even basic economic theory would stand in their way.

Making matters so much worse, they actually claimed and continue to falsely claim they're doing it for safety.

Members of the committee, over the last 2½ years more than 7.5 million Americans were injured and more than 90,000 were killed in traffic crashes. And yet Department of Transportation leadership has failed to finalize or even propose a single significant life-saving vehicle safety standard. That is not putting safety first.

No wonder people aren't taking their claims seriously. So let me end instead where I started, with the facts.

One, time and again, consumers, leading academics, and researchers and the agencies themselves have made clear that strong fuel economy and emissions standards are in the best interests of consumers and our Nation.

Two, the data show there is no such thing as an affordability crisis in today's car market. In fact, sales rose steadily since 2009 and have been at or near record highs since 2015.

Consumers with more money in their pockets are simply spending more on bigger vehicles with more luxury features. If you take those away, inflation-adjusted prices for new cars have not changed, even while cars got more efficient and safer, and the price of used cars has actually dropped.

Third, when it comes to highway safety, at worst the standards will have absolutely no effect. At best, raising the standards will provide a small but positive effect by taking dangerous weight out of the heaviest vehicles and helping consumers afford newer safer vehicles.

At the end of the day, Americans are more likely to upgrade to newer, cleaner cars if they're actually on the market and if consumers have more money in their pockets to buy them because they're spending less on gas.

And when it comes to safety, the only way to guarantee that those newer, cleaner cars will be safer is if DOT leadership allows staff to propose and finalize strong new safety requirements for technologies like automatic emergency braking with pedestrian detection and vehicle-to-vehicle safety communications tech.

That is the future we can all look forward to if existing fuel economy and emission standards are kept in place and DOT leadership lets NHTSA get back to its safety mission.

Thank you again, and I look forward to your questions.

[The prepared statement of Mr. Friedman follows:]



**Testimony of David J. Friedman
Vice President, Advocacy
Consumer Reports**

**Before the U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Consumer Protection and Commerce and the
Subcommittee on Environment and Climate Change**

Hearing on:

**"Driving in Reverse: The Administration's Rollback of Fuel Economy and
Clean Car Standards"**

**June 20, 2019
10:00 am
2123 Rayburn House Office Building**

Introduction

Chairwoman Schakowsky, Ranking Member Rodgers, Chairman Tonko, Ranking Member Shimkus and Committee members, thank you for inviting Consumer Reports to provide testimony at this hearing. I am David Friedman and I am the Vice President of Advocacy for Consumer Reports. I formerly served as both Acting (2014) and Deputy (2013-2015) Administrator of the National Highway Traffic Safety Administration (NHTSA), where I led the agency's mission to save lives, prevent injuries, and reduce the economic costs of road traffic crashes.

Consumer Reports is an independent, nonprofit member organization that works side by side with consumers for truth, transparency, and fairness in the marketplace. We use our rigorous research, consumer insights, journalism, and policy expertise to inform purchase decisions, improve the products and services that businesses deliver, and drive regulatory and fair competitive practices.

Consumer Reports has a 327-acre auto test center in Colchester, Connecticut, which is the world's largest and most sophisticated independent automobile testing center devoted to consumer interests. We buy our test vehicles anonymously at retail to maintain our independence and to test cars with the trim and options people actually buy. Using state-of-the-art measurement tools, CR engineers and automotive experts put vehicles through more than 50 rigorous tests, including safety systems, braking, fuel economy, handling, comfort, and performance. Our annual auto reliability and owner satisfaction surveys yield information on hundreds of models based on responses from hundreds of thousands of car owners.

SUMMARY: Proposed Fuel Economy and Emissions Standards Rollback Will Take Money Out of Consumers' Pockets, Harm Automakers and Our Nation, and Fails on Safety.

The proposed rollback is contrary to consumer interest and preferences. Survey after survey by CR indicate that Americans want more fuel economy, not less, and they place a significantly higher value on fuel efficiency than attributes like horsepower and vehicle size. Further, the rollback fails the statutory requirements of EPCA and the Clean Air Act and is based on analysis that is riddled with errors and modeling inconsistencies.

Key points:

- The existing standards deliver a three-to-one return on investment (i.e. fuel savings are three times the technology investment costs).
- NHTSA and EPA's preferred rollback would cost MY 2026 vehicle owners an average of \$3,300 over the life of the vehicle.

- SUV and pickup owners and used vehicle buyers would see the largest share of the benefits.
- The rollback would increase oil consumption by 320 billion gallons, the equivalent to 20% of the country's proven oil reserves.
- The rollback would harm the auto industry, decreasing sales between MY 2021 and 2035.
- The rollback would fail to improve auto safety, and may have a small harmful effect.

The fact is that Automakers have the technology to make better, safer, more efficient vehicles, and federal agencies should strengthen the current standards to save American's money, strengthen the auto industry, and protect our nation against the threat of economy-crippling oil price spikes.

Instead of rolling back fuel economy standards that help Americans, NHTSA, an agency with a core mission of safety, should be focused on strengthening standards to address the public health epidemic of nearly 40,000 fatalities and more than three million injuries on our roads every year. NHTSA can and should move forward on sensible safety rules that would help protect the public, but has not finalized any life-saving standards since the first half of January 2017, and has not even issued any proposals documenting potential lives saved for two and a half years.

1. History of Fuel Economy and Greenhouse Gas Standards for Light-Duty Vehicles

Fuel Economy Standards. In response to the 1973 oil crisis, Congress passed the Energy Policy and Conservation Act (EPCA) of 1975, directing the Department of Transportation (DOT) to set fuel economy standards for passenger vehicles and light trucks.¹ Fleetwide average fuel economy improved for about a decade following implementation of the standards. However, the standards were mostly stagnant starting in 1990, until the nation faced another oil price shock, spurring passage of the Energy Independence and Security Act (EISA) of 2007. That law required automakers to reach a fleetwide average of at least 35 miles per gallon by 2020. Based on that law and developments regarding greenhouse gas pollution regulation (see below), final fuel economy standards were put in place in 2011 through MY 2021 and augural standards were established through MY 2025.

Greenhouse Gas Pollution and "One National Program." In 2007 the Supreme Court held in *Massachusetts v. EPA* that the U.S. Environmental Protection Agency (EPA) has authority under the 1970 Clean Air Act to regulate greenhouse gases as "air pollutants."² In 2009, EPA issued a science-based finding that greenhouse gases endanger public health and welfare and therefore would be regulated as pollutants.³ Subsequently, DOT (acting through NHTSA), EPA and the

¹ "Light trucks" includes pickup trucks, SUVs, minivans, and some crossover utility vehicles.

² *Massachusetts v. EPA*, 549 U.S. 497 (2007).

³ 74 FR 66495 (December 15, 2009).

California Air Resources Board (CARB)⁴ jointly issued new rules to strengthen fuel economy and establish new greenhouse gas emission standards for Model Year (MY) 2012-2016 (Phase I) and MY 2017-2025 (Phase II). These new standards were harmonized to allow manufacturers to comply with all three sets of regulations simultaneously and became known as “One National Program.” Automakers and other stakeholders (including the advocacy division of Consumer Reports, then known as Consumers Union) supported these standards.⁵

Mid-Term Review. Included as part of the Phase II rulemaking was a “mid-term review,” in which EPA was to determine whether the standards were still “appropriate” or new standards were needed. Building off of an extensive record, including detailed teardowns of critical technologies to evaluate costs, EPA issued in January 2017 a final determination that the MY 2022-2025 standards remained appropriate under section 202 (a) (1) of the Clean Air Act. However, right after the current administration took office, automakers asked for a rollback of the standards,⁶ and the oil industry ran advertising and political campaigns to achieve the rollback.⁷ In April 2018, without a rigorous and comprehensive process or a standard comment period, EPA’s new leadership reversed the first final determination, indicating it would establish new, weaker standards.⁸

2. Consumer Benefits of Existing Standards

As efficiency gains and emission reductions have been made in the vehicle fleet under the existing standards, vehicle sales have increased, new vehicles have gotten safer, and the affordability of vehicles has been preserved.⁹ The fuel economy and greenhouse gas program has a proven record of success, and there is still room to continue improvements and increase consumer benefits. Overall, the existing fuel economy standards, which affect vehicles from MY

⁴ California has authority under Section 209 of the Clean Air Act to set more stringent emissions standards than the federal government and acquired a waiver from EPA to do so. The waiver is still in effect for the state’s low emission vehicle (LEV) and zero emission vehicle (ZEV) programs out to MY 2025.

⁵ 2011 Commitment Letters for 2017-2025 Light-Duty National Program, <https://www.epa.gov/regulations-emissions-vehicles-and-engines/2011-commitment-letters-2017-2025-light-duty-national>.

⁶ Alliance of Auto Manufacturers Letter to former Administrator Pruitt (Feb. 21, 2017) <https://www.epa.gov/regulations-emissions-vehicles-and-engines/midterm-evaluation-light-duty-vehicle-greenhouse-gas>.

⁷ *The New York Times*, “The Oil Industry’s Covert Campaign to Rewrite American Car Emissions Rules,” December 13, 2018, at <https://www.nytimes.com/2018/12/13/climate/cape-emissions-rollback-oil-industry.html>.

⁸ Mid-term Evaluation of Greenhouse Gas Emissions Standards for Model Year 2022-2025 Light-duty Vehicles, (April 13, 2018) <https://www.epa.gov/regulations-emissions-vehicles-and-engines/midterm-evaluation-light-duty-vehicle-greenhouse-gas>.

⁹ Tyler Comings & Avi Allison, *More Mileage for Your Money: Fuel Economy Increases While Vehicle Prices Remain Stable*, SYNAPSE (March 15, 2017), <https://consumersunion.org/wp-content/uploads/2017/03/Synapse-CU-Affordability-Report-3-15-corrected-1.pdf>.

2017-2025, would net Americans \$660B in savings relative to the standards in place for MY 2016.¹⁰

A. Low-income households benefit the most from strong standards.

Fuel economy and emissions standards are especially important for low-income consumers because they are more sensitive to gasoline prices and the vast majority of low-income car owners buy used vehicles.¹¹ Used vehicle buyers get more fuel economy for their money because fuel economy remains stable even as a vehicle depreciates.¹² While vehicle prices have been stable relative to inflation, gasoline prices have outpaced inflation and have been historically volatile.¹³ Low-income households, which spend more money fueling cars than buying them (and five times more on fuel compared to high income consumers, as a percentage of income) are particularly sensitive to gas prices.¹⁴ Research has shown that “as a percent of income, savings on fuel from better fuel economy are greatest for lower income households.”¹⁵ Thanks to improving fuel economy, gasoline spending has decreased for low-income households, even as gasoline prices have risen.

B. American consumers support strong fuel economy standards.

By saving consumers money, strong standards strengthen the economy and help low-income households in particular become more economically resilient, so it is unsurprising that Americans support strong standards. In a nationally representative survey, Consumer Reports found that fuel economy is the number one attribute vehicle owners would like to see improved.¹⁶ Fuel economy topped the list of attributes that American drivers think have the most room for improvement, beating out: purchase price, maintenance costs, connectivity, vehicle comfort, passenger room, safety, cargo space, reliability, horsepower, vehicle size, off-road

¹⁰ Calculation based on net benefits (fuel savings in excess of cost of compliance) during the lifetime of MY 2021-2035 vehicles.

¹¹ See Table 1101. Quintiles of income before taxes: Annual expenditure means, shares, standard errors, and coefficients of variation, Consumer Expenditure Survey, 3rd quarter 2017 through 2nd quarter 2018

¹² Greene, D. and J. Welch. (2016). *The Impact of Increased Fuel Economy for Light-Duty Vehicles on the Distribution of Income in the United States*, report prepared for Oak Ridge National Laboratory and the Energy Foundation. Specifically, the authors found that savings on fuel costs due to improved miles-per-gallon standards ranged from 4.3 percent of annual income for the lowest income quintile, to 0.9 percent for the highest income quintile.

http://bakercenter.utk.edu/wp-content/uploads/2016/09/Equity-Impacts-of-Fuel-Economy-Report_final.pdf.

¹³ Comings, Figure 6.

¹⁴ Comings, pp 11-12.

¹⁵ Greene, D. and J. Welch. (2016). *The Impact of Increased Fuel Economy for Light-Duty Vehicles on the Distribution of Income in the United States*, report prepared for Oak Ridge National Laboratory and the Energy Foundation. Specifically, the authors found that savings on fuel costs due to improved miles-per-gallon standards ranged from 4.3 percent of annual income for the lowest income quintile, to 0.9 percent for the highest income quintile.

http://bakercenter.utk.edu/wp-content/uploads/2016/09/Equity-Impacts-of-Fuel-Economy-Report_final.pdf.

¹⁶ 2018 Automotive Fuel Economy Survey Report, Consumers Union, (July 30, 2018),

<https://consumersunion.org/research/2018-automotive-fuel-economy-survey-report/>.

capability, style, and handling. Fuel economy was flagged as needing improvement almost twice as often as purchase price, maintenance costs, or connectivity, and more than four times as much as horsepower, vehicle size, or off-road capability. Fuel economy ranks first among attributes requiring improvement across each of the three income groups, each of the four regions, and among both Republicans and Democrats.

Thinking about your current vehicle, which three attributes have the most room for improvement?	Total %	Household Income			Region				Political Party	
		Under \$50,000 %	\$50,000-\$99,999 %	\$100,000 or more %	Northeast %	Midwest %	South %	West %	Republican %	Democrat %
<i>Respondents selected UP to three responses</i>										
Fuel economy	38%	35%	38%	41%	35%	40%	38%	39%	39%	36%
Purchase price	22%	21%	23%	23%	28%	23%	20%	20%	24%	22%
Maintenance costs	22%	26%	21%	19%	26%	22%	22%	21%	19%	23%
Infotainment or connectivity	21%	18%	20%	27%	22%	18%	21%	24%	21%	24%
Passenger room	14%	14%	16%	13%	13%	15%	13%	12%	16%	12%
Vehicle comfort	12%	11%	12%	12%	9%	14%	12%	12%	13%	11%
Cargo space	11%	11%	10%	11%	10%	10%	12%	9%	12%	9%
Safety	10%	12%	9%	7%	10%	8%	9%	12%	9%	11%
Horsepower	9%	7%	10%	9%	6%	8%	10%	10%	8%	10%
Reliability	8%	14%	7%	4%	6%	10%	9%	7%	9%	8%
Vehicle size	8%	9%	7%	8%	9%	8%	8%	8%	7%	9%
Off-road capability	8%	8%	7%	10%	10%	6%	9%	8%	11%	7%
Style	6%	5%	8%	5%	6%	8%	5%	6%	6%	6%
Handling	5%	3%	3%	8%	4%	4%	5%	6%	5%	5%
Base: Americans who own and drive a vehicle	1,067	339	342	413	197	239	412	248	493	513

The same nationally representative survey also found strong majority support for robust fuel economy standards.¹⁷ Highlights from the survey include:

- 85% of Americans agreed automakers should continue to improve fuel economy for all vehicle types.
- 74% of Americans agreed that increasing average on-road fuel economy from 25 miles per gallon today to 40 miles per gallon by 2025 is a worthwhile goal.
- 78% of Americans agreed that making larger vehicles, such as SUVs or trucks, more fuel-efficient is important.
- Only 26% of Americans agree that automakers care about lowering fuel costs for their customers.

Weakening fuel economy and greenhouse gas standards erodes fuel savings and ignores strong consumer support for the standards, and yet that is exactly what EPA and NHTSA are currently doing, as detailed below.

¹⁷ 2018 Automotive Fuel Economy Survey Report, Consumers Union (July 30, 2018), <https://consumersunion.org/research/2018-automotive-fuel-economy-survey-report/>.

3. EPA and NHTSA's Proposed Rollback Will Harm Consumers and the Economy

In 2011, automakers agreed to the current standards out to 2025, and in 2017, EPA made a final determination, based on a comprehensive technical assessment report, that these standards remained appropriate for MY 2022-2025. Automakers are currently complying with Phase II fuel economy and greenhouse gas standards.¹⁸ However, in August 2018, the current EPA and NHTSA leadership officially proposed to roll back the standards, following up on the request of automakers and pressure from some oil companies. The preferred alternative laid out in the proposed rule would freeze the standards at MY 2020 levels through 2026 instead of continuing reasonable year over year improvements through MY 2025, as required under the original Phase II standards. The proposal would replace the current EPA standards for greenhouse gases and projected (or “augural”) NHTSA standards for fuel economy. NHTSA’s proposed action of no increase to the Corporate Average Fuel Economy (CAFE) standards fails to meet the mandatory statutory factors in setting the “maximum feasible standard” under EPCA, as amended by EISA -- especially “the need of the United States to conserve energy.”¹⁹

Even according to the agencies’ own estimates, the proposed rollback would increase oil consumption by ½ million barrels/day,²⁰ while costing Americans \$153 billion more on fuel,²¹ costing the auto industry tens of thousands of jobs²² and providing zero benefit to the auto industry.²³ In addition, EPA has proposed a first-ever revocation of the waiver granted to California for its own emission standards. There is no provision in the Clean Air Act to revoke a waiver already granted and there is not a science-based rationale to do so, but if the waiver revocation were upheld in court, this would block 41% of the U.S. population--residents of the Clean Car States--from having access to cars meeting the existing set of standards.²⁴

¹⁸ *The EPA 2018 Automotive Trends Report*, (March 2019), <https://www.epa.gov/automotive-trends>.

¹⁹ 49 U.S.C. § 32902(f) (2018).

²⁰ The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule, 83 Fed. Reg. 42,986, 42,995 (Aug. 24, 2018) (to be codified at 40 C.F.R. pt. 85), available at <https://www.regulations.gov/docket?D=NHTSA-2018-0067>.

²¹ SAFE Vehicles Rule at 43,062.

²² Tables VIII-39 and VIII-40 of the SAFE Vehicles Rule include the agencies analysis of the change in auto manufacturing jobs for the CAFE program and CO₂ program respectively. Tallying the difference in auto industry jobs for these two policies between the baseline and the proposed alternative results in a loss of 602,000 job years (CAFE) and 466,000 job years (CO₂) respectively between 2019 and 2030. This adds up to an average of 50,000 (CAFE) and 39,000 (CAFE) jobs lost on a continuous basis throughout the analysis period for the two policies. SAFE Vehicles Rule at 43,437.

²³ SAFE Vehicles Rule at 43,062.

²⁴ Under the Clean Air Act, California has the right to set more stringent emission standards than the federal standards through a waiver process and other states may elect to follow California’s standards. So far, 14 other states and the District of Columbia—often referred to as “Clean Car states” or “177 states” in reference to the section of the Clean Air Act that allows states the option of following California’s standards—have chosen to follow California’s standards.

A. The rollback harms consumers

The robust technical analysis conducted by EPA and NHTSA in 2016, as well as more recent reports from ICCT show that many cost-effective technologies to reduce fuel economy are currently underutilized.²⁵ If standards are weakened, those improvements will remain underutilized in the vehicle fleet, and consumers will have to give up significant savings. If NHTSA and EPA's preferred rollback is put in place for MY 2021-2026, consumers will lose \$460B of the \$660B net consumer savings from the existing program, which is equivalent to the owners of a MY 2026 vehicle paying an average of \$3,300 more over the life of that vehicle. And because the currently expected fuel savings each month is greater than the additional monthly payment for the planned fuel economy improvements, the rollback would cost buyers who finance their vehicles more starting from the first month they own their vehicles. An analysis of the proposed rule from MJ Bradley & Associates also indicates net consumer losses, estimating the rollback will cost an average household \$200-500 per year after 2025, or \$1,200-\$3,000 over 6 years.²⁶

Buyers of larger vehicles and used vehicles will feel the losses especially keenly. Larger vehicles have the most room to improve, and the targets for increasing their efficiency were backloaded in the later years of the program, so losses will be especially acute for SUV and pickup truck owners under the rollback. Since most Americans buy used vehicles, and used car buyers will be especially impacted because as the fleet turns over, it will be less efficient and people will end up spending more on gas and with fewer options to do anything about it.

B. The rollback lowers auto sales and hurts the economy

Because more efficient cars and trucks result in lower fuel costs, they often have a lower total cost of ownership, which makes them more affordable. When consumers have more desirable vehicle choices with lower operating costs, they spend more money on other things, including vehicles, which increases vehicle sales.²⁷ Taking away that affordability through lower fuel economy standards will shrink American's budgets, cutting back their spending on many things, including new cars, which will lower auto sales.²⁸ In addition, the agencies use erroneous technology cost and rebound effect assumptions, which further bias the sales analysis in an

²⁵ Nic Lutsey et al., *Efficiency Technology and Cost Assessment for U.S. 2025-2030 Light-Duty Vehicles*, ICCT (March 2017), https://www.theicct.org/sites/default/files/publications/US-LDV-tech-potential_ICCT_white-paper_22032017.pdf.

²⁶ MJ Bradley & Associates, *Clean Car Roll-back: Estimated costs for American families if U.S. climate pollution and fuel economy standards are relaxed*, (July 20, 2018) https://www.edf.org/sites/default/files/MJ_Bradley_Clean_Cars_rollback_report.pdf.

²⁷ Jamie Hall et al., *Effects of the Draft CAFE Standard Rule on Vehicle Safety*, SYNAPSE (Oct. 25, 2018), http://www.synapse-energy.com/sites/default/files/Effects-of-Proposed-CAFE-Standard-Rollback-Vehicle-Safety_18-062_2.pdf.

²⁸ *Ibid.*

inaccurate direction. When these factors are accounted for, projected sales increase with fuel efficiency standards in place.²⁹

The decrease in fuel economy (and therefore increase in fuel spending) that would result from weakening the existing standards outweigh the decreases in compliance costs. This increase in the total cost of ownership results in a projected decrease in vehicle sales of between 800,000 and 2.3 million compared to the existing standards. Because the agencies erred in both the magnitude and the direction of the impact of changes to vehicle sales that might result from changing the standards, their estimates³⁰ of fatalities avoided and vehicle sales are similarly incorrect in both magnitude and direction.

C. The rollback is based on numerous errors and unrealistic assumptions, which stands in stark contrast to how the current standards were set.

1. Summary of agencies' key errors

Modeling errors and miscalculations from the analysis for the proposed rule include:

- mischaracterizations of vehicle price trends
- unjustified inflation of compliance and vehicle ownership costs
- a flawed sales model (including incorrect assumptions about how consumers buy and retain vehicles)
- a flawed fleet share model (including inflated VMT),
- contradictory and poorly supported beliefs about consumers' valuation of fuel economy improvements, and
- outdated assumptions about the relationship between vehicle mass and safety.³¹

When these and other errors are corrected, the direction of the effect of the roll back is clear, showing the rollback slows fleet turnover, increases or has no impact on fatalities, and inflicts a significant net cost on consumers.

2. NHTSA relied on inflated costs of compliance in its proposed rule, doubling prior estimated costs of compliance relying only on unsubstantiated automaker claims and ignoring the NAS recommended approach.

The agencies consistently use very high costs of compliance without adequate justification, abandoning techniques the National Academy of Sciences (NAS) recommended they expand the

²⁹ Ibid.

³⁰ Ibid.

³¹ ACEEE, Consumers Union and Consumer Federation of America joint comments into Docket [NHTSA-2018-0067] at <https://www.regulations.gov/document?D=NHTSA-2018-0067-11731>.

use of.³² The difference in the compliance cost of achieving the augural 2025 standards and the existing 2025 GHG standards, as assessed in the 2018 proposed rule increased by over 100% from EPA's original 2016 Proposed Determination and 2017 Final Determination.³³ Only NHTSA cost estimates are used in the proposed rule, despite their being double the cost estimated by EPA's modeling, conducted in parallel with NHTSA. This increase is unjustified and unsupported and is largely achieved by innappropriate and unrealistic pairings of technology that do not reflect how automakers apply technology to vehicles (e.g. applying turbocharging technologies to vehicles that are already hybridized and results in a negative incremental benefit).³⁴ In fact, the estimated compliance costs in the draft TAR should be revised *further downward*, as even that estimate was too high, in part because of technologies on the market today that were not included in the agencies' analysis.³⁵

The error of unjustified inflated costs carries over to nearly every part of the agencies' analyses, including sales and safety impacts, in addition to overall net cost-benefit calculations. Errors from agencies' flawed cost estimates and sales model permeate the overall cost-benefit analysis, including its turnover, fatality, and net benefits calculations.

3. *Agencies' assumption of voluntary overcompliance is unsupported by decades of history, is misused to calculate benefits of rollback while externalizing the costs, and makes clear that the proposal does not meet the statutory "maximum feasible requirement."*

The agencies' modeling in the proposed rule projects automaker overcompliance after 2020 even as standards in the proposed rule flatlines. This has the effect of further underestimating costs of the rollback (since automaker investments in greater efficiency are not counted toward the rule) while still counting fuel savings from overcompliance as a benefit of their new proposed rule.³⁶ The historical record shows that fuel economy improvements have lagged when standards

³² Nat'l Research Council, *Cost, Effectiveness, and Deployment of Fuel Economy Technologies for Light-Duty Vehicles*, NAT'L ACADEMIES PRESS (2015), <https://www.nap.edu/download/21744#>.

³³ See ICCT comments submitted to Docket [NHTSA-2018-0067].

³⁴ Ibid.

³⁵ Technical analysis indicates that the technology costs estimated in the draft TAR were themselves 34-40% overstated. Nic Lutsey et al., *Efficiency Technology and Cost Assessment for U.S. 2025-2030 Light-Duty Vehicles*, ICCT (March 2017),

https://www.theicct.org/sites/default/files/publications/US-LDV-tech-potential_ICCT_white-paper_22032017.pdf.

A 2018 Synapse report that uses a range of cost estimates, including cost estimates higher than ICCT, but lower than the agencies' estimates also indicates a net cost of the proposed rule. Jamie Hall et al., *Effects of the Draft CAFE Standard Rule on Vehicle Safety*, SYNAPSE (Oct. 25, 2018),

http://www.synapse-energy.com/sites/default/files/Effects-of-Proposed-CAFE-Standard-Rollback-Vehicle-Safety_18-062_2.pdf.

³⁶ Tyler Comings & Avi Allison, *More Mileage for Your Money: Fuel Economy Increases While Vehicle Prices Remain Stable*, SYNAPSE (March 15, 2017),

<https://consumersunion.org/wp-content/uploads/2017/03/Synapse-CU-Affordability-Report-3-15-corrected-1.pdf>.

stagnate. The agencies' assumption that fuel economy will continue to improve due to "market forces" post-2021 without increasing standards is counter to the factual record³⁷ and contradicted by their own assertions in the proposed rule that automakers struggle to sell vehicles with better fuel economy.³⁸

By assuming that all technologies with a 30-month payback will be incorporated by manufacturers even without the standards in place, yet proposing to set standards below that level, the proposed rule clearly does not meet the maximum feasible standard under EPCA. If automakers would invest in these technologies even without the standards, then that sets the floor from which maximum feasible, cost-effective standards should be established. Yet the agencies have proposed a level of fuel economy below what they claim automakers would do on their own without standards.

4. The Key to Highway Safety is Progress on Safety, not Rolling Back Standards.

The evidence shows that vehicles are getting more fuel-efficient and safer.³⁹ The past decades have shown steadily increasing fuel economy, as well as lower fatality rates. But the auto industry does not automatically improve safety. Most major safety improvements arise not from the good will of automakers or consumer demand, but through mandatory safety standards.⁴⁰ Current NHTSA leadership is not moving forward to improve safety and is instead misleading the public about the safety impacts of its "SAFE" proposed rule. This Orwellian-sounding rule does nothing to improve safety. On the other hand, there are many things that NHTSA could and should be doing to help safety and is not doing, as described below.

A. Steps NHTSA should be taking to improve safety.

As a safety agency, NHTSA is missing opportunities to reduce deaths and injuries on our roads through safety-related rulemakings. NHTSA can and should move forward on sensible safety rules -- many of them congressionally mandated -- that would help protect the public. For example, numerous initiatives -- such as on rear seat belt reminders,⁴¹ stronger testing to protect

³⁷ When standards stalled, so did fuel economy, as demonstrated by EPA's Trends report. *Light-Duty Automotive Technology, Carbon Dioxide Emissions, and Fuel Economy Trends: 1975 Through 2017* (January 2018) <https://nepis.epa.gov/Exec/QueryPDF.cgi?Dockey=P100TGDW.pdf> at 7.

³⁸ SAFE Vehicles Rule at 43,993 and 43,260.

³⁹ Jamie Hall et al., *Effects of the Draft CAFE Standard Rule on Vehicle Safety*, SYNAPSE (Oct. 25, 2018), http://www.synapse-energy.com/sites/default/files/Effects-of-Proposed-CAFE-Standard-Rollback-Vehicle-Safety_18-062_2.pdf. See also, Statement by Alliance of Automobile Manufacturers CEO Mitch Bainwol Before the Senate Energy and Natural Resources Committee (Jan. 21, 2016), <https://autoalliance.org/2016/01/21/statement-of-auto-alliance-ceo-mitch-bainwol-before-the-senate-energy-and-natural-resources-committee/>.

⁴⁰ Kahane, C. J. (2015, January). *Lives saved by vehicle safety technologies and associated Federal Motor Vehicle Safety Standards, 1960 to 2012 – Passenger cars and LTVs*. (Report No. DOT HS 812 069). Washington, DC: National Highway Traffic Safety Administration.

⁴¹ See Janette Fennell et al., *The Center and KidsAndCars.org Sue DOT/NHTSA to Force Action on Rear Seat Belt Reminder Rule*, CENTER FOR AUTO SAFETY (Aug. 16, 2017).

children,⁴² advanced driver assistance safety features (such as automatic emergency braking (AEB) that detects pedestrians and that operates at highway speeds, blind spot warning systems, and systems to verify driver engagement and alert drivers if inattentive),⁴³ vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2X) communications systems,⁴⁴ distracted driving guidelines,⁴⁵ and on-board systems to detect drunk drivers -- have the potential to save thousands of lives annually.⁴⁶ On top of all these are standards that could help reduce the growing toll of lives lost due to heavy vehicles, such as trailer underride guards, AEB for trucks, and tools to stop 18-wheelers from speeding.

NHTSA's lightweighting claims in the proposed rule are highly uncertain, at best, as described below. Market forces and past automaker trends strongly suggest that automakers will primarily remove weight from heavier vehicles, thus improving societal safety outcomes, but if NHTSA has reason to believe that automakers will use lightweighting in ways that will put Americans at risk, it should use its full investigation, recall, enforcement, and rulemaking authorities to prevent such dangerous practices.

B. How the rollback fails on safety

Most of NHTSA's claimed reductions in fatalities from the "SAFE" rule arise from modeling inconsistencies and clear errors related to inconsistent VMT assumptions and assigning fatalities to increased driving that may arise from consumers saving money. The small remainder of fatalities attributed to lightweighting as a compliance strategy is also based on flawed assumptions, described below.

<https://www.autosafety.org/cas-kidsandcars-org-sue-dotnhtsa-force-action-rear-seat-belt-reminder-rule/>; see also 49 U.S.C. § 30127 (2018).

⁴² See, e.g., <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201904&RIN=2127-AL34>,

<https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201904&RIN=2127-AK95>,

<https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201904&RIN=2127-AL04>

⁴³ *Real-World Benefits of Crash Avoidance Technologies*, IIHS (May 2018).

www.iihs.org/media/3b08af57-8257-4630-ba14-3d92d554c2de/mYL9rg/OAs/Automation%20and%20crash%20avoidance/IIHS-real-world-CA-benefits-0518.pdf; *Driver Assistance Technologies*, NHTSA,

<https://www.nhtsa.gov/equipment/driver-assistance-technologies>

⁴⁴ Federal Motor Vehicle Safety Standards and V2V Communications, 82 Fed. Reg. 3,854 (Jan. 12, 2017).

⁴⁵ Visual-Manual NHTSA Driver Distraction Guidelines for Portable and Aftermarket Devices, 81 Fed. Reg. 87,656 (Dec. 5, 2016).

⁴⁶ NHTSA, *Research on Seatbelt Interlock and Alcohol Detection Technologies*, 17 (Feb. 1, 2018),

<https://www.gsa.gov/cdnstatic/NHTSA's%20Research%20on%20Seatbelts%20Interlock%20and%20Alcohol%20Detection%20Technologies.pdf>

1. *NHTSA's own most recent statistical analysis shows that the relationship between mass reduction and fatalities is not statistically significant at standard confidence intervals (95% or even 90%).*

The agencies' estimated fatalities attributed to lightweighting are based on counterfactual assumptions about fleetwide vehicle weight distribution. According to NHTSA's own analysis, the fatality calculation for weight reduction includes zero in each vehicle category at the 95% CI,⁴⁷ yet the agencies extrapolate these values as the lynchpin for ascribing fatalities attributable to mass reduction to the augural standards, and fatality reductions to the "preferred alternative." In fact, this relationship has been weakening over time (now only 85% CI for two vehicle categories and even lower for remaining three categories) indicating that modern car designs are ensuring that weight is no longer a statistically significant factor in determining vehicle safety.

2. *The agencies' analysis does not capture the most recent trends of a weakening relationship between mass and fatality risk.*

The vehicles NHTSA uses in its analysis for mass/fatality correlation are between 8 and 17 years old,⁴⁸ and thus are unlikely to capture the current and future mass/fatality relationship of modern vehicles or the benefits of mandated safety equipment such as electronic stability control standard for the 2012 model year.⁴⁹ In addition, new advanced high-strength materials are now being used to make vehicles more fuel-efficient. The crash properties of these materials, as well as newer designs, are not reflected in the historical analysis—but vehicles designed with these materials are earning crash test ratings equal to or better than the heavier models they are replacing.

A review of modeling studies and real-world vehicle performance shows that lightweighting, when applied by skilled engineers, in a manner that does not reduce vehicle footprint, can achieve significant weight reductions while maintaining or even improving safety.⁵⁰ The Lotus Phase 2 CUV (Crossover Utility Vehicle) study incorporated a wide variety of structural body materials (aluminum, steel, magnesium and composites), used bonded construction, achieved a

⁴⁷ NHTSA & EPA Preliminary Regulatory Impact Assessment The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Year 2021 – 2026 Passenger Cars and Light Trucks, 1372 (Aug. 23, 2018), <https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/ld-cafe-co2-nhtsa-2127-al76-epa-pria180823.pdf>.

⁴⁸ NHTSA & EPA Preliminary Regulatory Impact Assessment The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Year 2021–2026 Passenger Cars and Light Trucks, 1374 (Aug. 23, 2018), <https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/ld-cafe-co2-nhtsa-2127-al76-epa-pria180823.pdf>.

⁴⁹ Federal Motor Vehicle Safety Standards; Electronic Stability Control Systems; Controls and Displays Final Rule, 72 Fed. Reg. 17235 (April 6, 2007) at <https://www.federalregister.gov/documents/2007/04/06/07-1649/federal-motor-vehicle-safety-standards-electronic-stability-control-systems-controls-and-displays>.

⁵⁰ Gregory Peterson, *Modern Vehicle Lightweighting: A Review on Safety of Reduced Weight Vehicles*, CONSUMERS UNION (Oct. 24, 2018), <https://consumersunion.org/research/modern-vehicle-lightweighting-a-review-on-safety-of-reduced-weight-vehicles/>

37% BIW weight reduction and a 31% total vehicle weight savings, and met key FMVSS crash requirements at near cost parity.⁵¹ The EDAG/GWU mid-sized passenger car (Honda Accord) study showed a 20.9% weight reduction while meeting all key performance metrics including safety, drivability, comfort, and noise.⁵² The 2011 Lightweight Silverado Study predicted a 20.8% mass reduction with comparable modeled crash test performance to the all-steel version.⁵³

Real-world examples include the 2015-2018 Ford F-150, which reduced weight by up to 700 pounds by incorporating advanced lightweight materials, while being the only pickup truck to earn a Top Safety Pick rating from IIHS in 2015.⁵⁴ It also received a 5 star rating from NHTSA, which was an improvement over the 4 star rating the previous, all-steel 2014 version of the F-150 received.⁵⁵ The 2019 Silverado base model shaved over 200 lbs. relative to the 2018 model, while also reducing MSRP. The larger premium model shaved almost 500 lbs.⁵⁶

Many attributes associated with reducing vehicle weight also contribute to better handling and shorter braking distances, and may allow an average driver to control the vehicle more effectively in an impending accident. Many real-world examples are highlighted by the Michigan Manufacturing Technology Center analysis that illustrate improved handling performance of reduced weight vehicles, which can contribute to improved safety.⁵⁷ Additionally, the deployment and increased penetration of crash avoidance technologies, such as forward collision warning (FCW), automatic emergency braking (AEB) and electronic stability control (ESC), are likely to further erode the relationship between mass and fatality risk.

As mentioned in the previous section, the agencies' sales projections are in the wrong direction because of errors in the overall cost-benefit analysis. Vehicle sales will likely decrease from rollback, which means new vehicle sales and the safety technologies that come with them will slow down under rollback.

⁵¹ Report, *Evaluating the Structure and Crashworthiness of a 2020 Model-Year, Mass-Reduced Crossover Vehicle Using FEA Modeling*, LOTUS ENG'G (Aug. 31, 2012),

https://www.arb.ca.gov/msprog/levprog/leviii/final_arb_phase2_report-compressed.pdf.

⁵² H. Singh, *Feasible Amount of Mass Reduction for Light Duty Vehicles for Model Years 2017-2025*, NHTSA (May 2013), https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/3-singh-edag-nhtsa_2013.pdf.

⁵³ Report, *Mass Reduction and Cost Analysis—Light-Duty Pickup Truck Model Years 2020-2025*, FEV (June 2015), <https://nepis.epa.gov/Exec/QueryPDF.cgi/P100MS0E.PDF?Dockey=P100MS0E.PDF>.

⁵⁴ Forbes, *In Crash Tests, Ford's Aluminum F-150 Is The Safest Pickup* (April 12, 2016) <https://www.forbes.com/sites/joannmuller/2016/04/12/in-crash-tests-fords-aluminum-f-150-is-the-safest-pickup/#d55d01422367>

⁵⁵ National Highway Traffic Safety Administration, <https://www.nhtsa.gov/ratings>

⁵⁶ Gregory Peterson, *Modern Vehicle Lightweighting: A Review on Safety of Reduced Weight Vehicles*, CONSUMERS UNION (Oct. 24, 2018)

<https://consumersunion.org/research/modern-vehicle-lightweighting-a-review-on-safety-of-reduced-weight-vehicles/>

⁵⁷ Gregory Peterson, *Modern Vehicle Lightweighting: A Review on Safety of Reduced Weight Vehicles*, CONSUMERS UNION (Oct. 24, 2018),

<https://consumersunion.org/research/modern-vehicle-lightweighting-a-review-on-safety-of-reduced-weight-vehicles/>

5. Conclusion

Gradual improvements to fuel economy and emission standards, like those in place today, are part of a practical and tested program to reduce fuel consumption, protect public health, maintain a competitive auto industry, and save consumers billions of dollars. Automakers have developed the technology to make better, safer, and more efficient vehicles, and federal agencies should maintain or strengthen standards to continue this progress in consumer savings and protection, not roll them back. EPA and NHTSA's actions to roll back these standards are based on flawed analysis and will cost consumers money and slow down auto sales while, at best, doing nothing to improve safety.

I would like to thank the committee for holding this hearing and appreciate the opportunity to testify today.

Fact Sheet: A 'Rollback' costs consumers money

Automakers agreed to emissions standards that benefit both car companies and consumers and are set to continue through 2025.

BETTER FUEL ECONOMY SAVES MONEY

TARGETS ARE ACHIEVABLE:


Meeting the 2025 standards will come primarily from improvements to gasoline-powered vehicles, requiring very modest sales of hybrids and electric vehicles (EVs).


Average Vehicle

29 mpg in 2020  37 mpg by 2025

TARGETS ARE FLEXIBLE:

If consumers buy larger vehicles, automakers have easier fuel efficiency targets:

 SUVs/trucks  Cars
32 mpg by 2025 44 mpg by 2025

73% of Americans agree that the federal government should be setting higher standards for vehicle efficiency. 

HOW CONSUMERS BENEFIT FROM FUEL-SAVING TECHNOLOGY:

 **\$1 tech investment** =  **\$3 fuel savings**


Fuel-saving innovations provide a terrific 3-to-1 return on investment.

Rolling back federal fuel economy and emissions standards would cost consumers billions of dollars.

A ROLLOBACK COSTS CONSUMERS

On average **\$3300*** **MORE** per vehicle. 

That totals about **\$460 billion*** in **additional** costs for the country. 

70% of the cost of weaker fuel economy standards will fall on pickup truck and SUV owners. 

CR Consumer Reports*

ConsumerReports.org/Advocacy

*This page is a DRAFT. Numbers are subject to change.

Investing in fuel economy technology not only saves consumers money, but also improves highway safety



Step 1 Most new vehicle buyers finance their purchase, so consumers start saving money in the very first month of ownership as the **fuel savings are greater than the difference in monthly payment.**



Step 2 Consumers' net savings from better fuel economy puts money in their pockets and increases consumer spending, resulting in **higher vehicle sales.**



Step 3 Higher sales of new vehicles means improved highway safety, because new cars are **more likely to have advanced safety features** (like blind-spot warning and automatic emergency braking).



Step 4 So as consumers replace older vehicles with newer vehicles, **consumers save money and get safer vehicles.**

USED CAR OWNERS BENEFIT FROM STRONG STANDARDS

Used vehicles make up

73%

of all annual car & truck sales in U.S.

The **positive effects** of strong fuel economy standards will be **long lasting**, because fuel-saving technologies installed today eventually make their way to the used car market.

About half of the benefits of fuel-saving technology implemented today will be experienced by used car owners.

A ROLLBACK WOULD HARM USED CAR BUYERS OVER THE LONG-TERM

Used car buyers are choosing among vehicles already on the road. **Rolling back** fuel efficiency standards today restricts used car buyers to **fewer fuel efficient vehicle choices available** far into the future.

Furthermore, low-income consumers spend up to

5x

higher a percentage of their income on fuel costs compared to high-income consumers.

CR ConsumerReports®

Learn more at
[ConsumerReports.org/Advocacy](https://www.ConsumerReports.org/Advocacy)

Fuel Economy Facts

This is a DRAFT.
*Numbers subject to change

Good fuel economy means more miles for less money

No matter the kind of vehicle they drive, consumers want more miles to the gallon, because better fuel economy saves people thousands of dollars.

Where we are

The robust fuel economy standards were established through collaboration among the auto industry, consumer, labor and environmental advocates.

Where we're going

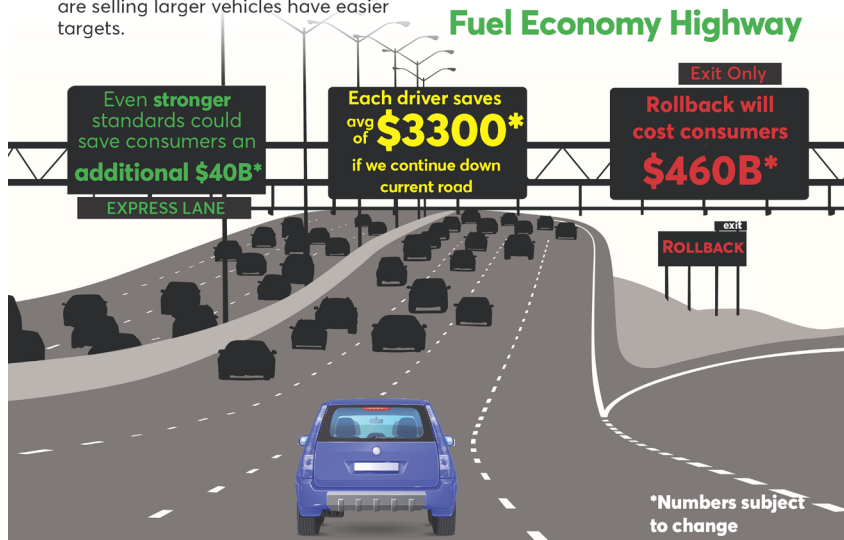
Under the current program, cars and trucks are set to reach an average of 37 miles per gallon (mpg) by 2025. The standards are flexible and scale with the size of vehicles, so automakers that are selling larger vehicles have easier targets.

How we get there


Meeting the 2025 standards will come primarily from [improvements to gasoline-powered vehicles using technology that is already on the market](#), and only very modest sales of electric vehicles (EVs) and hybrids.


Avoiding a wrong turn


Rolling back the federal fuel economy and emission standards would cost American consumers an **additional \$460 billion dollars**. The rollback plan, called the "S.A.F.E. Rule," is misleading because the rollback does not improve highway safety.




Consumers along for the fuel-efficient ride

74% of Americans agree, "Increasing fuel economy from an average of 25 MPG today to 40 MPG by 2025 is a worthwhile goal." 

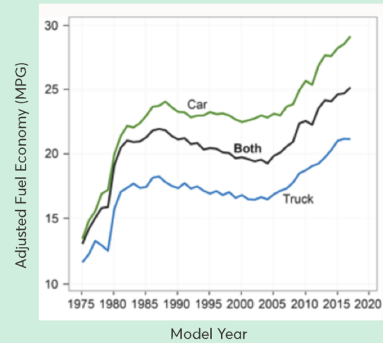
Fuel economy is the TOP ATTRIBUTE drivers would like to see improved in their next vehicle, beating out other features such as horsepower, off-road capabilities, & vehicle size by a **3-to-1 margin**. 

85% of Americans agree that "Automakers should continue to improve fuel economy for all vehicle types." 

78% of Americans agree that "Making larger vehicles, like SUVs and trucks, more fuel-efficient is important." 

Real World Fuel Economy Improvements Over Time

Fuel economy has improved over the last 10 years, thanks to rising fuel economy standards - a welcome change after 20 years of falling fuel economy when the standards stalled. Fuel economy improvements could stall again without strong standards set by the federal government.



Graphic source: [EPA Fuel Economy Trends Report](#)

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Ms. SCHAKOWSKY. I thank all of you for your testimony, and I now want to begin the section where we ask questions of the witnesses. Each Member will have 5 minutes, and I will begin.

Let me just start with a statement that clean-car technologies do not develop in a vacuum. Automakers produce vehicles that are more fuel efficient and less polluting because of fuel efficiency standards.

That's why Congress gave NHTSA the mandate to set the, quote, "maximum feasible," unquote, fuel economy standards.

So Mr. Friedman, will automakers, given your experience with NHTSA and being a regulator yourself—will automakers voluntarily produce vehicles with the maximum feasible fuel efficiency, or are Federal standards absolutely necessary?

Mr. FRIEDMAN. History makes clear that, unless fuel economy standards are increasing, automakers leave technology after technology on the shelf—technology that could be saving consumers millions of dollars they don't put to work without standards.

Ms. SCHAKOWSKY. And we haven't seen a scenario where the kind of innovation—I think you mentioned that, Ms. Lew—that develops from these standards has then hurt the auto industry. Is that true?

Mr. FRIEDMAN. Quite the opposite. I mean, A, it is basic economics. If people are saving money on gas, they're going to spend it in this country and they're going to spend it on a whole host of different things, including buying new cars. The last 10 years have shown this very clearly. Auto sales are up. Fuel economy is up. Safety is up.

Consumers can have their cake and eat it, too, as long as they've got a government watching out for their backs.

Ms. SCHAKOWSKY. Thank you.

With standards setting a target for the automobile industry, there is no certainty for companies developing clean-car technologies in this country.

Billions of dollars of investment and thousands of jobs will go overseas to countries that prioritize clean air and oil independence.

So, Mr. Nassar, I want to ask you, would auto manufacturers continue to invest in American clean-car development, engineering, and manufacturing should the clean-car rollback go into effect?

Or would this investment go overseas? Are we losing the opportunity to export clean-car technology and set the standard for the global market?

Mr. NASSAR. Thank you for the question.

Absolutely, standards encourage the development of new technologies in vehicles here, and there is a real danger that if you have—you know, if you don't have standards or if you have standards that don't push at all, that'll be done elsewhere.

A big lesson is here, too. We need to have diverse fleets, OK, because oil prices, yes, they are low now, but that can change, and we've lived—this has already happened. We don't need to repeat history here.

So it is really going to be important that we have standards and I think to be sensible, but we have got to have standards that really do encourage, you know, new technologies here.

I just want to point out that the vast majority of lithium ion battery production is projected by 2021 to be in China, and so as a country we really have a lot to do to get those new technologies here.

Thank you for your question.

Ms. SCHAKOWSKY. Thank you.

Let me ask another one, Mr. Nassar. How would weakening our Nation's fuel economy standards impact the UAW members and the auto industry, and how has the uncertainty impacted the workforce, and why should all members of this committee be concerned about the potential economic impact of the proposal?

Mr. NASSAR. Yes. Well, the reality is that, you know, investments for—in plants and new vehicles have to be made many years out—many years out—and you really do need to know where we are heading.

And the fact that we don't know where we are heading is creating some real problems because companies are—they're global and they look around the world and at places where there is more certainty, where they do know where they're heading, that's where they are inclined to make more of the investments.

As I said before, you know, we have other policies—tax and trade—that hurt as well. But absolutely it is going to be important to have strong standards here.

Ms. SCHAKOWSKY. Thank you.

And, Mr. Friedman, again, if clean-car technology and production moved overseas, what actions would American consumers have if they want to buy Next Generation clean vehicles?

Mr. FRIEDMAN. Well, it looks like they'd be out of luck. Maybe they could spend some extra money and fly overseas. But if the technology isn't available here, they can't get it. It would, basically, leave it off limits to the average American, and that's just not good for consumers or our Nation.

Ms. SCHAKOWSKY. Thank you.

Mr. Nassar, how can Congress and the administration best protect these jobs?

Mr. NASSAR. A whole host of policies. We really need to have a pro-labor law, like, pass the PRO Act is going to help—would help a lot. You need tax policy. You need to have sensible standards that last for a long time and investments in new technologies here. Make sure they're made here and with good worker standards. That would help a lot.

Ms. SCHAKOWSKY. Thank you very much.

I yield back, and the Chair will now recognize Mrs. Rodgers, subcommittee ranking member, for 5 minutes to ask questions.

Mrs. RODGERS. Thank you, Madam Chair. Thank you all for being here today. I am always amazed with American ingenuity and the entrepreneurial spirit, and we time and time again lead the world in new innovation and thinking of the better ways to solve our problems, and I think this is an important discussion today.

America also leads the world in environmental standards and setting—really, leading the world in combatting—in bringing down carbon emissions. I do think it is noteworthy that the average car today costs \$37,000. For most hard-working Americans, that is out

of reach for them, and from 2016 to—when you look at fatalities in America, 2016 to 2017, 2017 to 2018, we had the largest increase in fatalities in 50 years.

Thirty-six thousand people died. So there's a lot of considerations that go into making these decisions that are before this Congress in this discussion today.

It is great to have former colleague and the attorney general of Louisiana here. Mr. Landry, I wanted to ask you just why do you support the SAFE vehicles rule?

Mr. LANDRY. Well, again, there's this—still a clause in the Constitution called the Commerce Clause, which is supposed to allow the Federal Government in certain circumstances to allow for national standards, and so to allow for California to dictate its policy on the rest of the country would be problematic and, again, would be in violation of the Commerce Clause.

Mrs. RODGERS. OK. Thank you.

Mr. Schwietert, in a letter sent by several of your member companies on June 6th, it stated that, quote, "market conditions have changed materially since 2011," and then it went on to say that the administration's decision to review and update future auto standards was the proper choice.

And you described the current program as untenable. Why is the current regulatory structure untenable for automakers? What are we leaving on the table in jobs and R&D investment with fines if the current program is locked in place with litigation?

Mr. SCHWIETERT. Thank you for the question. I think that it speaks to something that auto manufacturers are committed to, and that's a concern about effectively breaking up One National Program, which could lead to a bifurcated market.

So you're absolutely right. As it relates to the standards that were set back in 2012, if standards aren't right sized, that causes concern not only for litigation risks and investment risks but also what consumers can actually afford.

So that's ultimately why automakers have been clear from the beginning that we support a re-evaluation of the standards that were envisioned back in 2012, because market conditions have changed.

Mrs. RODGERS. Thank you.

Mr. Loris, can you explain further why you have described the proposed SAFE vehicles rule as a welcomed, quote, "victory for consumers' wallets?"

Mr. LORIS. Sure. Again, I think the fundamental aspect here is consumer choice, and while there are a lot of vehicles in the marketplace today, consumers do have choices. Every time the Federal Government chooses to impose more stringent standards, they're overriding that choice.

They're taking opportunity costs away from manufacturers to invest in different technology that ultimately consumers might want.

So from a consumer standpoint, I would rather see the automakers make cars that people want to buy. I think that's the first fundamental problem with CAFE standards.

The second issue really is price. We've seen across the academic literature that every time fuel economy standards are more strin-

gent, they impose higher prices that ripple throughout the new-and-used-car market.

Mrs. RODGERS. So it is my understanding right now nationally 4 percent of vehicles are the alternatives—1.2 percent are electric.

Ms. Lew, I just wanted to ask, what percentage of vehicles in Colorado are electric?

Ms. LEW. This past year's sales were just in excess of 7,000. I can get back to you on the percent of the total market. But that was nearly double what it had been the year prior and the year prior to that.

Mrs. RODGERS. OK. I'll look up, then, what percentage. I was just curious if you were meeting the national standard or not. Anyway, I am going to yield back.

Mr. FRIEDMAN. Just to clarify, no electric vehicles are required to meet the national standard, and projections, even by 2025, indicate even a couple of percent or two is more than enough, and we are already at or above that level.

I would also just quickly say—

Mrs. RODGERS. Excuse me. My time has expired.

I will yield back. Thank you.

Mr. CÁRDENAS [presiding]. The gentlewoman yields back.

Next, we have the congresswoman from California, Congresswoman Matsui, for 5 minutes.

Ms. MATSUI. Thank you very much, Mr. Chairman.

Chair Nichols, it is nice to see you here—my constituent. That's great. I want to thank you for the extraordinary work you have done throughout your career to really clean the air not only for Californians but all the rest of the country.

And for the last decade, you have been at the forefront of the fight against climate change and to improve public health.

Now, I just want to make a comment here that I just found it kind of rich that Administrator Wheeler wasn't here to testify today, but I think you addressed this. He sent a letter supposedly refuting your testimony.

But I am going to say, it is hardly surprising that he's hiding behind the letter instead of joining us here today, because it is kind of a pattern of behavior—refusing to negotiate with California in good faith.

So enough said about that. I want to ask you a couple questions about the zero-emission vehicle waiver. Chair Nichols, the fight against climate change and the fight to clean our air and improve public health are intertwined.

Decades ago, California's leadership contributed to the creation of the modern catalytic converter. In 1990, California implemented a requirement that companies sell zero-emission vehicles to help achieve Federal clean air goals.

Yet the administration attempts to justify revoking California's ZEV waiver on the grounds that it is solely about carbon pollution.

Chair Nichols, can you describe the role of ZEVs in meeting health-based air quality standards, reducing emissions of toxic pollutants as well as meeting greenhouse gas reduction targets?

Ms. NICHOLS. Thank you, Ms. Matsui.

First of all, I want to make it clear that, as Mr. Friedman said earlier, the CAFE law and the emissions law that we are talking

about here today, the regulations, do not contemplate electric vehicles. Any kind of zero-emission vehicles are not covered by these regulations.

That is actually a part of what makes this whole effort somewhat of a parallel universe to what's actually going on in the real world, where all the car companies are investing heavily in the transition to either hybrids or all-electric vehicles, and they are not doing that because of California's mandates, although I think we played a role in getting that started and we are by far the largest market—now four electric vehicles.

But because it is now quite clear that the world as a whole is moving in the direction of electrified transportation and all of the companies want to be competitive, not just in California or in the U.S. but in the international and the global market as well.

Our interest in these vehicles stems from our concerns about air quality, however, and it is really based on the fact that—and there is a connection here, of course—using—burning petroleum is the source of the emissions that cause health harm in all of our communities, both urban and rural.

Burning of gasoline as well as the production, distribution, et cetera—the network, if you will—is the major contributor to health-harming air pollution, even now with all the tremendous progress that the industry has made and which we commend them for.

Ms. MATSUI. Right.

Ms. NICHOLS. The sheer numbers of vehicles are such that we continue to have a serious problem.

Ms. MATSUI. Now, could I ask you—I think you may have seen that we had the EPA Administrator Wheeler before the committee in April and I asked him about the proposed rule, and he claimed that the carbon dioxide reductions in the SAFE vehicles rule would be pretty similar to what the Obama administration would have received under their rule.

Chair Nichols, CARB has obviously done extensive analysis on this. How would you respond to this claim?

Ms. NICHOLS. I, frankly, don't know to what Mr. Wheeler was referring. The proposed rule initially had a number of different alternatives that they took comment on. But the preferred alternative and the one that we understand is going to be sent for the final rule did not involve any continued improvement in emissions.

And so the assumption had to be that somehow by the magic of the market that consumers would go out and buy these vehicles because they'd be cheaper and therefore we would see a faster fleet turnover.

But that same analysis in the—again, in the proposal—was that there would also be a safer rule. We would have more safety because people would buy cars but they wouldn't drive them. So they would be leaving the cars in the garage, in effect.

We've also seen some, frankly, unsupportable citations in the rulemaking record regarding the costs of the standards in any event with wild swings.

Somehow between President Obama and President Trump, the cost doubled. Just happened that way without any noticeable change in the state of the economy.

So I think we are skeptical. We, of course, will look very closely at whatever the final regulation is. But that's all I can say.

Ms. MATSUI. OK. Well, thank you very much for appearing today, and I yield back.

Mr. CÁRDENAS. The gentlewoman yields back.

And next we have the gentleman from Illinois, Congressman Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman, and I don't want to tangle with my friend, Doris Matsui. She's just too nice of a lady, and I am glad Debbie Dingell is here because I think the—

[Laughter.]

Mr. SHIMKUS. Well, I will tangle with her, but she'll tangle back.

You know, the elephant in the room is, are you guys talking or are you not, and are we going to get to some type of agreement? So I would like to ask unanimous consent that this letter that we are all talking about that I don't think has been appropriately asked to be submitted for the record, be submitted for the record.

Mr. CÁRDENAS. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. SHIMKUS. Thank you. And, Mary Nichols, it is great to have you here. Obviously, you work for the State of California. I have great respect. Don't take this in any adversarial role. We are just trying to get the answer.

So Administrator Pruitt—I mean, Wheeler—in this letter said, “When she finally offered a counterproposal maintaining the previous administration's standard with one extra year of compliance, she”—referring to you—“conveyed that outgoing Governor Brown and incoming Governor Newsom had not approved her counterproposal. She also informed me that the Attorney General Becerra had not approved her counterproposal, having already said that he planned to sue EPA. Further, she informed me that the members of the California Air Resources Board had also not approved her counterproposal.”

Of course, now, the letter is a couple more paragraphs. I think you saw it. True or false, or yes or no, or—

Ms. NICHOLS. How about if I say “out of context and therefore false”? Because he's taking words that were stated on different occasions about different things and putting it together.

Mr. SHIMKUS. So maybe—yes, reclaiming my time. You know, I know Debbie Dingell pretty well. I think what she and I would want to do is get you two in a room and see what the facts are and see how we can get some negotiated agreement, because I think everyone said we need a national standard. We don't want to destroy Federal—there's the interstate commerce clause.

We don't want it perceived—I am telling you, rural southern Illinois, if it is perceived that California is driving this train, that's not positive, right. Just telling you. How about it, Larry, right? Same thing in southern Indiana.

So we just need a national standard. We need to move forward. We need to get in the room and someone—it could be he-said/she-said. But we are not going to know that until we get focused, and I hope we do that sooner rather than later.

You know, President Trump was elected to be a disruptor, and he has—and he disrupts about everything in agencies and in gov-

ernment. And I will tell you there's a lot of people in this country who like that. They feel government is too big, costs too much, and directs us and tells us what's best for us.

I think that's the gut of this problem, too, is that I want to make my own decisions. I want the autos to build cars that I want to buy. I don't want big government and a nanny State telling me, well, it is best for kumbaya and the world and you can only have these type of choices. That's the uniqueness of this environment we are in.

And so eventually—I tell people—they think we are very dysfunctional here in Washington, and we are, most of the time—we eventually get to compromise, and that means give and take on both sides.

So I would appeal to you all and I would appeal to the EPA. You know, we had our—the first panel, they said they're willing to talk, they're willing to listen, and I am sure there's some of us that would—if there's any way we can offer assistance in getting people into the room, I think we'd be willing to do that.

Ms. NICHOLS. May I just comment on the elephant that's in the room, and that is the option of California.

Mr. SHIMKUS. And it is not me.

Ms. NICHOLS. No, it is not you, sir.

Mr. SHIMKUS. I've got my elephant tie on.

Ms. NICHOLS. This is about the fact that in those discussions it was made very clear to us from day one that this administration was determined to take away California's waiver for the current standards that we have in effect as well as for any future standards, and then we were told it was up to us to come up with a counterproposal that the administration would accept, and if they somehow found it acceptable they might possibly—and this was really only hinted at—consider not moving right away to take away the waiver.

I ask you whether you or any State official, if you were a State official, would have considered that to be a starting point for negotiations, when you're already being told that there's a determination to treat you as illegitimate to begin with.

Mr. SHIMKUS. Well, I am in the minority party, so that's not a good person to ask right now.

[Laughter.]

Mr. SHIMKUS. So, but I appreciate it, and thank you for your service.

I wish I would have had 5 minutes with all of you, but I wanted to make sure we addressed this issue.

I yield back.

Mr. CÁRDENAS. The gentleman yields back.

Next we'll go to the gentleman from Oregon, Congressman—California, I am sorry—McNerney. Yikes.

Mr. MCNERNEY. Yikes. Yes.

[Laughter.]

Mr. MCNERNEY. Well, anyway, I thank the chair and I thank the panel. I will say, really good testimony. I appreciate all of you really, and I appreciate Mr. Shimkus' willingness to be bipartisan and compromise. So we'll work it out.

Chair Nichols, I would like to ask about the success story of the Clean Air Act, which is that the Government sets the industry standards and then industry figures out best how to meet those standards. So please answer briefly, if you would. What role do you think California regulations have played in driving innovation? What do you think their proposal rule would do to incentives for innovation?

Ms. NICHOLS. Over the years—thank you, Mr. McNerney—the California standards have resulted in a number of important innovations, one being, of course, the catalytic converter, which was first adopted in response to California’s emissions standards and then became a national standard, and another being on-board diagnostic equipment, which took away a lot of the questions and burdens for certification of vehicles, because there’s now a computer chip that basically tells you what’s going on with the car. So it has been very successful.

Mr. MCNERNEY. Well, there are plenty of examples.

Ms. NICHOLS. Yes. So there are lots of examples of that. The current proposal, we believe—and I think this is what the industry has said—by taking away the year-over-year improvement requirement is, assuming they go forward with this proposal—does take away a major incentive for continuous improvement by the industry.

So we think it is a step backwards.

Mr. MCNERNEY. Thank you. On another topic that’s similarly related, my understanding is that there was substantial technical collaboration between the EPA, NHTSA, and CARB in the past. Is that correct, and did that happen in the development of this proposed rule?

Ms. NICHOLS. It did not. There has been a long history of EPA and CARB working together, taking on different pieces of analyses, sharing information at the technical level, and this did not happen in this rule at all.

Mr. MCNERNEY. Thank you. Well, I urge the EPA in this to invite Chair Nichols back to the negotiating table and do this again in earnest.

Mr. Hermiz, you had an interesting testimony. I appreciate your comments. At one point, you said you were—you urged objectives but without specific prescriptions—something in those words. Could you elaborate on that a little bit?

Ms. NICHOLS. When I was referring to the negotiating process or—

Mr. MCNERNEY. No, I was talking to Mr. Hermiz. Mr. Hermiz.

Ms. NICHOLS. Oh, excuse me. I am sorry.

Mr. HERMIZ. That’s OK.

From our perspective of Shiloh and MEMA, we are pursuing and feel that alternative 6 or 8 would bring both jobs as well as investment into the U.S. and continued growth.

So we feel that it is important to have continuous improvement—year-over-year improvement in the CAFE standards. We did recommend alternative 6 or 8.

Mr. MCNERNEY. OK. But you don’t want specific prescriptions?

Mr. HERMIZ. Well, in alternatives 6 and 8, they had 2 percent and 3 percent objectives built in. The difference between 6 and 8 was just the year that they started.

So there are specific numbers in that proposal. There are the different alternatives presented. There was a different percentage.

Mr. MCNERNEY. Thank you.

Ms. Lew, you refuted the safety claims that are made by the administration. Could you detail that a little bit, please?

Ms. LEW. Yes. First, I would state that safety is the highest priority in transportation policy, and there's a long history of this being considered as a factor when setting fuel economy standards. It has always been part of the process of contemplating the standards.

The issue in the way that the matter of safety has been treated is that it kind of evolves based on the very faulty assumptions about driver behavior. There are kind of two pieces that go into that.

One is much-inflated assumptions about what's called the rebound effect, which is the assumption that more fuel-efficient cars make people drive more. The second is actually a claim that is in the opposite direction, which is that stronger fuel economy standards make people keep a lot of old cars and then those old cars drive more.

The combination of these two factors is that the model projects a significant increase in vehicle miles traveled, which is correlated to crash rates. So it is projecting crash rates based on kind of inflated numbers of miles assumed about how people drive.

You know, I think another piece—you know, the most tested component relative to safety and fuel economy is about the effects of mass reduction, and, you know, the administration's own analysis actually shows that for larger vehicles, which is where mass reduction is typically applied, later cars are safer.

Mr. MCNERNEY. Thank you.

And I wanted to ask Mr. Friedman a different question. I know you're shaking your head in agreement.

But then you said there's no affordability crisis. Inflation-adjusted prices are stable. In 7 seconds or so could you answer that?

Mr. FRIEDMAN. Absolutely. That's the case. All the data shows that cars today are affordable. You know, before folks talked about how \$37,000 is out of reach of most Americans. I mean, new cars have been out of reach for most Americans for decades.

The market works because there's—two-thirds of people buy used cars, and when fuel economy was terrible it was the same case.

So the sad reality is Americans need to be paid more to be able to afford new cars. I would also just say on safety the argument that NHTSA uses would indicate that any tax credit would—

Mr. CÁRDENAS. The gentleman's time has expired.

Mr. FRIEDMAN [continuing]. Cost lives on our highways. It makes no sense.

Mr. CÁRDENAS. Thank you, sir. The gentleman's time has expired.

Next, we have the congressman from Indiana, Congressman Bucshon.

Mr. BUCSHON. Thank you very much.

Mr. Friedman, I am just curious. Is your testimony the official position of Consumer Reports and the publisher of Consumer Reports magazine?

Mr. FRIEDMAN. My position is the official position of the non-profit organization Consumer Reports. We guard our journalistic independence—

Mr. BUCSHON. Right. So what you're saying is—what I can say is that Consumer Reports magazine, publishers, and everyone, that your position and, really, a strong defense for your work at the Obama administration, is the official position of Consumer Reports, including the what I would call substantially—can't say the word—unsubstantiated claims about the administration ignoring safety?

Mr. FRIEDMAN. Well, first, I would say I am not involved with the—

Mr. BUCSHON. I just want to make that clear to the American public, that Consumer Reports is—

Mr. FRIEDMAN. Second, I would just say—

Mr. BUCSHON. I take back my time. Consumer Reports, and we've had others from your organization testify, are making unsubstantiated claims about an administration that they don't like.

Ms. Lew, could you—

Mr. FRIEDMAN. There's nothing unsubstantiated about no—

Mr. BUCSHON. This is my time.

Mr. CÁRDENAS. Mr. Friedman? Mr. Friedman?

Mr. BUCSHON. This is my time. So the American people should know that Consumer Reports magazine and the publisher and the organization, the nonprofit, which I read all the time—my in-laws love—is taking your testimony as their official position on this issue.

So, Ms. Lew, whose data did you use to refute the administration's safety assumptions?

Ms. LEW. The comments that I made are based on having read the regulatory impact analysis and the—

Mr. BUCSHON. So it is your opinion?

Ms. LEW. It is my analysis of the table—

Mr. BUCSHON. So it is your analysis. There's no one who's—that you have read the data that they have assessed it. This is your personal opinion that you are refuting their safety assumptions yourself?

Ms. LEW. I have read many of the documents in the—that are docketed as part of the legal—

Mr. BUCSHON. OK. So the answer to that is yes, it is your opinion. There's no—there's no solid data. You're giving your opinion, and you're here to testify and give your opinion.

But just don't make it sound like that everybody in the world thinks that the safety assumptions that are being made are not necessarily correct.

There's a reasonable—reasonable people can have disagreements.

So Mr. Schwietert, it is my understanding that company fleets are not attaining the tailpipe standards despite investment in conventional technology. Can you describe how compliance attained through credits generated when the standards were less stringent?

Mr. SCHWIETERT. Sure. Basically, the existing program allows manufacturers to earn credits, which of course you might accumu-

late on the front end and burn on the back end. It is almost a bell curve.

So manufacturers aren't just given credits. They're awarded credits as a result of certain technologies or efficiencies.

Mr. BUCSHON. Sure.

Mr. SCHWIETERT. Now, the most important thing here when everybody's talking about the 2012 rule is that the standards envisioned into the future today are unattainable, and I can point to—

Mr. BUCSHON. Yes, can I make a comment on that? Because—and you can answer this too—the current pace of credit use, is it sustainable and is it expected to run out? Based on what you were probably getting ready to say.

Mr. SCHWIETERT. That is a very good point.

By our estimates, all existing credits will be exhausted by 2021 and in particular, even with the EPA trends report, which is not a political document—it is a compliance document issued from year '17—this is very important—that there's a substantial gap between government targets and what Americans are buying.

In fact, only about 5 percent of 2018 model year's vehicles meet the 2023 greenhouse gas targets, and there aren't available credits into the future.

Mr. BUCSHON. So what happens when they run out?

Mr. SCHWIETERT. Basically, unattainable standards don't help anybody. They don't help autoworkers, they don't help manufacturers, and they price people out of vehicles.

Remember, it is not what manufacturers produce. It is what consumers buy. We have a success story related to the increased efficiency of vehicles. But if consumers cannot afford those cleaner, more efficient vehicles, then we all lose.

Mr. BUCSHON. Yes, that goes into my question, you know, and you just discussed it. The consumers' preference, based on vehicle purchases and the burden of these consumer preferences, puts some pressure on the standards, right? That's what you just said, basically.

If the consumers can't feel like—their preferences are different or they can't afford it, then it puts pressure on the standards, right?

Mr. SCHWIETERT. That's absolutely correct. It is not a question of whether automakers support increased standards. We do. No automaker has asked for flat standards.

And, really quickly, Mr. Friedman made a point as it relates to polling. As part of my submitted testimony, I submitted charts that show the breakdown of what your consumers—not what polling shows, not what aspiration shows—of what consumers may want to buy in the future.

It actually shows you the vehicles that your constituents are buying, which is a huge success story when you look at the improvement that's being made.

No automaker is asking for flat standards. We believe all sides can come together, find an agreement in the middle somewhere between flat—

Mr. BUCSHON. Yes.

Mr. SCHWIETERT [continuing]. Somewhere between the previous standards.

Mr. BUCSHON. Agreed. I want to—and finally, I just want to associate myself with the comments of Congressman Shimkus about how, you know, we need to sit down and find a resolution to this in a way that everyone is comfortable with.

I yield back.

Mr. CÁRDENAS. The gentleman yields back.

Mr. Friedman, you were asked a direct question and, as the chair, I am taking the prerogative to allow you to briefly respond to that question that was directed at you.

Mr. FRIEDMAN. Thank you. I appreciate that.

First, I just want to clarify the record. The light-duty vehicle fuel economy standards and greenhouse gas standards—

Mrs. RODGERS. Can we clarify what the question was, Mr. Chairman?

Mr. CÁRDENAS. My recollection, a few minutes ago Mr. Bucshon did direct a question. OK, so on that can you—can you please clarify the response?

Mr. FRIEDMAN. Well, sure. To clarify, as I understood the question, it was whether or not those are the official positions of Consumer Reports and tied to my past work in the previous administration.

I want to be clear that I was not in the previous administration when the light-duty vehicle standards were established.

So yes, this is a data-driven position—

Mr. SCHWIETERT. That's not correct.

Mr. FRIEDMAN [continuing]. According to the Consumer—I believe I know when I was in the administration and the light-duty vehicle—

Mr. CÁRDENAS. Mr. Schwietert—Mr. Schwietert—Mr. Schwietert, you do not have the floor. Mr. Friedman has the floor. Thank you very much.

Mr. FRIEDMAN. I do believe I am quite aware of when I joined the administration, including when the auto industry brought many safety challenges in front of us. So I would be happy to discuss that further if you'd like.

Mr. CÁRDENAS. Thank you, Mr. Friedman.

Mr. FRIEDMAN. But I will say again I was not there—

Mr. CÁRDENAS. Thank you, Mr. Friedman.

Mr. FRIEDMAN [continuing]. When these standards were established.

Mr. CÁRDENAS. Thank you, Mr. Friedman.

And Ms. Lew, you were also directed a statement that you were trying to answer, so I am going to give you an opportunity to respond.

Mrs. RODGERS. Mr. Chairman, would you state what your statement is or what we are—

Mr. CÁRDENAS. The statement did not—the statement didn't—the statement did not come from me. It came from Member Bucshon, and she was in the middle of answering the statement that was directed at her.

Mrs. RODGERS. Can we review what that statement was? I think we were talking about—

Mr. CÁRDENAS. We can, but she'll restate it as best she can. Go ahead.

Mrs. RODGERS. I believe we were talking about the——

Mr. BUCSHON. Can I—parliamentary inquiry.

Mr. CÁRDENAS. Sure, Mr. Bucshon. Parliamentary inquiry.

Mr. BUCSHON. Yes. I asked a question, she answered it, and now you're giving her out-of-order time to clarify and further talk about her position. She answered my question.

So I would say that that is out of order of the committee.

Mr. CÁRDENAS. OK. Duly noted.

Congressman Bucshon?

Mr. BUCSHON. Someone on your side can ask for time and then allow her to clarify. But taking the liberty of the chair to allow people to clarify answers that you disagree with——

Mr. CÁRDENAS. Mr. Bucshon, your——

Mr. BUCSHON [continuing]. The person asking the question is out of order.

Mr. CÁRDENAS [continuing]. Parliamentary inquiry is understood by the Chair. That being the case, I will recognize my time, as I was next on the list.

So I will, on my time, in my 5 minutes—Ms. Lew, please briefly clarify your answer to the statement earlier.

Ms. LEW. I believe that we were discussing my observations about the safety assertions in the rule, and I would just clarify that, you know, my evaluation of this comes from, you know, my knowledge of the topic from when I worked in the Obama administration very closely on the NHTSA model and have a deep understanding of the kind of differences between what was modeled before and what was modeled since and, you know, from kind of juxtaposing the conclusions and measuring them against common sense.

Mr. CÁRDENAS. Thank you so much for that clarification.

On my time again, for decades California has used its waiver authority to increase the number of zero-emission vehicles on the road in order to decrease traditional tailpipe pollution in already polluted and overburdened regions like Los Angeles and its basin.

The bottom line is that we in California have been working hard to reduce the air pollution so we can breathe cleaner, safer air.

The safe rule proposes to revoke California's authority to continue mandating increased sales of zero-emission vehicles in the State.

I would like to ask you, Ms. Nichols, if the Trump administration revokes California's waiver, what effects do you anticipate on the public health of California's residents, particularly those who live near highways—what the effects would be.

Also, could California see increased hospital visits, lost work days, and lower life expectancies?

Ms. NICHOLS. Yes, we are concerned about the direct relationship between petroleum consumption and emissions, and we have done some analysis. We've also attempted to obtain from the administration—I know this came up earlier in questions of others—but in terms of facts that are relied.

We need to see all the studies that the administration is using to base their proposal on, including the claims that there won't be environmental effects, and we are now actually in court on that

issue because they will not give us the underlying data that we are requesting.

Mr. CÁRDENAS. I would also like to note that long-term children's health studies in Los Angeles and the region have demonstrated a significant positive correlation between increasingly stringent vehicle standards and positive health outcomes near highway communities.

That means that our children, our grandkids, et cetera, will be able to breathe cleaner air if we were to continue with the standards.

I know for myself, having grown up in Los Angeles and so did my 10 brothers and sisters, we were not allowed to play outside when we had smog alerts.

I am very proud to say that, because of the leadership of people like you, Ms. Nichols, and a few other folks around the country that agreed with California, we have improved those standards to the point that my children never had to deal with a smog alert.

But what I am really concerned about today is, if we go back in the opposite direction that my two grandchildren are going to be facing smog alerts like my children don't have to—however, like I had to.

I am hoping that we can come up with a responsible compromise that takes public safety first, the health of all Americans as well as our top priority, all of us, both the administration and the legislature.

In addition, I would like to say that it has also been documented positive health outcomes resulting from science- and health-based vehicle standards. Recent research also shows that children living near highways and communities are disproportionately likely to suffer cognitive impairment as well.

Ms. Nichols, what role has California's vehicle regulations played in improving children's health, and how do you expect the Trump administration's rollback to affect the health and development of our children?

Ms. NICHOLS. Thank you.

The long-term studies that you refer to that have been carried out over many years now have shown really for the first time an actual decrease in cases of asthma and hospitalizations of children as a result of the improved air quality standards that we have in effect.

And so we now have the positive side of the story to talk about, and it's one that we are very determined not to see go back. I think there may be an assumption that somehow people in California drive, you know, different kind of vehicles than other people do.

We drive trucks. We drive crossovers. We drive SUVs. All of those vehicles are sold in California, and people love them and we want to see them continue to be able to drive all those kinds of cars and trucks.

I think the problem that we are facing is that, as we move forward with the standards, there are some companies that are going to have to buy credits, and that's a problem.

Mr. CÁRDENAS. Thank you, Ms. Nichols.

With that, my time having expired, next we'll go to Congresswoman Dingell.

Mrs. DINGELL. Thank you, Mr. Chairman.

Chair Nichols, I want to thank you for flying across the country to be with us this afternoon.

My first question is just a yes or no, but I will give you time to elaborate further on it in a minute.

The world has changed from the last time there was a negotiated deal on fuel economy standards in 2012. Gas prices are significantly lower today than we expected back then, and the overall adoption rate of electric vehicles is also far lower than predicted, and contrary to Mr. Friedman, I do think they matter.

Chair Nichols, would you agree that conditions have changed since 2012 and are different than what we expected, yes or no?

Ms. NICHOLS. Yes.

Mrs. DINGELL. Thank you.

It is hard to make projections far into the future, and it's clear there is a need to make some tweaks. But we don't have to throw the baby out with the bathwater. The Trump administration has been reckless in proposing these flat-line standards which would hurt jobs in my State and harm the environment as well.

Chair Nichols, do you agree that cutting a deal with the Trump administration is the best way forward to address our twin goals of environmental protection and affordability? Are you prepared to go back to the negotiating table in good faith?

Ms. NICHOLS. We have always been prepared to go to the negotiating table in good faith. We still are.

Mrs. DINGELL. Thank you.

I am going to go to Mr. Nassar now for a minute because I want to make sure that everybody did understand you in your testimony, asking you the same questions that I asked. I assume that you don't think that flat line is correct.

But do you agree that there is a need to go back to the table—that circumstances have changed? And how does the uncertainty of the standards impact UAW members and the industry?

Mr. NASSAR. Well, first of all—thank you for the question—first of all, the uncertainty, you know, as I said, these are global companies, and they're just looking at where the most stable investments and the growth can be, and if it's less attractive here, they'll go elsewhere. So that's that part.

As far as flat line, we think that that is taking us backwards. I do want to say what we like about the current standards is the footprint model in general, because that really takes it, you know, not one size fits all, and also the credit system in general is a good idea.

So the framework is already there. We do think some adjustments could be needed. But that's why we should all be talking and working together.

Mrs. DINGELL. But you do think they're needed? You don't think existing standards—or do you not think the existing standards are a problem?

Mr. NASSAR. Oh, no. The—

Mrs. DINGELL. That's what I want to be clear on.

Mr. NASSAR. Today—

Mrs. DINGELL. I don't want anybody thinking UAW thinks that there haven't been changes in the climate.

Mr. NASSAR. No. No. No. What I am saying is, going forward, when we look to 2025, we should be talking and making—we always looked forward to the midterm review, and we think that discussion is needed. It is just not happening now.

And by the way, we played a role in getting all the parties together before. We want to do it again, but we need—

Mrs. DINGELL. Well, you were at the table last time. Do you believe you should be at the table again?

Mr. NASSAR. Yes, I think we all should be. For sure, everyone here.

Mrs. DINGELL. Yes. Thank you. I am going to come back to you in a minute, but I want to make sure I get my questions in.

Mr. Schwiertert—David, I am sorry—is it correct that fuel economy targets in other countries across the globe are harder than in the United States?

Mr. SCHWIETERT. That's not necessarily the case, if you look at the types of vehicles that are driven in the U.S. The U.S. is certainly an innovator as it relates to the vehicles that can—

Mrs. DINGELL. So we actually have higher standards?

Mr. SCHWIETERT. We do.

Mrs. DINGELL. Thank you.

Are your companies investing millions of dollars today to meet those higher global requirements? Yes or no?

Mr. SCHWIETERT. Not just millions, but tens of billions.

Mrs. DINGELL. Thank you. Does the Auto Alliance have member companies which are investing large sums of money into R&D for electric vehicles?

Mr. SCHWIETERT. Absolutely. They're fully committed.

Mrs. DINGELL. I hope, therefore, it's clear to people here that the Trump administration—California is the best way to proceed for the environment, for jobs, and for the future of technology, and there are Republicans and Democrats here who want to help get everybody back at the table.

I am going to go back to you, Mr. Nassar, for a minute because it sounds like the United States is falling behind in the production of electric vehicles.

I am not sure it's in the production, but what do we need to do to support EVs? What will happen if the Congress does not support policies to support EVs?

Mr. NASSAR. Well, first of all, the investments in EVs is, you know, Germany, China, other places really have a more I would say systematic and greater investment plan.

So what's simply going to happen is, we don't want to look up one day and say, hey, we are not making the vehicles that people are buying or needing and therefore our industry has really taken a hit and a lot of working people, you know, don't have a job.

And I just want to say, you know, it's really important that, when we do these standards, we do them in a way that looks at the longer-term impact as well as the short term.

Mrs. DINGELL. So do we also need to be investing in infrastructure and tax credits?

Mr. NASSAR. Absolutely. So as far as EV, infrastructure is needed, also tax credits also. But I want to say it again that with Federal subsidies there should be requirements that it has to be built

in the United States, that I mean that's tax credits as well and also, yes, we need to build out the EV infrastructure a lot more.

Mrs. DINGELL. Thank you, Mr. Chair.

Mr. CÁRDENAS. The gentlewoman yields back.

Next we go to Congresswoman Barragán from California.

Ms. BARRAGÁN. Thank you.

Mr. Friedman, I want to start with you. I saw an article by Jeff Plungis with Consumer Reports. He writes for the magazine, the auto section, is that correct?

Mr. FRIEDMAN. Yes, that's correct.

Ms. BARRAGÁN. The article that I am looking at that I saw that he wrote for the magazine, it says, "Trump administration fuel economy freeze would cost consumers." Are you familiar with that article?

Mr. FRIEDMAN. I am, yes.

Ms. BARRAGÁN. And is this something that would have been published in the magazine?

Mr. FRIEDMAN. I would have to double check whether it was in the magazine or online. We are now a full digital publisher as well.

Ms. BARRAGÁN. It says that a new Consumer Reports survey shows that most respondents across party lines value more efficient cars even if gas is cheap. Does that sound about right?

Mr. FRIEDMAN. Absolutely. In fact, survey after survey shows that not only do consumers value it, by a factor of four they want more fuel economy more than they want things like horsepower.

Ms. BARRAGÁN. It also goes on to say that automakers have shown that they can make more efficient cars that can create more power and speed without dramatically raising the cost to consumers.

Is that also accurate?

Mr. FRIEDMAN. It is actually amazing. I mean, we talk about the innovation of the American auto industry, and when you unleash that innovation, look out. It is amazing what they can do. The challenge is it often takes support from the Government and a push from the Government for them to truly unleash that innovation.

But absolutely, they can do it. That's not the issue.

Ms. BARRAGÁN. Thank you. We are hearing a lot today about the average cost of cars, and then it prompted me to say, well, geez, how much are these clean cars costing versus luxury expensive cars that maybe folks in lower-income markets may not even qualify to get even before Clean Car Standards went into effect?

I, myself, purchased a hybrid back in '07 because I wanted to, A, do my part on the environment, and too I wanted to help the environment, and what I've seen is a dramatic savings in cost overall in what I'm spending.

So maybe I pay \$3,000 or \$4,000 more at the outset to buy a cleaner car. But out in California, we got a rebate. We have tax credits, which made me think, why can't more people in my community afford to get these kind of cars so they could save long term?

I represent a district that includes Compton. It is Watts. It is one of the most heavily polluted districts in the country. It's surrounded by the Port of Los Angeles. It's surrounded by three free-

ways. So when you talk about air pollution, you're talking about my constituents.

And where is that coming from? The number-one source it's coming from, you know, diesel, fossil fuel-burning cars. And so I am all for the investment in clean cars and really appreciate what California has been doing to lead on this.

Chair Nichols, how will California continue its efforts to clean up the air for constituents like mine if this proposed rule is finalized?

Ms. NICHOLS. We will have a serious problem, of course, because we've counted on these emissions reductions in our State implementation plans that we submit that are required by the Clean Air Act and by EPA to show how we are going to try to meet the national clean air standards.

So in addition to the environmental justice concerns, which you have raised and others have also, which the Agency did not address in their proposal, we just have a basic compliance question of how we will meet air quality standards.

We will have to look at other alternatives, and frankly, they're none of them terribly attractive. But there would have to be measures taken to reduce the amount of driving of existing cars and to otherwise try to find ways to keep pushing for cleaner cars.

We already, as a State, use funds from our greenhouse gas reduction fund to subsidize the purchase of new vehicles—cleaner vehicles—to turn over the plate. This is a program that's had a lot of support from the auto industry.

But there's a limit to how much of that we can do, and so we would have to be looking at industry, at other sources perhaps, to make up the gap.

Ms. BARRAGÁN. Well, thank you, and I want to thank you for your leadership on this issue and in California. We hear from—today we've heard that, you know, this is bad for consumers. It's costing them money.

There has been no discussion about the cost on public health and the cost on the negative impacts for people who live in communities that are disproportionately having to take the burden of higher air pollution and being surrounded by freeways, which, by the way, you're not seeing in the high-income communities.

You're seeing them put into low-income communities. You're seeing them put into communities of color. And so we need to also consider the cost to public health, which I believe is a public health crisis.

And with that, I yield back.

Mr. CÁRDENAS. The gentlewoman yields back.

Next, we have the Congressman from California, Dr. Ruiz.

Mr. RUIZ. Thank you. Thank you to all of you for coming here today. It's especially great to see Mary Nichols from California Air Resources Board.

For the past four decades, California has been a leader in the Clean Car Standards. California's fuel economy standards have helped push the entire automobile industry towards vehicles that are safer, cheaper, and better for the environment.

The Trump administration's rollback of the standards is misguided and unacceptable. We've heard all the numbers today. The rollback would add an additional 7 billion tons of carbon to our at-

mosphere by the end of the century, more than 500,000 additional barrels of oil used per day.

But I want to focus on the effect this regulation will have on the health of my constituents. Riverside County has long suffered from some of the worst air quality in California.

The mountains—the beautiful mountains that surround the Coachella Valley—trap the smog and pollution from the millions of vehicles that clog the roads from L.A. through my district on Interstate 10.

The Clean Air Act grants our State the authority to set its own motor vehicle standards because of the unique air quality issues that we face.

Yet, there are still communities where exposure to harmful air pollutants such as particulate matter is significantly higher than the State average, sometimes more than twice as high.

And this is an environmental justice issue because research shows that Latinos, African Americans, and low-income communities in California are exposed to more tailpipe pollution than any other demographic.

Chair Nichols, could you please provide some insight into the health risks that minority and low-income communities in our home State of California disproportionately face?

Ms. NICHOLS. Certainly. I think we have seen and in some cases have helped to sponsor some of the research that indicates hospitalizations and days of missed school by schoolchildren, the increased use of asthma inhalers on smog days.

I would be happy to provide you with some additional statistics on that. But I think we now know for a fact that there's a direct correlation between poverty and living in areas that experience a disproportionate amount of pollution.

Mr. RUIZ. And that pollution and poverty is also correlated with mortality?

Ms. NICHOLS. Correct.

Mr. RUIZ. So people that live in high-polluted areas live less than people who live in nonhigh-polluted areas due to air quality?

Ms. NICHOLS. Yes. And if you will permit me, one of the things that has given California a lot of encouragement over the last few years has been that, in other parts of the world such as China or India where they experience air pollution problems that are much worse than we ever see anymore in our State, they are turning to California and looking to our standards and our experience, which we think will also lead to them buying better cars.

Mr. RUIZ. Over the past 10 years, Riverside County's air quality has been steadily improving, but we have a long way to go. You mentioned in your testimony that air pollution will jump in areas like L.A. if these regulations are approved.

How will the Trump administration affect air quality and the presence of pollutants in the areas like the Coachella Valley?

Ms. NICHOLS. The correlation between changing the greenhouse gas emission standards and other pollutants is a direct one. Technologies that would be used to improve the emissions, including things like better air conditioning systems, also will have an effect on health.

Mr. RUIZ. And I am an emergency physician. As a physician I am all too familiar with the health effects associated with particulate matter exposure.

These are small particles that penetrate the lungs that can go straight into the alveoli blood barrier into your bloodstream, which can cause premature death, asthma, cardiovascular ailments, and a lot of other lung problems.

In developing this proposal, the EPA and NHTSA weighted eight different policy options—eight different policy options. They picked the one with the highest particulate matter emissions—the highest of all these eight options, not to mention the highest sulfur dioxide emissions.

NHTSA's own draft environmental impact statement admitted that each policy option would lead to increased adverse health outcomes including, quote, "increased incidences of premature mortality, acute bronchitis, respiratory emergency room visits, and work loss days," end quote.

Again, they chose the option with the highest pollution increase. So yes or no, is it correct to say that EPA and NHTSA picked the policy option that poses the greatest risk to human health?

Ms. NICHOLS. That would be the effect, yes.

Mr. RUIZ. Thank you. Yield back.

Mr. CÁRDENAS. The gentleman yields back.

I would like to take the opportunity to clarify for the record. A few minutes ago, I allowed and made the mistake of allowing a courtesy of finishing one's thought of a witness.

However, I should have done it on someone's time, and I made that mistake. So I just want to apologize to all the committee members and also to the witnesses and everybody else who's taken the time to listen to this committee.

[Indeterminate speaker.] Thank you.

Mr. CÁRDENAS. So—you're welcome. I've only been the chair for just a few minutes, and I made a mistake. I am not going to do that again.

Mr. SHIMKUS. It's your first one all year, I hear.

[Laughter.]

Mr. CÁRDENAS. There you go. Tell my wife that.

Anyway, next I recognize Congressman Flores from Texas.

Mr. FLORES. Thank you, Mr. Chairman.

Mr. Schwietert, I would like to clarify a point. The proposed SAFE Vehicle Rule is a proposed rule, not a final rule, correct?

Mr. SCHWIETERT. That is correct, as of right now.

Mr. FLORES. OK. Thank you.

I would like to yield the balance of my time to Republican Leader McMorris Rodgers.

Mrs. RODGERS. I appreciate the gentleman yielding, and I appreciate the former chairman—that was in the chair, at least—Cárdenas for just acknowledging the importance of keeping regular order as we are working through this discussion this afternoon.

And I also think it is important to just—yes, as Mr. Flores just pointed out, there's eight alternatives that have been brought forward. There is no decision. There's no recommendation right now.

We are having a hearing and a discussion today that I think is very important. I, too, want to just join those who have been urging people to come back to the table. Get the parties back to the table.

We have some shared goals here. We want to reduce carbon emissions. We want to increase safety. We do not want to price hard-working Americans out of the cleaner, safer cars, and I think we need to acknowledge that the cars on the road today in America are 12 years old. Those aren't the clean, new, safe cars on the road.

I wanted to go back to the—just the question around Consumer Reports, and we had a—we were working through Consumer Reports and their statements and what their positions are.

I wanted to give Mr. Schwiertert just the time to just give some more insights as to the development of the former rule in the former administration.

Mr. SCHWIERTERT. Thank you much, Congresswoman McMorris Rodgers.

I guess similar to Congressman Luján, I guess, obviously, in relation to the quorum, certainly apologize if I interjected during the chair's time.

My only point as Mr. Friedman was responding was just to underscore, during his time and tenure at NHTSA as both Acting and Deputy Administrator, obviously, there were updates that were made to the model that then eventually found their way into the draft technical assessment reports.

I was just trying to underscore that, obviously, there was work that was done during his time period that then influenced what ultimately led to where we are today.

Mrs. RODGERS. Thank you, and just a followup, would you speak to innovation in America versus what's going on in Europe, in China, whether it's—yes, just what's—how are we doing competitively?

Mr. SCHWIERTERT. Competitively, the U.S. is a leader, and it's not by accident. Obviously, the policies not only from Congress but regulated entities spur the development of not only innovations, whether it's, you know, automobile fuel economy or alternative power trains.

Of course, this committee knows firsthand. It has been referenced that—close to 40,000 fatalities on our roadways. That's also innovations that are being led by American companies and ingenuity that have profound impacts, both when it comes to not only the traveling public but also constituents of yours and customers of ours.

So the innovation that's appearing in the U.S. is higher than most. But it's also something that we shouldn't take for granted, and I think that speaks to where Congresswoman Dingell in the past has noted where the U.S. auto economy is actually pretty fragile and, obviously, there's a lot of headwinds that we are facing.

So the regulations that you're having this hearing on today are a core baseline as it relates to the overall health of the industry, which then spurs that R&D investment—those plant expansions, those developments that lead to jobs and the innovative products that I think everybody comes to expect.

Mrs. RODGERS. Thank you. I would like to yield to the gentleman from Illinois, Mr. Shimkus.

Mr. SHIMKUS. Thank you.

Let me also just in this minute and a half also highlight the fact that, you know, I have a copy of the Federal Register. So I think sometimes we get off the rails because we are saying this is going to be a zero-change rule, and many of you in your testimony—I think, Mr. Schwietert, you said, like—who said 6 and 8? We'd like 6 and we would like 8. Mr. Hermiz.

So I was going, what's he talking about, 6 and 8. Well, 6 and 8 are 6 and 8 of the alternative change in stringency issues, right, on this.

So we could go back now using your 6 and 8, and 6 is the same standards through model year 2020 and then 2 percent increases for passenger cars, 3 percent increases for light trucks in model years 2021 to 2026.

So that was helpful to me. There is no rule. There is fear. I understand that. Back to our comments beforehand, it's important that we have a national standards constitutionally. The interstate commerce clause—I am a big believer in it.

And then—and I will just yield back my time. I think we are going to get some more time, and then I am going to talk to my former colleague from Louisiana.

Mrs. RODGERS. OK. Thank you.

I thank the gentleman from Texas. I will yield back.

Mr. TONKO [presiding]. The gentlelady yields back.

I will now yield myself 5 minutes.

Mr. Schwietert, 17 automakers, including nearly all of your members, recently sent the President a letter noting that the proposed rule lacks industry support and creates untenable uncertainty, and that a final rule must be supported by California.

You really haven't commented on the preferred alternative in the proposed rule today. We know you prefer a deal with California, but there's no indication that the administration will return to the negotiating table.

So, in a yes-or-no response, absent a negotiated solution, does the Alliance oppose the preferred alternative in the proposed rule?

Mr. SCHWIETERT. [Inaudible.]

Mr. TONKO. So the answer is—

Mr. SCHWIETERT. Which is the preferred proposal.

Mr. TONKO. So it's no?

Mr. SCHWIETERT. Correct.

Mr. TONKO. And Mr. Hermiz, do your businesses or other businesses in the auto industry face global competition and operate in a global marketplace?

Mr. HERMIZ. Yes, we do.

Mr. TONKO. You mentioned that the administration's proposal may result in Europe or Asia presenting better business opportunities for emerging innovative technologies.

It takes years to develop products in this sector. Is it possible that the uncertainty caused by this proposal will either strand existing investments or discourage businesses from making new ones in the United States?

Mr. HERMIZ. Yes, that is our premise.

Mr. TONKO. And what role can increasing and certain standards play in driving innovation from the U.S. auto industry?

Mr. HERMIZ. Well, as we highlighted with alternative 8, that that investment in technology could actually drive additional 250,000 jobs.

Not doing that investment or having a flat standard puts the estimation of 500,000 jobs at risk. So that technology investment needs to be here—need to encourage it to be here.

Mr. TONKO. I appreciate that.

And Mr. Nassar, from the workers' perspective, do you agree with that assessment?

Mr. NASSAR. I think absolutely that we need to have continued innovation standards that really push us to continue to move forward. Yes.

Mr. TONKO. And so you're concerned that this proposal might limit the research in manufacturing?

Mr. NASSAR. Yes. Yes, concerned, and also I want to just say that one thing too when we are talking about new vehicles is I want to separate mass production manufacturing from research and development.

They're not two of the same thing. Sometimes in this conversation they get conflated. But the answer is yes.

Mr. TONKO. Thank you.

And Chair Nichols, thank you again for your participating—in fact, all of the members of the panel.

We all hear about how these standards are critical for reducing climate pollution. But I hope you can help us understand just how important they are.

The New York State Legislature, you may or may not know, just passed an ambitious, legally mandated emissions target schedule. Transportation is our biggest source of emissions.

If California and, by extension, New York State and other States are not able to use these tools to address greenhouse gas emissions from the transportation sector, what options are there to hit our targets, and how likely are we to succeed?

Ms. NICHOLS. Well, first of all, in terms of what we are relying on, the vehicle emission standards which we began working on back in 2004, represent the single largest reduction opportunities that we have, and as a Nation our ability to comply with the Paris Agreement is also fundamentally based on the existence of the so-called Obama standards.

So anything that weakens or delays those standards would need to be made up by other improvements. There are other improvements available in the area of fuels, in the area of construction, in the area of agriculture. There are many ways in which our country could be reducing greenhouse gas emissions.

But in terms of technologies that we know about and have available to us today, this is by far the most effective.

Mr. TONKO. All right. And the transportation sector is something that we are trying to focus on with climate—

Ms. NICHOLS. Transportation sector, again, is the single largest if you take together both the driving, the light-duty and the heavy-duty vehicles.

Mr. TONKO. And the added benefits of California's ZEV standards—the ZEV standard?

Ms. NICHOLS. The ZEV standard, which is really intended to push the manufacturers to develop technology, was very effective in beginning the process of getting investments made by all the major manufacturers in zero-emission vehicles.

Now the problem we face is that, while the vehicles are there, there are obstacles to fueling because of the lack of a deployment of a thorough network of charging stations.

There's also issues about consumer awareness, because there's been a reluctance, I think, on the part of some to advertise the availability of these vehicles.

So there are still impediments to the kind of take-off that we'd like to see. But when we've added those issues to the equation, as we have been doing in California in the last few years, we've seen a very quick uptake in the purchases.

Mr. TONKO. Thank you. Thank you very much.

We now recognize Representative Duncan for 5 minutes, please.

Mr. DUNCAN. Thank you. Thank you, Mr. Chairman.

You know, there's a big difference between being an elected official and representing a constituency and being appointed to a position where you're just accountable to that one person that appointed you, whether it was a President or what.

I think Attorney General Landry gets that, having run for Congress and also running as an attorney general in the State of Louisiana.

I want to bring up a letter, General Landry, that six State attorney generals signed, including you and attorney general from my State, Alan Wilson.

In short, this letter expresses support for bringing national harmony to the CAFE standards, and Mr. Chairman, I would like submit that for the record, if I can.

Mr. TONKO. Without objection, so granted.

[The information appears at the conclusion of the hearing.]

Mr. DUNCAN. General Landry, you state in your testimony, "when a State is allowed to usurp congressional intent for their own designs, all of the other States in our republic suffer."

In the letter it says, "one State should not be able to effectively dictate fuel economy standards, tailpipe emission requirements, and mandates for zero-emission vehicles for the entire Nation where Congress has set a clear policy favoring a single Federal standard and no compelling air quality concern exists that is unique to that State."

It is a great letter. I appreciate you doing that. You have sat here patiently all day. I want to give you an opportunity to address these issues one more time, how they affect your State manufacturing and your constituents.

Mr. LANDRY. Well, thank you, my good friend.

You know, the one thing that's interesting is that the road that we are traveling by allowing California to do that and basically have a waiver, which we believe is probably unconstitutional and certainly improper in the way that it was granted, is that it's discriminatory.

It is discriminatory against rural and smaller States by allowing the State of California to basically set national policy. National policy should be set in here.

I would remind you all that the State of California controls 53 to 52 seats in the House of Representatives. That's 12 percent of this body.

And so, if they can't with that large number be able to influence national policy, we shouldn't have the State back home, right—the State of California back home—dictating national policy. That is inherently unconstitutional and a complete violation of the Commerce Clause.

Also, what's interesting is that competition, right, should be driving technology, not the Government. The Government certainly has an opportunity to encourage technology.

But I want to be able to drive a truck which I've driven my entire life, right. I want to be able to own an SUV. At some point, there becomes a point of diminishing return, and then all of a sudden California dictates what size vehicle I get to drive, right.

What happens in Illinois or Kansas or Nebraska or Iowa, right? What happens to those farms or those people who want to use larger utility vehicles?

Certainly, we want the automobile industry to drive the vehicles that we want to—we want to purchase, and certainly if they can create a truck that has a higher fuel efficiency, it is attractive to consumers, it certainly would be attractive to me as well.

But I can tell you that the way that this is going is disruptive to our constitutional principles and the way that our structure of government should operate, and all we are asking for—and remember, attorney generals are responsible for protecting consumers, and this is absolutely not a protection of consumers because what it does is discriminatory in fact against consumers in Louisiana rather than, basically, placing the policy decisions inside the hands of State consumers or elected officials in California.

Mr. DUNCAN. You make excellent points, and we are a republic. And you talk about in terms of State sovereignty, one State shouldn't dictate what other States do, and I think the letter that you and other attorney generals have put forward is very, very clear on that.

And I mentioned earlier in the first panel, I drive a Chevy Duramax diesel. I was in the auction business, a real estate brokerage. I drove about 65,000 miles a year. The reason I did that wasn't because I necessarily needed all that towing power and capacity of that truck.

I was wearing gasoline engines out. So Chevrolet had a product that was appealing to me. That's what entrepreneurialism, capitalism is all about, is that the manufacturers see a need in the market and they produce a product that the buyer wants, not a product that the Government tells them they have to produce and tells the buyers they have to buy.

That's what happens in socialist societies, not capitalist societies. We are a market-driven economy and we are a republic of sovereign States, and I think the attorney general has made some great points there.

Mr. Chairman, I thank the committee for having this panel and for this hearing, and with that I will yield back.

Mr. TONKO. The gentleman yields back.

I believe that concludes all those who were looking to question our panel.

With that, I thank all of our witnesses for their participation in today's hearing. Very important to have your input. We thank you for that.

And I remind my colleagues, the Members, that pursuant to committee rules they have 10 business days by which to submit additional questions for the record to be answered by the witnesses who have appeared. I ask that each witness respond promptly to any such questions that they may receive.

And then I request unanimous consent to enter the following list of documents into the record:

A report by Bill Becker, the former executive director of the National Association of Clean Air Agencies; a report from the BlueGreen Alliance and the Natural Resources Defense Council; the UAW's research paper on electric vehicles; a letter from 17 automakers to California Governor Gavin Newsom; a letter from 17 automakers to President Donald Trump; a letter from Ceres; a General Motors proxy memo; a Ford proxy memo; a letter from General Motors investors; a letter from investors; a letter from the Ceres BICEP Network; a letter from 10 State's attorneys general; a letter from John Bozzella, president and CEO of the Association of Global Automakers; a letter from Securing America's Future Energy, or SAFE; a statement from the American Chemistry Council; EPA's Assistant Administrator Wehrum's ethics disclosure report; a letter from the Competitive Enterprise Institute; a letter from BP CAFE to EPA Administrator Wheeler; a letter from EPA Administrator Andrew Wheeler; a fact sheet from Auto Alliance; a statement for the record from the Consumer Federation of America.

And any objection?

Hearing none, without objection, so ordered.

[The information appears at the conclusion of the hearing.]¹

Mr. TONKO. And at this time, I thank my colleagues. The subcommittee is adjourned.

[Whereupon, at 3:17 p.m., the subcommittees were adjourned.]

[Material submitted for inclusion in the record follows:]

¹The Becker and BlueGreen Alliance reports, the UAW paper, the Competitive Enterprise Institute letter, the Auto Alliance fact sheets, and the Consumer Federation of America statement have been retained in committee files and also are available at <https://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=109670>.

June 6, 2019

The Honorable Gavin Newsom
Governor
State of California
State Capitol
Sacramento, CA 95814

Dear Governor Newsom:

We are writing with a desire to resurrect discussions on light-duty vehicle greenhouse gas standards. We also have written President Trump.

California has a long-standing history of promoting automotive innovation and environmental leadership. Our companies collectively have a significant presence in your state, with headquarters, research and testing facilities, and distribution hubs, including port operations. For many years, we have collaborated with the Air Resources Board to produce cleaner and greener vehicles—including building the nation's most robust plug-in and fuel cell electric vehicle market—and we share a commitment to continued reductions in greenhouse gas emissions.

As you know, both California and the federal government played an instrumental role in establishing the One National Program, which has produced significant greenhouse gas emission and criteria pollutant reductions.

It is our view that the best way to ensure continued success is a final rule supported by all parties—including California—that includes annual reductions in greenhouse gas emissions midway between the existing standards and the preferred path outlined in the recent Environmental Protection Agency proposal. The final rule would also include flexibilities that promote advanced technology for the sake of long-term environmental gains and U.S. global competitiveness. This solution will yield greater nationwide greenhouse gas emission reductions than a bifurcated system.

We urge both California and the federal government to resume discussions, because avoiding protracted litigation and uncertainty is good for all parties, including consumers, and for the environment. We know that reaching an agreement has been challenging, but the stakes are too high and the benefits too important to accept the status quo. Despite the status of discussions, we encourage both California and the federal government to remain open to regulatory adjustments that provide the flexibility needed to meet future environmental goals and respond to consumer needs. For our companies, a broadly supported final rule would provide regulatory certainty and enhance our ability to invest and innovate by avoiding an extended period of litigation and instability, which could prove as untenable as the current program.

Your leadership can help facilitate a resolution that achieves all of our collective goals.

We are committed to a common sense compromise and look forward to working with your team and the federal government to get this job done.

Sincerely,

Aston Martin Lagonda, Ltd.
BMW North America
Ford Motor Company
General Motors Company
Honda North America, Inc.
Hyundai Motor America
Jaguar Land Rover North America, LLC
Kia Motors America
Mazda North American Operations
Mercedes-Benz USA, LLC
Mitsubishi Motors North America, Inc.
Nissan North America, Inc.
Porsche Cars North America, Inc.
Subaru of America, Inc.
Toyota Motor North America, Inc.
Volkswagen Group of America
Volvo Car Corporation

CC: Xavier Becerra, Attorney General, State of California
Mary Nichols, Chair, California Air Resources Board

June 6, 2019

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

Thank you for your efforts to support a vibrant and competitive auto industry in the United States by reopening the midterm evaluation for the CAFE and Greenhouse Gas rulemaking. Without question, market conditions have changed materially since 2011. Relative to expectations, fuel prices are far lower, consumers are buying more SUVs and pickups, and the adoption rate of alternative powertrain vehicles has been slower than anticipated. Thus, your decision to review and update future auto standards was the proper choice.

As you know from many conversations with us and others in the auto sector, the question of the right level of regulation is complex. What works best for consumers, communities, and the millions of U.S. employees that work in the auto industry is one national standard that is practical, achievable, and consistent across the 50 states. In addition, our customers expect continuous improvements in safety, efficiency, and capability. For these reasons, we support a unified standard that both achieves year-over-year improvements in fuel economy and facilitates the adoption of vehicles with alternative powertrains.

We strongly believe the best path to preserve good auto jobs and keep new vehicles affordable for more Americans is a final rule supported by all parties—including California. Such a final rule would provide the necessary structure and compliance tools to achieve annual fuel economy improvements midway between the existing standards and the preferred path outlined by your Administration last summer. The final rule would cover model years 2021-2026 and include flexibilities that promote advanced technology for the sake of long-term environmental gains and U.S. global competitiveness. We encourage both the federal government and California to resume discussions and to remain open to regulatory adjustments that provide the flexibility needed to meet future environmental goals and respond to consumer needs.

For our companies, a broadly supported final rule would provide regulatory certainty and enhance our ability to invest and innovate by avoiding an extended period of litigation and instability, which could prove as untenable as the current program. This would also preserve vehicle affordability and help advance our shared national interest in America's manufacturing and innovation leadership.

Striking the proper balance will not be easy, but we know with your leadership it can happen. We are eager to work with you to advance this outcome and strengthen our economy and technological leadership.

Once again, thank you for all you have done for our industry and your commitment to maintain our country's role as an automotive leader, bolster the U.S. economy, and support American workers and their families.

Sincerely,

Aston Martin Lagonda, Ltd.
BMW North America
Ford Motor Company
General Motors Company
Honda North America, Inc.
Hyundai Motor America
Jaguar Land Rover North America, LLC
Kia Motors America
Mazda North American Operations
Mercedes-Benz USA, LLC
Mitsubishi Motors North America, Inc.
Nissan North America, Inc.
Porsche Cars North America, Inc.
Subaru of America, Inc.
Toyota Motor North America, Inc.
Volkswagen Group of America
Volvo Car Corporation

CC: The Honorable Elaine L. Chao, Secretary of Transportation
The Honorable Andrew Wheeler, Administrator U.S. Environmental Protection Agency
The Honorable Lawrence Kudlow, Director National Economic Council



June 19, 2019

The Honorable Frank Pallone, Jr.
Chair, House Energy & Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Greg Walden
Ranking Member, House Energy &
Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

Re: Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards

Dear Chairman Pallone and Ranking Member Walden:

Thank you for the opportunity to submit comments in advance of the June 20 Joint Hearing by the Subcommittee on Consumer Protection and Commerce, and the Subcommittee on Environment and Climate Change of the Committee on Energy and Commerce, entitled "Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards."

Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges. Ceres is also home to a policy advocacy network of companies known as BICEP – Business for Innovative Climate and Energy Policy. BICEP is a network of 53 major companies across the United States that recognize the economic risks from climate change and believe that strong and effective policies are necessary to tackle the problem.

Businesses and investors have consistently expressed strong opposition to the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule proposed by the Environmental Protection Agency (EPA) and the National Highway Safety Administration (NHTSA) which, by weakening the current standards, would diminish the global competitiveness of the U.S. auto industry, increase business and consumer fuel costs, exacerbate the significant economic costs associated with climate change, and enhance the economic and energy security risks associated with oil dependence.

Throughout the rulemaking process, businesses and investors have urged the Administration to either retain the current standards or negotiate with California to come to agreement on a solution that, unlike the proposed rule, would serve the interests of business, consumers, California and the 13 other states that have adopted its standards, and the auto industry. In addition, given the Administration's failure to engage with California, they have urged automakers to negotiate directly with California. These businesses and investors (along with the

majority of automakers),¹ recognize that the improper revocation of California's waiver authorizing it to enact vehicle emission standards would result in additional extensive litigation² and regulatory uncertainty, and is clearly not in the interest of the industry or consumers. In addition, revocation of the waiver would eliminate a major driver of industry innovation and undermine states' rights to ensure clean air for their citizens.

Businesses and investors have expressed these views in a variety of forums; including through public comments,³ op-eds,⁴ and direct engagement with automakers through letters and shareholder resolutions.⁵

Ceres has commissioned analyses making the economic case for strong standards, and rebutting claims that strong standards would make cars unaffordable for median and low-income consumers. An [analysis](#) commissioned by Ceres and produced by independent automotive industry analysts compares the economic impacts of the preferred alternative of the proposed rule - which would freeze the standards at MY2020 levels through 2026 - with the current standards as set forth in 2012. The analysis finds that automotive suppliers – the largest U.S. manufacturing sector - would be especially disadvantaged under the preferred alternative, and stand to lose \$20 billion between 2021-2025 in sales of fuel-efficient technologies. The analysis also found that the standards also serve as a form of insurance against the loss of U.S. automaker market share in the event of fuel price spikes,⁶ particularly as the U.S. automakers move toward a fleet primarily comprised of larger, less efficient vehicles.

The proposed rule would also undermine the broader economy; a recent [Synapse study](#) found that increased spending on fuel (resulting in decreased spending on generic consumer goods and services), coupled with a reduction in technological investments in the auto industry, will result in 120,000 fewer job-years in 2035 and reduce gross domestic product (GDP) by \$8 billion as compared to the current standards.

Similarly, an [analyst note](#) regarding automakers' financial performance underscores the

¹ <https://www.nytimes.com/2019/06/06/climate/trump-auto-emissions-rollback-letter.html>

² Twenty states and DC have joined a state lawsuit challenging the standards.

³ Examples attached.

⁴ Op-eds opposing weakening the standards include the following: NYC Comptroller Scott Stringer, [CNBC op-ed: "Ford, GM Should Support Strong Standards,"](#); David Richardson, [Impax Investment Management, "Fuel Efficiency Standards Put the Economy's Foot on the Gas" The Hill](#); Ikea and Ceres, ["Clean Car Standards are Good for Pennsylvania Businesses and Consumers, Philadelphia Inquirer](#); Anthony Foxx, [Lyft, "Lyft Chief Policy Officer: We're Facing a Climate Crisis While the Government Looks the Other Way", CNN Business](#); David Richardson, [Impax Investment Management, "Commentary: How Rolling Back Fuel Standards Could Crush American's Auto Industry,"](#)

⁵ [GM Faces Increased Pressure from Investors on Climate, E&E," Investors Want Climate Action," Politico](#); ["GM Shareholders' Letter to Mary Barra Demands Stronger Stance on Fuel Economy," Detroit Free Press](#). Examples of letters and resolutions attached.

⁶ IEA predicts a spike in oil prices in the early 2020s due to decreased investment by the industry.

importance of retaining or strengthening the current standards. The analysis found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards would help enhance the competitiveness of the U.S. auto industry. Given the importance of operating costs in ride sharing platforms, and the synergy between autonomous vehicles and electrification, leadership in fuel efficiency and electrification is key to success in this new era. We are also seeing a global policy shift toward more stringent fuel economy and clean vehicle policies.⁷ For example, China, the world's largest car market, has emerged as a global leader in the electric vehicle market due to strong policies; in 2018, we saw sales of over 1 million electric vehicles,⁸ or 8.1 percent of its light duty vehicle market, as compared to the 386,000 electric vehicles, or about 2 percent of the market, which were sold in the U.S.⁹ The United States should position itself to compete in this new world by retaining or strengthening the current standards, which, while they do not require significant deployment of electric vehicles,¹⁰ drive innovation and investment in the technologies needed to succeed in this new era.

An independent [affordability analysis](#) refutes automakers' claims that the standards are making vehicles unaffordable for median and low income consumers. While today's new vehicles are certainly less affordable for these consumers, that is not due to the standards, which represent only a modest portion of upfront costs (and of course ultimately provide net benefits). Instead, that reflects the growing income disparity in the U.S. as well as automakers' decision to target affluent buyers by emphasizing luxury features (the average buyer of new vehicles, whose income is 175 percent of the median U.S. household, is clearly willing to pay for those features as well as fuel efficient technologies). As a result of this increased focus on high end vehicles, an increasing number of median and lower income consumers are migrating to the used car market, where strong standards ensure the availability of fuel-efficient vehicles and consumers pay less for fuel saving technology. Thus, rather than being disadvantaged by the current standards, median and low-income households would see even greater benefits.

Finally, strong standards will serve to mitigate the economic risks associated with our continuing dependence on oil as well as climate change. First, in light of the volatility of fuel prices, strong standards are needed in order to reduce transportation costs for businesses and consumers. As a result of a shift in fleet mix to larger vehicles, overall fuel economy has plateaued, which highlights the importance of preserving the standards in order to ensure fuel cost savings and reduce our dependence on oil. Second, the recent IPCC special [report](#) underscores the urgency of addressing GHG emissions from the transportation sector in the

⁷ https://www.theicct.org/sites/default/files/publications/ICCT_US-China_EV-mkt-comp_20190523.pdf

⁸ Battery electric and plug in hybrid electric vehicles.

⁹ <https://insideevs.com/news/347306/over-1-million-plugin-cars-sold-china/>

¹⁰ Note that California's ZEV program, which is at risk given the Administration's threat to revoke its waiver, has been adopted by nine other states representing over 30% of the U.S. car market, and is a critical driver of EV deployment.

near term, which is the largest U.S. source of GHG emissions. It is clear that climate change presents significant long-term risks to U.S. businesses as well as the global economy, and that strong standards are critical to mitigating those risks.

Thank you for taking our comments under consideration.

Carol Lee Rawn
Senior Director, Transportation
Ceres

cc: House Energy & Commerce Committee Members

General Motors Company (GM)

Proposal: Lobbying expenditures disclosure



Resolution

The shareholders of General Motors Company (“GM”) request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by GM used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of management’s decision-making process and the Board’s oversight for making payments described above.



For purposes of this proposal, a “grassroots lobbying communication” is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. “Indirect lobbying” is lobbying engaged in by a trade association or other organization of which GM is a member.

Both “direct and indirect lobbying” and “grassroots lobbying communications” include efforts at the local, state and federal levels.

The report shall be presented to the Governance and Corporate Responsibility Committee and posted on GM’s website.

Summary

- The lead filer of this proposal is the New York City Office of the Comptroller. Co-filers are: AP7 (Swedish pension fund) and Congregation of Benedictine Sisters, Boerne TX
- Through the Climate Action 100+ initiative, over 300 investors managing \$33.4 trillion are asking companies to align their lobbying with the goals of the Paris Agreement.
- GM’s current disclosures on lobbying are not sufficient.
- The lobbying of GM and its trade association seeking to weaken the existing fuel economy (CAFE)/GHG vehicle standards is misaligned with the Paris Agreement’s goals.
- GM has not engaged with investors constructively, rejecting a previous shareholder proposal asking for disclosure on how future fleet emissions will align with existing fuel economy (CAFE)/GHG vehicle standards through 2025.

Rationale

This proposal aligns with one of three central pillars of the Climate Action 100+ agenda, to “Implement a strong governance framework which clearly articulates the board’s accountability and oversight of climate change.” Specifically, investors are asking all focus companies: “Has the board developed monitoring systems to ensure consistency between its policy positioning (including those of trade associations it belongs too) and implementation of the objectives of the Paris Agreement at global, regional, national and sub-national levels?”

There is broad international support for lobbying transparency. The International Corporate Governance Network (ICGN) representing more than \$18 trillion in assets, supports lobbying disclosure and political disclosure as best practice, and supports disclosure of any amounts over \$10,000.¹ In May 2018, the Principles for Responsible Investment (PRI) launched a new guide on corporate climate lobbying to help investors engage with companies on their direct and indirect lobbying practices related to climate policy. Specifically, companies should be consistent in their policy engagement in all geographic regions and should ensure any engagement conducted by member trade associations on their behalf or with their support is aligned with a company positions.² In October 2018, a \$2 trillion coalition of investors led by the Church of England pension board and Swedish pension fund AP7, sent letters to 55 large European companies, stating that lobbying on climate issues should be evaluated, managed and reported on transparently and noting it was unacceptable that companies counteract ambitious climate policy, either directly or through their trade associations.³ The OECD’s Principles for Transparency and Integrity in Lobbying find that a sound framework for transparency in lobbying is crucial to safeguard the integrity of the public decision-making process.⁴

As a signatory to the Global Reporting Initiative (GRI) GM uses GRI’s standards to help guide its sustainability reporting; accordingly, it should be reporting significant lobbying and public policy issues. GRI Standard 415: Public Policy⁵ “addresses the topic of public policy. This includes an organization’s participation in the development of public policy, through activities such as lobbying and making financial or in-kind contributions to political parties, politicians, or causes.” Under GRI Standard 415, a company “should report: (1) the significant issues that are the focus of its participation in public policy development and lobbying; and (2) the company’s stance on these issues, and any differences between its lobbying positions and any stated policies, goals, or other public positions.” This means that GM should be disclosing the significant issues it lobbies on and any differences between its lobbying positions and its stated policies, goals and public positions. GM’s current GRI reporting for Standard 415

¹<https://www.icgn.org/sites/default/files/ICGN%20Political%20Lobbying%20%26%20Donations%202017.pdf>

²https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

³ “Pension Funds Challenge Major European Emitters on Climate Lobbying,” [Church of England](https://www.churchofengland.org/more/media-centre/news/pension-funds-challenge-major-european-emitters-climate-lobbying), October 28, 2018, <https://www.churchofengland.org/more/media-centre/news/pension-funds-challenge-major-european-emitters-climate-lobbying>.

⁴<http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm>

⁵<https://www.globalreporting.org/standards/gri-standards-download-center/gri-415-public-policy-2016/>

fails to disclose the significant issues that GM lobbies on and any differences between its lobbying positions and public positions.

GM has a commendable record on disclosure on political spending to affect elections but offers very little disclosure of how the company lobbies on legislation and regulations both directly and indirectly. In the last decade investors have been urging increased disclosure and transparency by companies of their lobbying activities, oversight and expenditures. During the 2018 proxy season, over 50 companies received shareholder resolutions asking for lobbying disclosure. This led to increased discussion by boards and many companies adding an expanded lobbying disclosure section to their websites. In the last two years companies and investors have forged agreements for expanded disclosure that led to the resolution being withdrawn (e.g., Verizon, IBM, JPMorgan, ATT and ConocoPhillips).

GM spent \$71,495,000 from 2010 – 2017 on federal lobbying (opensecrets.org). This figure does not include state lobbying expenditures in the 49 states where GM lobbies but disclosure is uneven or absent.⁶ For example, GM spent \$2,756,602 on lobbying in California from 2010 – 2017. GM's lobbying over fuel efficiency standards has attracted considerable media scrutiny.⁷

GM belongs to the Business Roundtable, which lobbies against the right of shareholders to file resolutions, and is also a member of the Alliance of Automobile Manufacturers, which spent over \$15.5 million on lobbying for 2016 and 2017. GM does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying. GM discloses trade association payments used for political contributions, but not payments used for lobbying. This leaves a serious disclosure gap, as trade associations generally spend far more on lobbying than on political contributions.

We are concerned that GM's lack of lobbying disclosure presents significant reputational risk when it contradicts the company's public positions. For example, GM states that it believes climate change is real and is committed to reducing greenhouse gas emissions, yet the Alliance of Automobile Manufacturers has questioned climate science⁸ and both the Alliance and GM⁹ have sought to weaken existing CAFE standards, which are insufficient to meet climate goals.¹⁰ As shareholders, we believe that companies should ensure alignment between the Paris goals, their own positions and their lobbying, including through trade associations. We note that, in response to investor requests, Royal Dutch Shell PLC recently [announced](#) that it would withdraw from a trade association on the grounds of misalignment with Paris climate goals.

According to Influence Map's [analysis](#), (which gave GM a D grade): General Motors is "actively engaging with climate change policy, with a number of negative positions... GM is a member of several trade associations that have sought to delay or weaken climate change legislation across the world and in the

⁶ <https://publicintegrity.org/state-politics/amid-federal-gridlock-lobbying-rises-in-the-states/>

⁷ <https://nexusmedianews.com/the-stunning-hypocrisy-of-u-s-automakers-9024d5a52698>

⁸ In its February 2018 [regulatory filing](#), the Alliance questioned climate science. The same filing also "cast doubt on the negative effects of tailpipe pollution on human health," evidently conflicting with settled science. [NYT 2018](#)

⁹ GM's [public comments](#) call for about a one percent improvement per year in fuel economy standards, along with increased credits. GM's proposal for a National ZEV program would effectively preempt CA and states that have adopted its program, undermining state authority and likely delivering similar EV deployment as current standards without the additional benefits of improvement to internal combustion engines. GM's overall proposal would provide about a 1.4 percent improvement per year (Obama standards call for approximately five percent improvement per year).

¹⁰ A 2017 Rhodium Group [study](#) found that even if current standards were preserved, the U.S. would still fall short of its commitment under the Paris Agreement. A [University of Michigan study](#)¹¹ found that additional reductions in the automotive sector beyond those provided under the current CAFE/GHG standards would be necessary at the latest by 2025 (plus or minus 2 years) in order to meet climate goals and avoid increased costs. (In contrast, the Auto Alliance claims that the sector is approaching the Paris goals.) U.S. Paris commitments assumed retention of current (Obama) standards through 2025; a recent UN [report](#) found that G-20 nations (especially the U.S. as one of the four largest emitters) would need to raise their original Paris emissions reduction targets by three times to meet the 2 C threshold and by five times to meet the 1.5 C mark. See also (<https://bit.ly/2O3FRIS>).

U.S., most notably the [Auto Alliance](#) which has aggressively sought to undermine US vehicle GHG and fuel economy regulations.”

In GM's 2018 Proxy Statement the company recommended voting AGAINST a proposal from As You Sow regarding GM's compliance with existing CAFE standards. GM's response included an assertion that “GM's fleet average GHG emissions will not increase through 2025. “Given that additional reductions rather than the status quo is necessary to meet the Paris commitments, GM's response is not consistent with seeking to meet the Paris goals. GM also highlighted its commitment to electrification. However, while its investment in electrification is laudable, given that the vast majority of vehicles on the road in the next decade will have internal combustion engines, and the need for significant near-term emissions reductions, its lobbying seeking to weaken the standards is inconsistent with Paris goals. While investors have tried to engage GM regarding its lobbying on CAFE and misalignment between stated decarbonization goals and public policy positions in other forums, the discussions have not been productive.

Weakening the standards will undermine GM's global competitiveness, enhance its exposure to fuel price spikes (especially as its fleet moves to larger vehicles), and create significant regulatory uncertainty. Fourteen states, representing approximately 40 percent of the U.S. market, have adopted California's standards, and California has announced that if the federal GHG standards are weakened, California's rule will effectively revert to the existing standards. In addition, California and 19 other states, in addition to other stakeholders, have announced that they will challenge the rollback of the standards. Evidently, the current course will lead to significant regulatory uncertainty, litigation delay, and logistical challenges.

The following summarizes what investors are seeking in terms of lobbying disclosure and highlights steps GM could take to bring its disclosure on lobbying up to the positive rating it gets on political spending.

We urge GM to add to its website, under the Political Contributions and Expenditures Policy section, additional details on lobbying activities and expenditures. The present policy provides a helpful and full description of political contributions provided and oversight provided. However, it does not provide similar reporting on lobbying disclosure and public policy advocacy.

This disclosure can also easily be added as part of a Sustainability Report. A natural flow for expanded lobbying disclosure follows:

1. A brief introduction for investors on the rationale / philosophy for the company regarding lobbying; e.g. why does the company lobby and how does it advance company and shareholder interests? How are the priorities for lobbying defined?
2. A description of the oversight by management and Board of lobbying.
3. A summary of the company's top lobbying priorities been in the last year or two and the rationale for choosing them. What has the company position been on those key lobbying priorities? (This is important since without background and context, simply disclosing quarterly payments by linking to the Senate website is often confusing and cryptic information)

4. What trade associations (501(c)(6) organizations) does the company participate in? Disclosure of any trade associations receiving payments of \$25,000 or higher, disclosing the total amounts paid and also disclosing the amount of all payments which are non-deductible under Section 162(e)(1) of the Internal Revenue Code (payments used for lobbying or political contributions). This disclosure should make clear that it includes ALL payments made to trade associations (this would include any payments made in addition to regular dues).
5. How does management communicate with and/or influence a trade association when its position strongly differs from the company on a priority issue (with an example or two if possible)? How does management reviews trade association memberships to assess whether they are advancing the company's business needs and policy goals?
6. What social welfare organizations (501(c)(4) organizations) does the company participate in? Social welfare organizations may engage in lobbying, and the portion of company payments that funds lobbying is not tax-deductible. Recommended disclosure should track the same elements of trade associations in Point 4.
7. A summary of yearly federal lobbying expenditures, including dollar amounts spent, and a link to two years of quarterly reports with specific detailed dollar amounts spent on lobbying.
8. A summary of yearly state lobbying expenditures, including identification of the dollar amounts spent by state.
9. A description of any grassroots lobbying activities.
10. Disclosure of membership in and any payments to tax-exempt organizations that write and endorse model legislation, along with an explanation of how the company's membership in an organization such as the American Legislative Exchange Council (ALEC) serves company interests.
11. Links to Previous Disclosure Reports

FORD Motor Company
Proposal #6: Lobbying Expenditures Disclosure

Summary

- Through the Climate Action 100+ initiative, over 300 investors managing \$33.4 trillion are asking companies to align their lobbying with the goals of the Paris Agreement.
- FORD's current disclosures on lobbying are not best practice.
- The lobbying of FORD's trade association seeking to weaken the existing fuel economy (CAFE)/GHG vehicle standards is misaligned with the Paris Agreement's goals and the company's own stated positions.

Resolution

RESOLVED, the shareholders of FORD Motor Company ("FORD") request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by FORD used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.
3. Description of management's decision-making process and the Board's oversight for making payments described above.



For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which FORD is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, state and federal levels.

The report shall be presented to the Governance and Corporate Responsibility Committee and posted on FORD's website.

Rationale details

This proposal aligns with one of three central pillars of the Climate Action 100+ agenda, to “Implement a strong governance framework which clearly articulates the board’s accountability and oversight of climate change.” Specifically, investors are asking all focus companies: “Has the board developed monitoring systems to ensure consistency between its policy positioning (including those of trade associations it belongs too) and implementation of the objectives of the Paris Agreement at global, regional, national and sub-national levels?”

There is broad international support for lobbying transparency. The International Corporate Governance Network (ICGN) representing more than \$18 trillion in assets, supports lobbying disclosure and political disclosure as best practice, and supports disclosure of any amounts over \$10,000.¹ In May 2018, the Principles for Responsible Investment (PRI) launched a new guide on corporate climate lobbying to help investors engage with companies on their direct and indirect lobbying practices related to climate policy. Specifically, companies should be consistent in their policy engagement in all geographic regions and should ensure any engagement conducted by member trade associations on their behalf or with their support is aligned with a company positions.² In October 2018, a \$2 trillion coalition of investors led by the Church of England pension board and Swedish pension fund AP7, sent letters to 55 large European companies, stating that lobbying on climate issues should be evaluated, managed and reported on transparently and noting it was unacceptable that companies counteract ambitious climate policy, either directly or through their trade associations.³ The OECD’s Principles for Transparency and Integrity in Lobbying find that a sound framework for transparency in lobbying is crucial to safeguard the integrity of the public decision-making process.⁴

As a signatory to the Global Reporting Initiative (GRI), FORD uses GRI’s standards to help guide its sustainability reporting;⁵ accordingly, it should be reporting significant lobbying and public policy issues. GRI Standard 415: Public Policy⁶ “addresses the topic of public policy. This includes an organization’s participation in the development of public policy, through activities such as lobbying and making financial or in-kind contributions to political parties, politicians, or causes.” Under GRI Standard 415, a company “should report: (1) the significant issues that are the focus of its participation in public policy development and lobbying; and (2) the company’s stance on these issues, and any differences between its lobbying positions and any stated policies, goals, or other public positions.” This means that FORD should be disclosing the significant issues it lobbies on and any differences between its lobbying positions and its stated policies, goals and public positions. FORD’s current GRI reporting for Standard 415⁷ fails to disclose the significant issues that FORD lobbies on and any differences between its lobbying positions and public positions.

¹ <https://www.icgn.org/sites/default/files/ICGN%20Political%20Lobbying%20%26%20Donations%202017.pdf>

² https://www.unpri.org/Uploads/g/v/q/PRI_Converging_on_climate_lobbying.pdf

³ “Pension Funds Challenge Major European Emitters on Climate Lobbying.” [Church of England](https://www.churchofengland.org/more/media-centre/news/pension-funds-challenge-major-european-emitters-climate-lobbying), October 28, 2018, <https://www.churchofengland.org/more/media-centre/news/pension-funds-challenge-major-european-emitters-climate-lobbying>.

⁴ <http://www.oecd.org/gov/ethics/oecdprinciplesfortransparencyandintegrityinlobbying.htm>

⁵ <https://corporate.FORD.com/microsites/sustainability-report-2017-18/doc/sr17-gri.pdf>

⁶ <https://www.globalreporting.org/standards/gri-standards-download-center/gri-415-public-policy-2016/>

⁷ GRI 415: PUBLIC POLICY 2016, p. 30. <https://corporate.FORD.com/microsites/sustainability-report-2017-18/doc/sr17-gri.pdf>

FORD offers very little disclosure of how the company lobbies on legislation and regulations both directly and indirectly. In the last decade investors have been urging increased disclosure and transparency by companies of their lobbying activities, oversight and expenditures. During the 2018 proxy season, over 50 companies received shareholder resolutions asking for lobbying disclosure. This led to increased discussion by boards and many companies adding an expanded lobbying disclosure section to their websites. In the last two years companies and investors have forged agreements for expanded disclosure that led to the resolution being withdrawn (e.g., Verizon, IBM, JPMorgan, AT&T and ConocoPhillips). Further, the issue of company lobbying and its relationship to climate change related laws and regulations is an increasingly important issue for investors. Investors who are part of the Climate Action 100+ initiative have raised the issue of climate related lobbying with over 160 companies with high greenhouse gas emissions. This has resulted in positive movement by companies. For example, Royal Dutch Shell has agreed to align its own lobbying with the goals of the Paris Accord and to evaluate trade associations they support using the same standard. Other companies will soon be following suit. In addition, FORD has a poor record on disclosure on political spending with a Zicklin index rating, from the Center for Political Accountability, of 21 - putting them in the bottom quartile of companies reporting.

FORD spent \$47.2 million from 2010 - 2018 on federal lobbying (opensecrets.org). This figure does not include lobbying expenditures to influence legislation in states, where FORD also lobbies but disclosure is uneven or absent. For example, FORD spent \$3,227,295 on lobbying in California from 2010 - 2018. FORD's lobbying regarding fuel economy standards has attracted unfavorable media scrutiny ("The Stunning Hypocrisy of U.S. Automakers," *Nexus Media*, May 8, 2018). It has also been the target of activist campaigns.⁸ While FORD has made positive statements regarding the CAFE standards, and, to its credit, has been seeking a compromise solution with California, its lack of full disclosure regarding its lobbying activities creates reputational risk.

FORD sits on the board of the Chamber of Commerce, which has spent more than \$1.5 billion on lobbying since 1998, belongs to the Business Roundtable, which is lobbying against the right of shareholders to file resolutions, and is a member of the Alliance of Automobile Manufacturers ("the Alliance"), which spent over \$16.3 million on lobbying for 2017 and 2018. FORD does not disclose its memberships in, or payments to, trade associations, or the amounts used for lobbying.

⁸ For example, an [op-ed](#) in *The Hill* with Public Citizen that called FORD a hypocrite; a [letter](#) signed by hundreds of health professionals calling on FORD to stop lobbying for dirtier vehicles; [petition delivery event](#) in Detroit with Public Citizen, Greenpeace, and Care2, where a quarter million petition signatures were delivered to FORD; and a widely promoted [Model T ad](#) equating the fuel economies of vehicles under the proposed rollback with that of the Model T's.

We are concerned that FORD's lack of lobbying disclosure presents significant reputational risk when positions taken by trade associations contradict the company's own public positions. For example, FORD states that climate change is real, and that the company is committed to reducing greenhouse gas emissions. Yet its membership in the Alliance for Automobile Manufacturers tells a contradictory story. The Alliance has questioned the validity of climate science and has lobbied to weaken federal fuel efficiency standards, which will severely hamper the ability of the U.S. to meet climate goals. The Chamber of Commerce, of which FORD is a member, opposed the Paris Climate Accord. As shareholders, we believe that companies should ensure that their lobbying, including through trade associations, is aligned with their own positions.

In [FORD's 2018 Proxy Statement](#), the company recommended voting AGAINST a similar lobbying proposal from the Unitarian Universalist Association and asserted that its trade associations further company interests. However, we are concerned about the misalignment between FORD's stated positions on climate and the actions of its trade associations.

Effectively weakening the CAFE standards by allowing additional credits, as the Alliance advocates, is not in the interest of the company. Doing so would undermine FORD's global competitiveness, enhance its exposure to fuel price spikes (especially as its fleet shifts to larger vehicles), and create significant regulatory uncertainty. Fourteen states, representing approximately 40 percent of the U.S. market, have adopted California's standards, and California has announced that if the federal GHG standards are weakened, California's rule will effectively revert to the existing standards adopted by the Obama Administration. In addition, California and 19 other states, in addition to other stakeholders, have announced that they will challenge the rollback of the standards in court. A rollback would lead to significant regulatory uncertainty, litigation delay, and logistical challenges.

The following summarizes what investors are seeking in terms of lobbying disclosure and highlights steps FORD could take to improve its disclosure on lobbying.

We urge FORD to add to its website, under the Political Contributions and Expenditures Policy section, additional details on lobbying activities and expenditures. The present policy provides a helpful and full description of political contributions provided and oversight provided. However, it does not provide similar reporting on lobbying disclosure and public policy advocacy. This disclosure can also easily be added as part of a Sustainability Report. Robust lobbying disclosure should include:

1. A brief introduction for investors on the rationale / philosophy for the company regarding lobbying; e.g. why does the company lobby and how does such lobbying advance company and shareholder interests? How are the priorities for lobbying defined?
 2. A description of the oversight by management and Board of lobbying.
 3. A summary of the company's top lobbying priorities in the last year or two and the rationale for choosing them. What has the company position been on those key lobbying priorities? (This is important since without background and context, simply disclosing quarterly payments by linking to the Senate website is often confusing and cryptic information).
 4. What trade associations (501(c)(6) organizations) does the company participate in? Disclosure of any trade associations receiving payments of \$25,000 or higher, disclosing the total amounts paid and also disclosing the amount of all payments which are non-deductible under Section 162(e)(1) of the Internal Revenue Code (payments used for lobbying or political contributions). This disclosure should make clear that it includes ALL payments made to trade associations (this would include any payments made in addition to regular dues).
-

5. How does management communicate with and/or influence a trade association when its position strongly differs from the company on a priority issue (with an example or two if possible)? How does management reviews trade association memberships to assess whether they are advancing the company's business needs and policy goals?
 6. What social welfare organizations (501(c)(4) organizations) does the company participate in? Social welfare organizations may engage in lobbying, and the portion of company payments that funds lobbying is not tax-deductible. Recommended disclosure should track the same elements of trade associations in Point 4.
 7. A summary of yearly federal lobbying expenditures, including dollar amounts spent, and a link to two years of quarterly reports with specific detailed dollar amounts spent on lobbying.
 8. A summary of yearly state lobbying expenditures, including identification of the dollar amounts spent by state.
 9. A description of any grassroots lobbying activities.
 10. Disclosure of membership in and any payments to tax-exempt organizations that write and endorse model legislation, along with an explanation of how the company's membership in an organization such as the American Legislative Exchange Council (ALEC) serves company interests.
 11. Links to Previous Disclosure Reports
-

May 17, 2019

Ms. Mary T. Barra
Chief Executive Officer
General Motors Company
300 Renaissance Center
Detroit, MI 48243

Dear Ms. Barra,

Climate change poses significant material opportunities and risks to the automotive sector, including shifts in consumer demand and mobility trends, manufacturing challenges, and changes in the regulatory landscape in major markets. Institutional investors have called on governments around the world to support implementation of the Paris Agreement and outline the pathway to a low carbon economy.¹ Decarbonizing the transportation system is key to this goal and we hope that the US carmakers can help lead the way.

We are writing to you as shareholders in your company to share our concern about General Motors' efforts to weaken the U.S. Corporate Average Fuel Economy (CAFE) and greenhouse gas (GHG) vehicle standards.² As you know, through the Climate Action 100+ initiative, over 300 investors with \$32 trillion in assets under management have committed to engage with the world's largest systemically important carbon emitting companies,³ including General Motors. Leading investors are asking companies to set greenhouse gas reduction targets for both operations and products that are compatible with the goal of keeping the increase in global average temperature to well below 2 degrees, and to pursue efforts to limit the increase to 1.5 degrees.⁴

¹https://theinvestoragenda.org/wp-content/uploads/2018/06/GISGCC-FINAL-for-G7-with-signatories_update-4-June.pdf

² GM's [public comments](#) call for about a 1% improvement per year in fuel economy standards, along with increased credits. GM's proposal for a National ZEV program would effectively preempt CA and states that have adopted its program, undermining state authority and likely delivering similar EV deployment as current standards without the additional benefits of improvement to internal combustion engines. GM's overall proposal would provide about a 1.4% improvement per year (current National Program calls for approximately 4.5-5% improvement per year). See GM's public comments on the NPRM dated October 26, 2018, which call for a 1% annual improvement in fuel economy for MY 2021-2026, additional credits, and a National Zero Emission Vehicle (NZEV) program. GM's full proposal - estimated to provide approximately 1.4% improvement per year - would constitute a significant weakening of the current National Program, which provides for approximately 4.5-5% improvement per year.

³ <http://www.climateaction100.org/>

⁴<https://www.ceres.org/news-center/press-releases/nys-comptroller-dinapoli-and-church-england-call-exxonmobil-set-targets>

In Europe, investors managing \$2 trillion have written to 55 companies, including seven auto companies, to set out Investor Expectations on Corporate Lobbying on Climate Change.⁵ They assert that corporate lobbying that is misaligned with the goals of the Paris Agreement can present financial risks to investors: regulatory risks from delay in action, systemic economic risks from climate change as well as reputational and legal risks. Given that California and 19 other states have announced that they will challenge the rollback of the CAFE/GHG standards, continuing down the current path will lead to significant regulatory risk as well.

The New York City Office of the Comptroller has filed a shareholder resolution asking for better transparency and disclosure on GM's governance around climate lobbying.⁶ The undersigned investors wish to signal support for this proposal. Additionally, in line with the Climate Action 100+ and Investor Expectations on Corporate Lobbying on Climate Change,⁷ we are asking that GM act to lobby consistently with the Paris Agreement and take immediate steps to address misalignments between stated company positions on climate and emissions,⁸ the company's position on the standards, and that of any trade association of which GM is a member. Below are specific actions that you could take to address our concerns:

- Actively negotiate with California Air Resources Board to develop a compromise solution and commit to comply with those standards regardless of the outcome of the federal rulemaking process;
- Oppose, or, at the very least, avoid endorsing, in public comments or through legal proceedings, any final rule that results in a significant weakening of the program from the 2022-2025 aughtal CAFE levels or current GHG emissions standards as established in 2012, and make every effort to ensure that your trade association, the Alliance of Automobile Manufacturers follows suit;
- Publicly oppose efforts to undermine California's (and by extension the other 13 states that have adopted California's standards) authority to set vehicle emission standards;
- Oppose and seek redaction of the Alliance of Automobile Manufacturers' statements regarding the standards, climate science, and health impacts of emissions;⁹
- Describe how GM will meet the near-term emission reductions required to meet climate goals if the standards are rolled back.

⁵<https://www.forbes.com/sites/mikescott/2018/10/31/why-is-your-trade-association-fighting-moves-to-tackle-climate-change-investors-ask-companies/#73fa24381d86>

⁶ https://engagements.ceres.org/ceres_engagementdetailpage?recID=a011H00000CF0GPQA1. (Co-filers AP7 and Congregation of Benedictine Sisters)

⁷ <http://www.iigcc.org/publications/publication/investor-expectations-on-corporate-lobbying-on-climate-change>

⁸ <https://www.gmsustainability.com/aspire/aspirations.html>

⁹ In its February 2018 [regulatory filing](#), the Alliance questioned climate science. The same filing also "cast doubt on the negative effects of tailpipe pollution on human health," evidently conflicting with settled science. [NYT 2018](#)

Thank you for your attention to this critical issue; we are extremely concerned about GM's current path, which will exacerbate climate risk, enhance reputational risk and lead to regulatory uncertainty. We look forward to a statement from the company regarding how it will comply with the investor expectations set out in this letter.

Signed,

Investors with total Assets Under Management of \$1,958,951,000,000.

BNP Paribas Asset Management
Aviva Investors
Local Authority Pension Fund Forum
CANDRIAM
Minnesota State Board of Investment
AP7
Andra AP-fonden (AP2)
San Francisco Employees' Retirement System (SFERS)
MP Pension
Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.
NEI Investments
Church of England Pensions Board
Tri-State Coalition for Responsible Investment
Brawn Capital Limited
JLens Investor Network
As You Sow
Northwest Coalition for Responsible Investment
Mercy Investment Services, Inc.

cc: Everett Eissenstat, Senior Vice President, Global Public Policy
Rick Hansen, Assistant General Counsel & Corporate Secretary
Robert Babik, Executive Director, Global Regulatory Affairs
Scott Cross, Corporate Governance Manager
Michael Heifler, Director, Investor Relations
Dan Turton, Vice President, North American Public Policy

October 26, 2018

Administrator Andrew Wheeler
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Deputy Administrator Heidi King
NHTSA Headquarters
1200 New Jersey Avenue, S.E.
West Building
Washington, D.C. 20590

Re. SAFE Vehicle Rule for Model Years 2021-2026 Passenger Cars and Light Trucks; Docket ID No. NHTSA-2018-0067; EPA-HQ-OAR-2018-0283

Dear Administrator Wheeler and Deputy Administrator King,

As long-term investors with over \$699 billion in assets under management, we are writing to express our strong opposition to the proposed rule jointly promulgated by the Environmental Protection Agency (EPA) and the National Highway Safety Administration (NHTSA) which, by freezing the [current standards](#) between Model Year (MY) 2021-2026, would undermine the global competitiveness of the U.S. auto industry, and be especially detrimental to auto parts suppliers – the largest U.S. manufacturing sector. In addition, it would result in significant regulatory uncertainty and delay for the industry, exacerbate the significant economic costs associated with climate change, and increase fuel costs for consumers and businesses. We urge you to either adopt the current standards or negotiate with California to come to agreement on one national program.

A recent [analysis commissioned by Ceres and](#) produced by independent automotive industry analysts compares the economic impacts of the preferred alternative of the proposed rule – which would freeze the standards at MY2020 levels through 2026 – with the current standards as set forth in 2012. The analysis finds that suppliers – the largest U.S. manufacturing sector, which provides two-and-a-half times more American jobs than domestic automakers – would be especially disadvantaged under the preferred alternative. Suppliers stand to lose

\$20 billion between 2021-2025 in sales of fuel-efficient technologies. In addition, the analysis found that the current standards provide insurance for the Detroit Three automakers and their suppliers against future market losses in the event of a fuel price spike. Evidently, this risk would be exacerbated under the proposed rule. The analysis also concludes that under current standards, the Detroit Three would be profitable even under very low fuel prices. Finally, the preferred alternative set forth in the proposed rule would make the U.S. an outlier among global regulatory regimes in major markets. The preferred alternative undermines the U.S. auto industry's global competitiveness and its ability to achieve economies of scale by increasing the use of global platforms.

Adoption of any of the alternatives in the proposed rule will result in regulatory uncertainty, delay, and a fragmented market. California has announced that while it supports one national program and is willing to negotiate, in the absence of a negotiated solution it will require automakers to comply with the current standards. Not surprisingly, the auto industry supports regulatory certainty and one national program. Regulatory certainty is invaluable to the auto industry, including the Tier One suppliers, who are making the majority of fuel-saving technology investments in research, development, and production capacity. Weakening the standards will undermine the Tier One suppliers' ability to realize returns on their investments made in reliance on the current standards, and avoid stranded costs. Regulatory uncertainty and delay due to litigation would also be an inevitable result of adopting the proposed rule; in addition to other stakeholders, twenty states, including Iowa, Illinois and Pennsylvania, have already announced that they plan to file a lawsuit challenging the proposed rule. In addition, failing to ensure one national standard would result in significant logistical difficulties for automakers; twelve other states and Washington, D.C. – approximately 35 percent of the U.S. auto market – have adopted California's standards, and others are considering doing so. In fact, at this point, over [half of the U.S. auto market](#) is now in a city or state that has voiced support for the current clean car standards.

We strongly object to the revocation of California's waiver, which would result in additional extensive litigation and regulatory uncertainty, and is clearly not in the interest of the industry or consumers. Revocation of the waiver would eliminate a major driver of industry innovation and undermine states' rights to ensure clean air for their citizens.

The proposed rule would also increase the economic risks associated with climate change and our dependence on oil. The preferred alternative would also halve the job increases and GDP impacts expected under the existing standards. First, the Rhodium Group [found that under the preferred alternative, greenhouse gas \(GHG\)](#)

[emissions would increase by 321-931 million metric tons \(MMt\)](#) [depending on oil prices] by 2035 – more than the total annual emissions today of 82 percent of countries. Given that transportation is now the largest source of GHG emissions in the U.S., we cannot afford to move backwards at this critical point; it is well established that climate change presents significant long-term risks to the global economy, and to investors across all asset classes. Second, in light of the volatility of fuel prices, strong standards are necessary in order to ensure reduced fuel costs for businesses and consumers. The Rhodium Group also found that under the preferred alternative, U.S. oil consumption would be anywhere from 252,000 to 881,000 barrels per day higher by 2035, which would cost drivers an additional \$193 to \$236 billion cumulatively between by 2035. A recent [Synapse study found that](#) increased spending on fuel (resulting in decreased spending on generic consumer goods and services), coupled with a reduction in technological investments in the auto industry, will result in 120,000 fewer job-years in 2035 and reduce gross domestic product (GDP) by \$8 billion as compared to the current standards.

In sum, the proposed rule would undermine the U.S. auto industry - especially the supplier sector - and its ability to compete globally. It would result in significant regulatory uncertainty and delay, which would only be exacerbated if the Administration seeks to revoke California's waiver. Finally, it would increase climate risk and its associated costs, increase fuel costs for businesses and consumers and their vulnerability to oil price volatility, and result in job losses in the industry and across the broader economy. Accordingly, we urge EPA and NHTSA to either retain the current standards or negotiate with California to come to agreement on a rule that meets the needs of the industry, consumers, and businesses, and allows states to meet their air quality and climate goals.

Sincerely,

Robeco
Robeco SAM
Hermes EOS
Hermes Investment Management
Impax Asset Management Group
Seventh Generation Interfaith
Committee on Mission Responsibility Through Investment of the Presbyterian Church U.S.A.
Dana Investment Advisors
NEI Investments

Pax World Funds
Miller/Howard Investments, Inc.
Everence and the Praxis Mutual Funds
Trillium Asset Management
Boston Common Asset Management, LLC
Conference for Corporate Responsibility Indiana and Michigan
Sisters of St. Joseph of Orange
Northwest Coalition for Responsible Investment
Bailard, Inc. SRII Group
Green Century Capital Management
Zevin Asset Management
Region VI Coalition for Responsible Investment
Friends Fiduciary Corporation
Sonen Capital
The Nathan Cummings Foundation
Sisters of the Holy Cross
Priests of the Sacred Heart, U.S. Province
Kendall Sustainable Infrastructure, LLC
Dominican Sisters of Grand Rapids
Dominican Sisters of San Rafael
JLens
Dominican Sisters of Sparkill
Midwest Coalition for Responsible Investment
Tri-State Coalition for Responsible Investment
As You Sow
Dominican Sisters of Mission San Jose
Mercy Investment Services, Inc.
Dignity Health
Congregation of St. Joseph
Daughters of Charity, Province of St. Louise
Adrian Dominican Sisters, Portfolio Advisory Board
St. Mary's Institute
Sisters of St. Joseph of Boston
Racine Dominicans, SRI Committee
Jesuit Committee on Investment Responsibility

cc: Elaine Chao, United States Secretary of Transportation

Larry Kudlow, Assistant to the President for Economic Policy and Director of the National Economic Council

Francis Brooke, Special Assistant to the President for Economic Policy

Shahira Knight, Assistant to the President and Director of the Office of Legislative Affairs

William Wehrum, Assistant Administrator for the Office of Air and Radiation

Mary Nichols, Chair, California Air Resources Board

**BICEP Members:**

Adobe
 Annie's Inc
 Aspen Skiing Company
 Autodesk
 Aveda
 Ben & Jerry's
 Burton Snowboards
 CA Technologies
 Clif Bar & Company
 Dignity Health
 eBay Inc.
 Eileen Fisher
 Etsy
 Fetzer Vineyards
 Gap Inc.
 General Mills, Inc.
 Hackensack Meridian Health
 IKEA
 JLL
 Kaiser Permanente
 KB Home
 The Kellogg Company
 L Brands
 L'Oreal USA
 Levi Strauss & Co.
 LinkedIn
 Lyft
 Mars Incorporated
 Microsoft Corporation
 Nature's Path Foods
 Nestle
 New Belgium Brewing
 Nike, Inc.
 The North Face
 Outdoor Industry Association
 Owens Corning
 Patagonia, Inc.
 Portland Trail Blazers
 Salesforce
 San Francisco International Airport
 Seventh Generation
 Sierra Nevada Brewing
 Squaw Valley Alpine Meadows
 Starbucks
 Stonyfield Farm
 Symantec Corporation
 Timberland
 Unilever
 Vail Resorts
 VF Corporation
 Vulcan, Inc.
 Worthen Industries

October 26, 2018

Administrator Andrew Wheeler
 U.S. Environmental Protection Agency
 1200 Pennsylvania Avenue, N.W.
 Washington, D.C. 20460

Deputy Administrator Heidi King
 NHTSA Headquarters
 1200 New Jersey Avenue SE
 West Building
 Washington DC, 20590

**Re. SAFE Vehicle Rule for Model Years 2021-2026
 Passenger Cars and Light Trucks; Docket ID No.
 NHTSA-2018-0067; EPA-HQ-OAR-2018-0283 (submitted via
 Federal eRulemaking Portal)**

Dear Administrator Wheeler and Deputy Administrator King,

The Ceres BICEP Network comprises influential companies, representing over \$550 billion in annual revenue, advocating for stronger climate and clean energy policies at the state and federal level in the U.S. On behalf of these companies, I write to voice strong opposition to the proposed rule jointly promulgated by the Environmental Protection Agency (EPA) and the National Highway Safety Administration (NHTSA) which, by freezing the current standards between Model Year (MY) 2021-2026, would increase business and consumer fuel costs and undermine the broader economy. I urge you to either adopt the current standards or negotiate with California to come to agreement on a solution that, unlike the proposed rule, would serve the interests of business, consumers, California and the states that have adopted its standards, and the auto industry.

The standards represent a critical opportunity to strengthen the U.S. economy and create jobs – both by benefiting the auto industry and by ensuring fuel cost savings, which in turn will increase spending on non-energy goods and services, which employ more people per dollar of output than the oil and gas sectors. In addition, given the important role of strong standards in driving innovation, the standards will also help ensure the global competitiveness of the industry. Independent studies establish that the standards will benefit the auto industry, businesses and consumers, and drive job and economic growth. Analyses also rebut opponents' claims that the standards will result in prohibitive vehicle prices, and show that they will in fact disproportionately benefit low income households.

On behalf of the BICEP network, I strongly object to the revocation of California's waiver, which would result in additional extensive litigation and regulatory uncertainty, and is clearly not

in the interest of the industry or consumers. In addition, revocation of the waiver would eliminate a major driver of industry innovation and undermine states' rights to ensure clean air for their citizens. As businesses with footprints across the country, the availability of fuel efficient and clean vehicles in every state is important to companies in the BICEP network.

A recent [analysis](#) commissioned by Ceres and produced by independent automotive industry analysts compares the economic impacts of the preferred alternative of the proposed rule - which would freeze the standards at MY2020 levels through 2026 - with the current standards as set forth in 2012. The analysis finds that suppliers - the largest U.S. manufacturing sector, would be especially disadvantaged under the preferred alternative, and stand to lose \$20 billion between 2021-2025 in sales of fuel efficient technologies. The proposed rule would also undermine the broader economy; a recent [Synapse study](#) found that increased spending on fuel (resulting in decreased spending on generic consumer goods and services), coupled with a reduction in technological investments in the auto industry, will result in 120,000 fewer job-years in 2035 and reduce gross domestic product (GDP) by \$8 billion as compared to the current standards.

Similarly, an [analyst note](#) regarding automakers' financial performance underscores the importance of retaining or strengthening the current standards. The analysis found that as disruption from new technologies, new mobility models, and global trends threaten financial prospects for legacy automakers, the current fuel economy and emissions standards would help enhance the competitiveness of the U.S. auto industry. Given the importance of operating costs in ride sharing platforms, and the synergy between autonomous vehicles and electrification, leadership in fuel efficiency and electrification is key to success in this new era. We are also seeing a global policy shift; China, the world's largest car market, is planning to require that 20% of all cars sold in 2025 be new energy vehicles, in addition to banning vehicles with traditional internal combustion engines - India and several European countries and cities are planning similar bans. The United States should position itself to compete in this new world by retaining or strengthening the current standards, which drive innovation and investment in the technologies needed to succeed in this new era.

An independent [affordability analysis](#) refutes automakers' claims that the standards are making vehicles unaffordable for median and low income consumers. While today's new vehicles are certainly less affordable for these consumers, that is not due to the standards, which represent only a modest portion of upfront costs (and of course ultimately provide net benefits). Instead, that reflects the growing income disparity in the U.S. as well as automakers' decision to target affluent buyers by emphasizing luxury features (the average buyer of new vehicles, whose income is 175% of the median U.S. household, is clearly willing to pay for those features as well as fuel efficient technologies). As a result of this increased focus on high end vehicles, an increasing number of median and lower income consumers are migrating to the used car market, where strong standards ensure the availability of fuel efficient vehicles and consumers pay less for fuel saving technology. Thus, rather than being disadvantaged by the current standards, median and low income households would see even greater benefits.

Finally, strong standards will serve to mitigate the economic risks associated with our continuing dependence on oil as well as climate change. First, in light of the volatility of fuel prices, strong standards are needed in order to reduce transportation costs for businesses and consumers. As a result of a shift in fleet mix to larger vehicles, overall fuel economy has plateaued, which highlights the importance of preserving the standards in order to ensure fuel cost savings and reduce our dependence on oil. Second, the recent IPCC special [report](#) underscores the urgency of addressing GHG emissions from the transportation sector, which is the largest U.S. source of GHG emissions. Climate change presents significant long-term risks to our businesses as well as the global economy. Weakening the standards will exacerbate that risk, leading to an

additional two billion metric tons of GHG emissions - which is equivalent to putting an additional 480 million cars on the road.

Accordingly, on behalf of the companies in the BICEP network, I urge EPA and NHTSA to either retain the current standards or negotiate with California to come to agreement on a rule that meets the needs of the industry, consumers, and businesses, as well as California and states that have chosen to adopt its standards. Thank you for your consideration of these comments.

Sincerely,



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The [Ceres BICEP Network](http://www.ceres.org/bicep) comprises influential companies advocating for stronger climate and clean energy policies at the state and federal level in the U.S. As powerful champions of the accelerated transition to a low-carbon economy, Ceres BICEP Network members have weighed in when it has mattered most. For more information on the Ceres BICEP Network, visit www.ceres.org/BICEP.

**Attorneys General of New York, Connecticut, Maine, Maryland,
Massachusetts, New Jersey, Oregon, Pennsylvania, Vermont, and
Washington**

June 20, 2019

The Honorable Janice D. Schakowsky
Chair, Consumer Protection and Commerce Subcommittee
House Committee on Energy and Commerce
U.S. House of Representatives
2125 Longworth House Office Building
Washington, DC 20515

The Honorable Paul Tonko
Chair, Environment and Climate Change Subcommittee
House Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable John Shimkus
Ranking Member, Environment and Climate Change Subcommittee
House Committee on Energy and Commerce
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, DC 20515

The Honorable Cathy McMorris Rodgers
Ranking Member, Consumer Protection and Commerce Subcommittee
House Committee on Energy and Commerce
U.S. House of Representatives
2322 Longworth House Office Building
Washington, DC 20515

Re: Joint Hearing on Rollback of Vehicle Greenhouse Gas Emission Standards
and Fuel Economy Standards

Dear Chairpersons Schakowsky and Tonko, and Ranking Members Shimkus and
Rodgers:

The undersigned State Attorneys General commend the Environment and
Climate Change and Consumer Protection and Commerce Subcommittees for holding a
joint hearing on the U.S. Environmental Protection Agency's (EPA's) and National
Highway Traffic Safety Administration's (NHTSA's) dangerous and irresponsible
proposal to roll back federal vehicle greenhouse gas emission and fuel economy

standards and to also preempt states from maintaining their own more stringent emission standards.

As states that have opted in to the California Clean Cars program under Section 177 of the Clean Air Act - some for more than 25 years - and which collectively with California comprise over one-third of the national automobile market, we have a heightened interest in the agencies' proposed rollback and preemption proposals. However, it is vital for all Americans that Congress exercise its oversight authority when federal agencies blatantly flout the mandates Congress placed upon them in their authorizing statutes. Here, by increasing both air pollution and fuel consumption, while decreasing highway safety, the EPA and NHTSA proposals run directly contrary to the fundamental commands of the Clean Air Act and the Energy Policy and Conservation Act.

While the proposed rollbacks of federal standards are antithetical to EPA's and NHTSA's respective missions, it is completely unacceptable for the agencies to affirmatively seek to preempt our states from doing all we can do to continue to protect our residents from the threats posed by climate change. Our states routinely suffer from the increasingly extreme flooding, fires, storms, and heat waves arising from accelerating climate change. As the transportation sector is the largest single contributor of greenhouse gas pollution emissions in the United States, failing to take decisive federal action while simultaneously seeking to rob our states of critical tools to confront these impacts is indefensible.

Further, states rely on the California standards not just to achieve urgently needed greenhouse gas emission reductions, but also to attain and/or maintain federal ambient air quality standards for criteria pollutants, including ozone (smog) and fine particulate matter. Indeed, EPA has approved the California standards into State Implementation Plans because of their key role in helping to reduce smog and particulate matter in urban areas. Currently, more than four in 10 Americans – over 40 percent of the population – live in areas with unhealthy smog and/or particle pollution. Exposure to unhealthy smog and/or particle pollution levels adversely affects human health and welfare in these areas with children and the elderly being particularly vulnerable to asthma, reduced lung capacity and other respiratory ailments. High levels of these criteria pollutants also affects animals, including pets, livestock and wildlife in similar ways and is harmful to the environment. It is simply untenable for EPA to hold us accountable for meeting national air quality standards on the one hand while removing an indispensable pollution reduction tool with the other.

Moreover, despite certifying in the rulemaking proposal that they had complied with Executive Order 13,132's mandate to consult "with State and local officials early in the process of developing the proposed regulation," neither EPA nor NHTSA consulted with our States prior to releasing their proposal last August. The agencies should be called to account for both misrepresenting their actions and for failing to comply with the executive order's requirements regarding consultation with states on their proposed reversal of well-established state prerogatives under the Clean Air Act.

Should EPA and NHTSA finalize their proposals, we intend to file suit to overturn their actions, and we expect to prevail given the clear legal vulnerability and abject arbitrariness of the agencies' proposals, as robust technical and scientific data in the record demonstrate. However, this is a fight we should not have to have with our own federal government. Our time and resources should be spent on crafting solutions to the public health, environmental, and economic consequences that climate change and conventional air pollution impose on our states, not on burdensome litigation just to preserve our ability to take actions necessary to protect our residents and our environment.

Accordingly, we applaud your Subcommittees for holding a joint hearing on EPA's and NHTSA's dangerous and irresponsible proposal. We hope that active Congressional oversight can steer the agencies back to their proper course, and we stand ready to assist you in your efforts.

Sincerely,



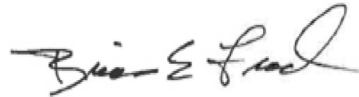
LETITIA JAMES
Attorney General of New York



WILLIAM TONG
Attorney General of Connecticut



AARON M. FREY
Attorney General of Maine



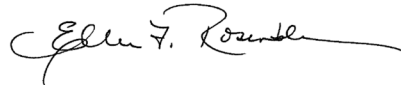
BRIAN E. FROSH
Attorney General of Maryland



MAURA HEALEY
Attorney General of Massachusetts



GURBIR S. GREWAL
Attorney General of New Jersey



ELLEN ROSENBLUM
Attorney General of Oregon



JOSH SHAPIRO
Attorney General of Pennsylvania



THOMAS J. DONOVAN, JR
Attorney General of Vermont



BOB FERGUSON
Attorney General of Washington

CC: Honorable Nancy Pelosi, Speaker, U.S. House of Representatives
Honorable Kevin McCarthy, Minority Leader, U.S. House of Representatives
Honorable Frank Pallone, Chairman, House Committee on Energy and
Commerce
Honorable Greg Walden, Ranking Member, House Committee on Energy and
Commerce



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June 20, 2019

The Honorable Frank Pallone
 Chairman
 Committee on Energy and Commerce
 U.S. House of Representatives
 Washington, DC 20515

The Honorable Greg Walden
 Ranking Member
 Committee on Energy and Commerce
 U.S. House of Representatives
 Washington, DC 20515

Dear Chairman Pallone and Ranking Member Walden:

The Association of Global Automakers, Inc. (“Global Automakers”) appreciates the opportunity to submit the following Letter for the Record on the House Committee on Energy and Commerce Subcommittees on Environment and Climate Change and Consumer Protection and Commerce hearing entitled “*Driving in Reverse: The Administration’s Rollback of Fuel Economy and Clean Car Standards.*” Global Automakers represents the U.S. operations of international motor vehicle manufacturers, original equipment suppliers, and other automotive-related companies and trade associations. Our companies are technology leaders, bringing a wide range of fuel-efficient technologies for gasoline, plug-in, battery-electric, and fuel cell electric cars and trucks, and innovating in the areas of connected and automated technologies as well.

The auto industry today is dealing with profound transitions and enormous uncertainties: a possible global economic slowdown, a tightening world and U.S. auto market, and trade disputes and restrictions, all during a time when massive investments are needed for electrified and automated transportation. At the same time, the auto industry is experiencing significant headwinds. Sales volumes appear to have peaked at 18.1 million in 2016 and are down slightly over the past two years, and customers are taking out more extended loans to finance increasing vehicle prices, with the average vehicle transaction price at \$36,000 today.

The future of motor vehicle fuel economy and greenhouse gas (GHG) emission standards is one of the most important policy challenges facing the industry today. Yet, the outcome of the pending Safer Affordable Fuel-Efficient (SAFE) Vehicles final rule represents significant uncertainty and potential complication for our industry.

This issue, in fact, remains so important that 17 automakers came together and submitted letters to President Trump and Governor Newsom earlier this month, urging a final rule that continues the industry’s significant progress in improving motor vehicle fuel economy while giving auto companies the flexibility and incentive to invest in next-generation fuel-saving technologies. These companies seek a single nationwide regulatory framework that will be streamlined, efficient and ease compliance burdens. Ideally this would result from continued discussions between the federal Administration and California with both sides willing to compromise. But even if that is not possible, we still feel that a rule can be finalized that accomplishes these important policy goals. This issue is too important to the industry not to get right, and millions of American workers and consumers are counting on the Administration and California to strike the right balance.



In 2017, Global Automakers and our members asked for a fresh look at the fuel economy and GHG standards that had been promulgated in 2012 and hastily reaffirmed in final days of the previous administration. Those standards need to be adjusted to account for fundamentals in the marketplace that have significantly changed in the intervening years. We detail these in many of our submissions to EPA and NHTSA over the past couple of years. Of note, our industry is seeing:

- Lower than expected gasoline prices (in 2012, the Energy Information Agency (EIA) reference price forecast of \$3.86/gallon for gasoline in 2025 (in 2010 dollars), and now the projected price is \$2.92/gallon (in 2016 dollars);
- Changes in the car and truck fleet splits (in 2012, the projected car/truck split was 67%/33% for MY 2025, but the current car/truck split has changed significantly to 48.5% cars/51.5% trucks);
- Smaller-than-predicted fuel efficiency gains in MY 2016 and MY 2017; and
- An uptake of advanced-technology vehicles—such as hybrid vehicles (HEVs), battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell electric vehicles (FCEVs)—that is slower than necessary to meet the aggressive standards for the latter years of the program.

We therefore agreed with the Administration’s decision to undertake an up-to-date review of the standards and have engaged in the rulemaking that followed. Throughout the process, Global Automakers has advocated for a smart, balanced regulatory approach that achieves the following important policy goals:

- One national program covering all 50 states, including California;
- Meaningful and achievable annual improvements in fuel economy through the 2025 model year; and
- Regulatory provisions that will enable the U.S. to continue its leadership in advanced powertrain technologies.

The motor vehicle fuel economy and GHG emission program dates back to 2009. At the time, the industry was facing an economic downturn coupled with the potential of having to meet fuel economy and greenhouse gas standards separately for EPA, NHTSA and the state of California and its followers. There was then a broad recognition that the best path forward was one that brought all parties together into a unified program. This led to One National Program, in which the three agencies coordinated on forward-looking regulations that provided for single nationwide compliance. It also resolved for the time being litigation concerning whether California has separate authority to regulate motor vehicle GHG emissions and fuel economy. The result was a win-win for all parties.

Having one national program that includes the state of California is of paramount importance. Having to comply with overlapping and conflicting regulations is wasteful because it drives up costs for manufacturers and consumers. It also yields no additional environmental benefits while causing sales distortions throughout the country -- meaning that cars and trucks sold in Texas or Virginia might have to be different from those sold in California or Rhode Island, with the former subsidizing the latter.

Today, we find ourselves facing the prospects of precisely that scenario. Global Automakers was therefore disappointed to learn several months ago that discussions concerning the future standards between the federal Administration and California had broken off. We understand that both sides have firmly-held policy positions—California wants to maintain the current standards despite the clear need



to make adjustments to them, and the federal Administration wants to significantly roll them back despite the clear need to continue the industry's progress in improving efficiency and to maintain American leadership in innovation. Unfortunately, the auto industry finds itself caught in the middle and stands to pay the price for any inability to find common ground.

Global Automakers has therefore urged the federal Administration and California to adopt a middle-ground approach that will maintain One National Program. This would be far preferable to the course we appear to be on now, which would result in separate federal and California standards and years of costly litigation concerning California's authority to regulate in this space. It would meet the Administration's goals of reducing regulatory burdens and costs, while also meeting California's goal of achieving greater GHG reductions than would be possible under a bifurcated system. It would also support American leadership in the research and development of advanced technology vehicles and strengthen the competitive position of the U.S. auto industry.

This middle-ground would essentially split the difference between the Administration's proposal from last summer to freeze fuel economy and GHG emissions standards after the 2021 model year, and California's preferred approach of requiring annual improvements of around 5% per year through the 2025 model year. It would also maintain important regulatory mechanisms that incentivize investment and deployment of advanced powertrain technologies.

Fleet-average fuel economy has improved more than 11 percent since 2011, from a combined average of 29 miles per gallon to 32.2 miles per gallon. In recent years, though, there seems to have been a levelling off, as gas prices fell and consumers switched to different, often larger, vehicles. Despite changes in the marketplace, our companies are proud of the progress made to date and believe it should continue under a level regulatory playing field.

At the same time, automakers have made enormous commitments to the electrification of their fleets. Between now and 2023, automakers will invest over \$255 billion in electrification. Worldwide, there is intense competition for global leadership in battery-electric and fuel cell electric vehicles, with China leaping to the front as the largest market for, and largest producer of, electric vehicles. Assuring American leadership in this important industry requires the type of support at the federal level that will spur innovation and in the U.S. auto industry and attract investment from our important trading partners. The fuel economy and GHG rulemaking provides an important opportunity to do so.

Continued U.S. leadership in this area depends on several factors. Manufacturers need to be able to meet market demands so that they continue to have capital to invest in future technologies. The regulatory regime should allow for compliance tools that encourage and reward innovation in advanced technologies.

However, we know from experience that sales mandates are not the answer. Eight Northeast states have adopted California's Zero Emission Vehicle (ZEV) Mandate, yet their sales are below the national average. Rather, ongoing federal and state policies are needed to encourage advanced technologies and address ongoing market barriers. Currently, there are bipartisan groups of lawmakers from both chambers who have introduced bills which would do just that. Congressman Dan Kildee's (D-MI) *Driving America Forward Act* (H.R. 2256) updates the plug-in electric vehicle tax credit which incentivizes the purchase of electric vehicles, while also extending the tax credit incentivizing the purchase of hydrogen fuel cell vehicles for ten years.



In addition to provisions in the tax code that incentivize the purchase of electric vehicles, investments in recharging and refueling infrastructure are also critical to further electrification of the automotive sector. Rep. Mark DeSaulnier (D-CA), for example, has introduced the *Clean Corridors Act* (H.R. 2616) which creates a grant program under the *FAST Act* for eligible entities to receive funds to build out the refueling and recharging infrastructure for both plug-in battery and fuel cell electric vehicles. Just recently, the Energy and Commerce Committee held its own hearing on the *LIFT America Act* which contains provisions that would also help to expand alternative fuel infrastructure and the use of electric vehicles. Policies such as these are needed to help guide automaker investment and ensure a smooth transition for customers driving electric cars.

In conclusion, there is still an opportunity to adopt a harmonized set of regulations that will improve fuel economy and reduce GHG emissions and does so in a manner that is cost-effective and accounts for the needs of customers. Global Automakers believes that a middle ground approach achieves these objectives. We appreciate this Committee's continued interest and support, and we look forward to working with you on this critical issue.

Sincerely,

A handwritten signature in black ink, appearing to read "John Bozzella".

John Bozzella
President and Chief Executive Officer
Association of Global Automakers

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June 20, 2019

The Honorable Frank Pallone
Chairman, Energy and Commerce
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The Honorable Greg Walden
Ranking Member, Energy and Commerce
2322 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jan Schakowsky
Chairwoman, CPAC Subcommittee
2367 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Cathy McMorris Rodgers
Ranking Member, CPAC Subcommittee
1035 Longworth House Office Building
Washington, D.C. 20515

The Honorable Paul Tonko
Chairman, Environment Subcommittee
2369 Rayburn House Office Building
Washington, D.C. 20515

The Honorable John Shimkus
Ranking Member, Environment Subcommittee
2217 Rayburn House Office Building
Washington, D.C. 20515

Chairman Pallone, Ranking Member Walden, Chairwoman Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, and Ranking Member Shimkus:

Thank you for holding today's important hearing on the Trump Administration's Notice of Proposed Rulemaking (NPRM) to revise the Corporate Average Fuel Economy (CAFE) standards.

Securing America's Future Energy (SAFE) appreciates the opportunity to submit this letter of record. SAFE is a nonpartisan, nonprofit organization committed to reducing U.S. oil dependence to improve U.S. economic and national security. In 2006, SAFE formed the Energy Security Leadership Council (ESLC), a nonpartisan group of business and former military leaders in support of long-term policy toward this goal. The ESLC is co-chaired by Frederick W. Smith, Chairman and CEO of FedEx, and General James T. Conway, 34th Commandant of the U.S. Marine Corps (Ret.).

It is our belief that improved fuel efficiency for light-duty vehicles is instrumental to strengthening U.S. energy security. While the United States has already faced considerable challenges caused by its dependence on oil in the past several decades, these would have been far more serious without the progress that has been made in improving light-duty fuel efficiency.

The Importance of Fuel Efficiency Standards

The United States is the single-largest oil consumer in the world. We consume, as a nation, approximately one-fifth of the daily global oil supply – 70 percent of which is used to power our transportation system. Since 92 percent of the energy consumed in the U.S. transportation system comes from oil, businesses and consumers have no alternatives available at scale when oil prices spike. And due to the uniquely global nature of oil pricing, a supply disruption anywhere impacts prices

everywhere. This is exacerbated by the opaque and unfree oil market dominated by the Organization of the Petroleum Exporting Countries (OPEC), which controls 83 percent of the world's proven oil reserves.

It was OPEC's historic oil embargo in 1973 and the economically debilitating oil price shocks that prompted the United States to implement the fuel economy program. Although no single event has replicated the severity of the embargo, OPEC's recent behavior demonstrates a renewed commitment to consolidating control over oil prices and supply. This means America's transportation sector will almost certainly be pressured by higher prices in the near-to-medium-term future—and likely with little warning.

An urgent need exists for policies to insulate the nation from our exposure to the opaque and unfree oil market, and to reduce the dependence on oil that has undermined the nation's economic sovereignty, constrained our foreign policy, and burdened our military forces. Until the U.S. transportation sector is no longer beholden to oil, the country will be vulnerable to oil price volatility. Improving the fuel efficiency of the U.S. vehicle fleet is a valuable insurance policy against this volatility.

Fuel Efficiency Standards for MY 2017-2025

In 2012, the U.S. National Highway Traffic Safety Administration (NHTSA) and the U.S. Environmental Protection Agency (EPA) together finalized a rulemaking establishing fuel efficiency standards for cars and light-duty trucks for model years 2017 through 2025. The 2012 rulemaking required that the agencies conduct a mid-term evaluation of the standards. The previous administration found the augural standards appropriate and issued the Final Determination in January 2017. After the Trump Administration decided to reconsider the Final Determination, the agencies found that the previous standards were not appropriate. In August 2018, NHTSA and EPA published a Notice of Proposed Rulemaking (NPRM) that would maintain the MY 2020 standards through MY 2021-2026.

On October 26, 2018, SAFE submitted extensive public comments on the NPRM emphasizing that strong fuel economy standards are imperative to economic and national security, and that rolling back the existing standards would run counter to American national interests.¹ SAFE identified several problematic assumptions or interpretations that we believe need to be rectified. To this end, SAFE's public comments offered data, suggestions, and comments on how to improve the analysis to ensure the standards are "appropriate, reasonable, consistent with law, consistent with current and foreseeable future economic realities, and supported by a transparent assessment of current facts and data."² The following is an abridged version of these comments.

One National Program

SAFE continues to support the National Program, and the important role it plays in reducing oil dependence. We recognize the difficulty in balancing many competing factors, but believe that current oil market dynamics reinforce the importance of not weakening the standards.

¹ <http://secureenergy.org/wp-content/uploads/2018/10/Securing-Americas-Future-Energy-Comments-on-EPA-HQ-OAR-2018-0283-0756.pdf>

² NPRM 42987

We believe that for the sake of national security, the U.S. auto industry, auto workers, and ultimately American consumers and businesses, the country is better served by the Trump administration and the State of California finding a solution to the current impasse on revised fuel economy regulations. This is a preferable option to these vital standards becoming mired in protracted and uncertain litigation. Such an outcome serves the interest of neither party, nor is it in the best interests of the country. This uncertainty is particularly problematic for the industry as they cope with unprecedented technological change and a new competitive landscape.

Leveraging Technology to Improve Fuel Economy and Safety

For the first time, the United States is closing in on making fuel choice a reality by bringing electricity, hydrogen, and natural gas fuels into the transportation sector and building fueling infrastructure nationwide. Alongside the rise of autonomous vehicles, transportation in the United States is poised to enter a period of unprecedented technological development. Autonomous vehicle fleets can advance our progress toward the goal of reducing oil dependence, as alternative fuel vehicles prove to be the best vehicle platform from both an economic and technological perspective.

Previous agency analysis, and current expert opinion, run counter to the findings in the NPRM that freezing fuel economy will save 12,000 lives. The NPRM is also a missed opportunity to incorporate new safety and driver-assist technologies that save both lives and fuel. Recent studies have concluded that universal adoption of existing crash-avoidance technologies could save 9,900 lives each year.³

These same technologies could eventually generate system-wide fuel savings of 18 to 25 percent when integrated in parallel with other efficiency technologies. The full details of these findings can be found in SAFE's April 2018 report, *Using Fuel Efficiency Regulations to Conserve Fuel and Save Lives by Accelerating Industry Investment in Autonomous and Connected Vehicles*.⁴

Furthermore, SAFE recommends that the Administration maintain the existing alternative fuel incentive multipliers, but with reforms to convert it into a technology-neutral Alternative Drivetrain Multiplier. These advanced technology multipliers should not be viewed as social engineering, as they do not force any company to produce any particular type of vehicle. The final rule should reform this multiplier to an Alternative Drivetrain Multiplier that supports the strategic objective of trying to diversify fuel choice in the transportation sector without picking winners and losers. The multiplier credit should include natural gas and any other non-liquid fuel alternatives.

To achieve the goal of mitigating vehicle crashes with reduced oil demand, the agencies should also consider providing incentives for automakers to incorporate new crash-avoidance technologies (such as forward collision warning, lane departure warning, and automated braking), which have been shown to reduce crash frequency, and therefore lower the risk of injuries and fatalities.

³ Boston Consulting Group Inc. and Motor & Equipment Manufacturers Association: "A Roadmap to Safer Driving through Advanced Driver Assistance Systems," at 2, 2015.

⁴ SAFE: "Using Fuel Efficiency Regulations to Conserve Fuel and Save Lives by Accelerating Industry Investment in Autonomous and Connected Vehicles," April 2018, secureenergy.org/report/avsandfueleconomy.

In the 2012 Final Rule, the agencies decided to categorically bar safety technologies from receiving credit under the off-cycle program. EPA's regulation at 40 C.F.R. § 86.1869–12 ("CO₂ credits for off-cycle CO₂-reducing technologies") contains a limitation that restricts the eligibility of safety technologies for off-cycle credit:

Off-cycle credits may not be approved for crash-avoidance technologies, safety critical systems or systems affecting safety-critical functions, or technologies designed for the purpose of reducing the frequency of vehicle crashes. Off-cycle credits may not be earned for technologies installed on a motor vehicle to attain compliance with any vehicle safety standard or any regulation set forth in Title 49 of the Code of Federal Regulations.

This provision should be reversed whether there are plans to use these off-cycle credits or not. The auto industry should have pathways available to meet standards, especially pathways that both save lives on our roads and fuel for national security, which is the Congressionally-mandated role of NHTSA. NHTSA has long considered safety concerns in setting CAFE standards, and allowing safety technologies to be eligible for credit does not mean the program will suffer from tradeoffs between safety and fuel economy that NHTSA has historically needed to balance.

Military Cost of Oil

In the NPRM, the agencies reiterated that they believe the cost to the United States of defending the global oil supply is zero, and decline to include any expense for U.S. efforts to protect the global oil supply.⁵ Costs for stationing U.S. troops in and around the Persian Gulf and ceaseless efforts to protect the transit of oil at sea are not accounted for when the agencies calculate the net positive impact the standards have had, and continue to have, by reducing U.S. consumption of motor fuels.

In narrowly defined budgetary terms, the primary conclusion from SAFE's examination of this issue is, at minimum, approximately \$81 billion per year in costs are incurred by the U.S. military for protecting global oil supplies. This sum is approximately 16 percent of recent DoD base budgets. If one spreads this out over the 19.8 million barrels of oil consumed daily in the United States in 2017, the implicit subsidy for all petroleum consumers is approximately \$11.25 per barrel of crude oil, or \$0.28 per gallon of all petroleum consumed.

The people of the United States could do a great many things with the billions of dollars that are currently allocated to protect the global oil supply. While these costs are obscured by the bureaucratic logic of defense budgeting, they nonetheless exist, and they involve not just billions of dollars annually, but the lives of more than a million American servicemen and women. A substantial reduction in transportation sector oil consumption would allow the United States to free itself from the need to assume its role as chief guardian of global oil supplies and permit the country to make better use of resources currently devoted to this purpose.

⁵ 3 See e.g., EPA. "Proposed Determination on the Appropriateness of the Model Year 2022-2025 Light-Duty Vehicle Greenhouse Gas Emissions Standards under the Midterm Evaluation: Technical Support Document."

SAFE believes that the current rulemaking process is an ideal place for the agencies to overturn outdated thinking, and now include a cost of at least 28 cents for defense of the global oil supply in their benefit-cost calculations.

Conclusion

An urgent need exists for policies to insulate the nation from our exposure to the opaque and unfree oil market, and to reduce the dependence on oil that has undermined the nation's economic sovereignty, constrained our foreign policy, and burdened our military forces. Improving the fuel efficiency of the U.S. vehicle fleet is a valuable insurance policy against these risks.

In closing, as the committee examines this issue, we wish to make you aware of the following recommendations that we have provided to NHTSA and EPA:

- The Administration should maintain the existing alternative fuel incentive multipliers, but with reforms to convert it into a technology-neutral Alternative Drivetrain Multiplier that does not pick winners and losers.
- SAFE believes the agencies should include the true military cost of protecting the global oil supply in their benefit-cost analysis.
- We encourage the agencies to select an alternative that increases the stringency of the program by at least 2 percent per year.
- Rather than focus on mass changes, SAFE urges the agencies to instead incentivize the introduction of advanced driver assistance technologies (ADAS) to reduce overall crash frequencies and fatalities.
- The agencies should retain the off-cycle technology program, while considering a number of potential improvements tailored to accommodate truly innovative technologies.
- SAFE believes that the agencies should seize this opportunity to enable greater long-term reductions in oil demand by continuing to incentivize advanced fuel vehicles such as those that operate on electricity, hydrogen, and natural gas.

We would like to thank the committee for its leadership in evaluating this critical issue. We look forward to working with you, your colleagues, and fellow stakeholders to pursue a resolution that will contribute to continued improvements in fuel efficiency and safety on our roadways in order to reduce America's oil dependence.

Thank you,



Robbie Diamond
President and CEO
Securing America's Future Energy



**American Chemistry Council
Statement for the Record
House Energy & Commerce Committee
Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
“Driving in Reverse: The Administration’s Rollback of Fuel Economy and Clean Car
Standards”
June 20, 2019**

The American Chemistry Council (ACC), including its Plastics Division, appreciates the opportunity to comment on the House Energy & Commerce Committee hearing entitled, “*Driving in Reverse: The Administration’s Rollback of Fuel Economy and Clean Car Standards.*”

BACKGROUND

ACC is a national trade association representing U.S. companies that manufacture chemistry and plastics. American chemistry is an innovative \$768 billion enterprise that plays a critical role in delivering a sustainable future through resource and fuel efficiency, material innovation, and continuous improvement in our products and operations. Last year alone, America’s chemistry industry spent approximately \$91 billion in research and development to support innovation in a variety of fields, including energy, food, health and water.

The business of chemistry creates over 811,000 U.S. manufacturing and high-tech jobs, and six million related jobs that support families and communities. This includes the manufacturing of lightweight plastics and polymer composites used by the transportation industry. Every day, plastics and polymer composites help deliver cleaner air and water, safer living conditions, efficient and affordable energy sources, lifesaving medical treatments and safe, and innovative lightweight vehicle solutions.

Automotive plastic and composites provide countless innovative lightweight solutions, including reconfigurable flexible interiors for autonomous vehicles, antimicrobial self-cleaning surfaces for fleet and ride share vehicles, interior and exterior lighting and important safety features such as back-up cameras and air-bags. Lightweight plastic and polymer composite auto parts comprise over 50 percent of a vehicle’s material volume, but less than 10 percent of its weight. Beyond plastic and composites, chemistry enables a multitude of vital vehicle innovations, including synthetic rubber for improved air retention over the life of the tires, adhesives and sealants for multi-material joining, lubricants for improved engine performance and batteries for vehicle electrification. Virtually every component of a lightweight vehicle, from the front bumper to the rear tail-lights, is made possible through chemistry.



Polymer composites are a combination of tough plastic resins that are reinforced with glass, carbon fibers and other materials. These materials often weigh far less than traditional automobile materials, yet maintain high levels of strength and a high resistance to corrosion. These materials provide an economical way to lightweight vehicles while preserving important safety features and consumer preference through improved design flexibility. Additional properties of plastic and composites, including strength to weight ratio and excellent energy absorption, make these materials especially well-suited for the design and manufacture of light-duty vehicles.

THE ROLE OF PLASTIC AND COMPOSITES IN LIGHT-DUTY VEHICLES

ACC applauds the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) for their efforts to create a harmonized, sustainable and safe highway transportation platform in the United States. However, we strongly disagree with the conclusory statements in the Notice of Proposed Rulemaking (NPRM) “The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks” issued on August 24, 2018 that the choice of “relatively cost-effective technology option of vehicle lightweighting... will increase on-road fatalities.”¹ These public comments provide the Agencies with feedback and data to support a final rulemaking that reflects the robust scientific governmental and industry research regarding how lightweight plastic and composite auto parts can be used as a tool to improve fuel economy while maintaining safety.

The lightweighting of vehicles by manufacturers has, and will, continue to spur innovation, growth and competition in the U.S. automotive industry to meet consumer demands for stylish and safe vehicles. ACC supports these efforts and the Agencies’ recognition of lightweight plastic and polymer composite technologies, as a compliance tool for auto manufacturers to make vehicles more fuel efficient. Among other numerous benefits, automotive plastics and composites play an important role in improved safety, improved design, mass reduction, aerodynamic improvement, electrification and autonomous deployment and optimized component integration.² Utilizing plastic and composites within the global automotive industry follows well-documented trends of polymer usage to economically reduce mass and increase efficiency in the civilian and military aerospace industries. Choosing plastic and polymer composites to reduce mass in light-duty vehicles is a decision supported by science that can pay immediate and long term economic and environmental dividends.³

In the NPRM, the Agencies propose to maintain the CAFE and CO2 standards applicable in model year (MY) 2020 for MYs 2021-2026. ACC supports a harmonized national standard that continues to recognize vehicle lightweighting as a safe and feasible strategy to achieve improved fuel efficiency, including techniques for improved design, aerodynamic drag improvement, and optimized component integration. This is an area where lightweight plastic polymer composites

¹ NPRM, 83 Fed. Reg. 42986, 42991 (Aug. 24, 2018).

² EPA, NHTSA and CARB, “Draft Technical Assessment Report: Midterm Evaluation of Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Average Fuel Economy Standards for Model Years 2022-2025, Appendix”, pp. B-46-B-76 (July 2016), available at <https://nepis.epa.gov/EPA/html/DLwait.htm?url=/Exe/ZyPDF.cgi?P100OYCH.PDF?Dockey=P100OYCH.PDF>.

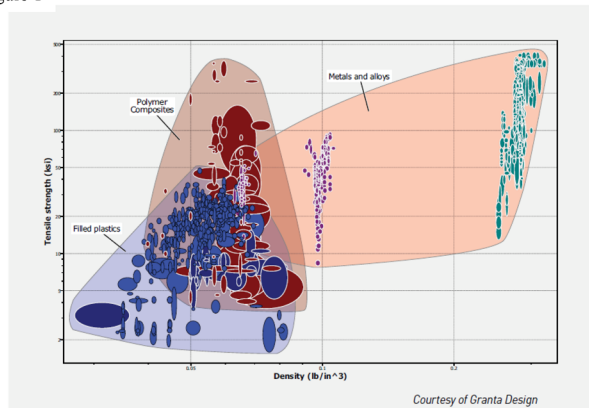
³ Trucost, “Plastics and Sustainability: A Valuation of Environmental Benefits, Costs and Opportunities for Continuous Improvement” (July 2016), available at <https://plastics-car.com/Resources/Resource-Library/A-Valuation-of-Environmental-Benefits-Costs-and-Opportunities.pdf>.



can play a significant role in economically reducing vehicle mass of new light-duty vehicles.

The chart labeled “Figure 1” below provides data regarding the tensile strength and density of filled plastics, polymer composites, metals, and alloys. As shown in the chart, there are many plastics and polymer composites that are significantly less dense than most metals and alloys while offering similar tensile strengths. This data illustrates the fundamental physical advantage that many plastics and polymer composites can offer over metallic automotive materials: higher strength-to-weight ratios enable automakers to lightweight while maintaining performance and innovative designs that consumers demand.⁴

Figure 1 Tensile strength versus density for filled plastics, polymer composites, and metals and metal alloys



MASS REDUCTION THROUGH LIGHTWEIGHT PLASTIC AND POLYMER COMPOSITES HAS MAINTAINED OR IMPROVED SAFETY

The NPRM notes that historical data shows that the safest cars are generally heavy and large while the cars with the highest fatal-crash rates have been light and small and asks “whether the past is necessarily a prologue”.⁵ Citing recent studies that in turn rely heavily on retrospective statistical studies, the Agencies’ answer their own rhetorical question and conclude that “[b]ecause the analysis discerns a historical relationship between vehicle mass, size, and safety, it is reasonable to assume these relationships will continue in the future.”⁶ The Agencies failed to account for the synergism of readily available and emerging technology that will, in

⁴ American Chemistry Council, “Plastics and Polymer Composites for Automotive Markets Technology Roadmap”, pp. 10-12, 36-40 and 58, (March 2014), available at: <https://plastics-car.com/Tomorrows-Automobiles/Plastics-and-Polymer-Composites-Technology-Roadmap/Plastics-and-Polymer-Composites-Technology-Roadmap-for-Automotive-Markets-Full-Report.pdf>.

⁵ NPRM, 83 Fed. Reg. 42986, 43108 (Aug. 24, 2018).

⁶ *Id.*



combination with mass reduction, maintain and improve safety, such as improved vehicle designs, crashworthiness systems, restraint systems, driver assist systems, and increasing levels of autonomy.

The retrospective statistical studies supporting the NPRM's conclusions regarding fatality increases resulting from vehicle lightweighting are based by definition on how vehicles had been lightweighted in the past. In particular, in earlier studies, such as that by Crandall and Graham⁷, automakers focused on decreasing weight by reducing the length of the frontal structures (i.e., the structures located from the firewall forward). At the same time, considerable effort was also expended to retain occupant compartment size for comfort and, more importantly from a safety perspective, to maintain the "safety cage" survival space required for occupants. Such changes shortened the crush zone for crash energy absorption and caused vehicles to experience more severe crash pulses (i.e., higher decelerations over shorter time durations). Due to the higher decelerations and shorter crash pulse durations, restraint systems underwent substantial improvement. These issues, in part, were addressed by changing an engine's inline configuration to a transverse configuration, thereby recouping some of the crush zone space lost before the engine's reconfiguration.

The later studies described in the NPRM analyzed the safety improvements that resulted when some automakers began utilizing designs that lowered the engine during a crash in order to provide an additional increase in the size of the crush zone.⁸ However, these more recent statistical studies failed to take into account readily available design practices that have been developed to both lightweight and provide improved safety for a given vehicle. For example, as early as 2013, manufacturers began using lighter and stronger ultra-high strength steels and carbon fiber reinforced plastic composites; and even earlier were using aluminum and high strength steel for lightweighting, as well as improving the crash performance of the body-in-white.^{9,10} Furthermore, restraint systems have continued to improve. More recently, for example, inflatable belts have been made available in production vehicles, providing better occupant protection as the crash loads transferred through the belt are spread out over a larger area of an occupant's thorax. This reduces the mechanical stresses incurred by a person's skeletal structures (in particular, the shoulder, sternum, and rib cage).¹¹

The retrospective statistical studies, on which the NPRM heavily relies, placed primary emphasis on a vehicle's change in velocity (delta V) during a crash as the predictor of fatalities and injuries in the analyses. The NPRM even goes so far as to provide the relationship between the

⁷ The NPRM cites to a 2017 study by Bento, A., et al. to support the conclusion that larger vehicles are better able to protect their occupants during accidents. *Id.* at 43016, n. 94. That study, however, relies heavily on retrospective statistical studies such as Crandall, Robert W. and Graham, John D., "The Effect of Fuel Economy Standards on Automobile Safety," *The Journal of Law & Economics*, Vol. 32, No. 1, pp. 97-118, April 1989.

⁸ Bento, A., Gillingham, K., & Roth, K.m, "The Effect of Fuel Economy Standards on Vehicle Weight Dispersion and Accident Fatalities," NBER Working Paper No. 23340 (June, 2018), available at <http://www.nber.org/papers/w23340>.

⁹ Dr. Dirk Lukaszewicz, Design Drivers for Enhanced Crash Performance of Automotive CFRP Structures, Twenty-Third International Technical Conference on the Enhanced Safety of Vehicles, Seoul, South Korea (May 2013).

¹⁰ SAE, "Pros and Cons of Advanced Lightweighting Materials," *SAE International Tech Briefs*, Vol 42, No. 3, pp. 14-17 (March 2018).

¹¹ Personal knowledge of ACC consultant and retired Director for Safety Research at NHTSA, Dr. William Thomas Hollowell, from his research at NHTSA and his personal communications with researchers at the OEMs.



mass ratios of the vehicles involved in vehicle-to-vehicle crashes and each vehicle's resulting delta Vs. However, the studies failed to take into account that, while the mass ratio of the vehicles involved in a given vehicle-to-vehicle crash dictates the delta V of each vehicle, readily available design techniques can manage the time duration over which a vehicle's delta V occurs.

In providing for occupant safety, engineers break down the crash into two impacts during which the designer has some control: the first being the impact of the vehicle to another vehicle or a stationary object, and the second being the impact of the occupant to surfaces within the interior of the vehicle. Managing the crash time duration during the first impact is critical as this provides the opportunity to further optimize the performance of the occupant restraint systems during the second impact. That is, the longer the crash pulse duration can be increased, the lower the impact speed of the occupant to interior components will be and the better the opportunity to properly deploy the restraint system. This in turn defines the design of the optimal interior components—including required component performance (e.g., padded dashboard and pillars) and strength (e.g., the structural members of the safety cage, such as the pillars), as well as the accompanying proper restraint system characteristics, which provide very effective system performance. Such improved performance derives in part from designs incorporating the use of materials which have high specific energy absorption (i.e., high energy absorption per kilogram of material). For example, carbon fiber reinforced plastic (CFRP) composites can be engineered to provide far more energy absorption per unit mass of material (as depicted in Figure 2 below) providing a designer the potential to reduce vehicle mass while improving a vehicle's safety performance.

The Agencies' own Draft Technical Assessment Report included the following conclusion regarding carbon fiber auto parts:

Carbon fiber reinforced polymer composites are of particular interest for automotive applications because they can be designed to have mechanical properties that are comparable to steel, but have a significantly lower density. Furthermore, they can have good energy absorbing characteristics in a crash which can improve vehicle safety.¹²

In an ongoing study¹³ utilizing finite element modeling, George Mason University (GMU) has been incorporating CFRP composites to provide the equivalent performance provided in a NHTSA research project¹⁴ undertaken to improve the crash performance of a Toyota Corolla subjected to the frontal oblique offset test procedure being developed for the New Car Assessment Program. In NHTSA's project, high strength steels were utilized resulting in a 17 kg increase in the baseline vehicle weight. In the GMU project, the use of CFRP composites provided the equivalent safety performance, while also providing a reduction of 7 kg in the

¹² See *supra* note 2, p. B-52.

¹³ Chung-Kyu Park, Cing-Dao (Steve) Kan, William Thomas Hollowell, and Rudolf Reichert, "Evaluation of the Safety Performance and Weight Reduction Using CFRP Modified Automotive Structures in NHTSA's Frontal Oblique Impact Test," National Crash Analysis Center, George Washington University, available at <http://indexsmart.miramart.com/26esv/PDFfiles/26ESV-000169.pdf>

¹⁴ Awaiting publication of NHTSA final report, anticipated by year-end, per NHTSA approved draft report has been submitted for formal publication and is currently undergoing necessary edits to satisfy American Disabilities Act requirements, <https://www.nhtsa.gov/research-data>.



baseline vehicle weight. Both studies resulted in substantially improved crash performance with respect to compartment intrusion while providing essentially equivalent crash pulses.

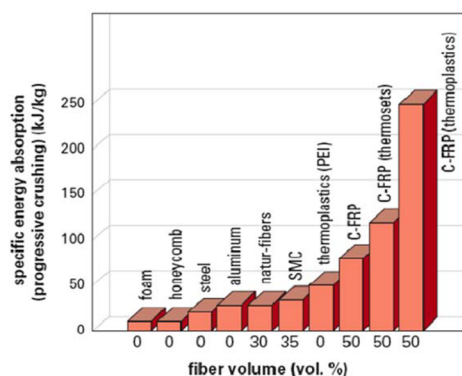


Figure 2. Energy Absorption (Energy/KG of Material) Potential Structural Materials

In another earlier study, researchers at The George Washington University also demonstrated that improved vehicle designs could readily provide equivalent crash protection¹⁵. This project was a collaborative effort with NHTSA, The George Washington University, and participating member companies of the American Chemistry Council's Plastics Division. The goal of the project was to lightweight a Chevrolet Silverado pickup truck using plastics and composites including the utilization of finite element modeling. In this project, the vehicle size was maintained while achieving a 19 percent weight reduction through lightweighted component replacements using plastics and CFRP composites as well as downsizing of the powertrain and suspension system, made possible by the reduced weight realized from the component lightweighting. The lightweighted vehicle provided equivalent safety performance as the baseline vehicle.

In another project, NHTSA awarded a contract to the National Center for Manufacturing Science and its partners, the University of Delaware's Center for Composite Materials and BMW, to investigate the use of carbon fiber reinforced thermoplastic materials (CFRP) for vehicle side structures.¹⁶ The project team investigated using CFRP materials for these structures, created requirements, and defined assessment strategies. In particular, a B-pillar was designed to meet structural and crash safety requirements specified by BMW and team members using the CFRP

¹⁵ Chung-Kyu Park, Cing-Dao (Steve) Kan, William Thomas Hollowell, and Susan I. Hill, "Investigation of Opportunities for Lightweight Vehicles Using Advanced Plastics and Composites," National Crash Analysis Center, George Washington University, Report No. DOT HS 811 692 (December 2012), available at <https://www.nhtsa.gov/DOT/NHTSA/NVS/Crashworthiness/Plastics/811692.pdf>

¹⁶ National Center for Manufacturing Sciences, *High-Performance Computing Studies*, Report No. DOT HS 812 404, Washington, DC National Highway Traffic Safety Administration (April 2017), available at https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/812404_computingstudiesreport_v2_0.pdf



composites to provide improved side crash performance. In this study, scientists designed, manufactured, and tested CFRP intensive vehicle components, and validated the predicative engineering tools. The design of the B-pillar was followed by the manufacturing and testing of a prototype. This study demonstrated that the designed carbon fiber thermoplastic B-pillar offered 60 percent weight savings over the metallic baseline, and satisfied the specified side impact crash requirements. Also, the dynamic impact and crush response of the B-pillar was adequately modeled using computational tools.

A presentation by Joe Nolan at the 2013 NHTSA Workshop on Mass-Size-Safety further supported the importance of good designs¹⁷. His research examined crash test data, vehicle technologies, insurance, and NHTSA accident data bases to investigate the relative safety of large and small passenger vehicles. For the future of vehicle design, he noted that: (1) Disparate size and weight vehicles will always exist in the fleet and (2) Smaller and lighter vehicles can have some disadvantage. However, Nolan stated that advanced structural engineering and technology innovations have improved the fleet compatibility and occupant protection across all vehicle sizes. He ended by summarizing the countermeasures that help equalize occupant safety in a mixed-size fleet. These included crashworthiness improvements, especially for the smallest vehicles; strong front, side, and roof structures; head-protecting side airbags with rollover deployment; better light truck compatibility with cars; lowering light truck structures to car levels; electronic stability control; and continued improvement in belt use rates.

The countermeasures advocated by Joe Nolan have been providing positive results. For example, IIHS published in their September 28, 2011 *Status Report* that recent changes in sport utility vehicles (SUVs) and pickup trucks have made crashes involving the two vehicle types less dangerous to car occupants than they used to be.¹⁸ The highlights of this study were presented at the aforementioned 2013 NHTSA Workshop. Shown in Figure 3 are graphs depicting the crash partner deaths for one-to-four year old vehicles per million registered vehicle years. As seen, fatality rates at a given weight decreased substantially between 2000-2001 and 2008-2009. Also note that the death rates were as not as far apart in 2008-2009 for the various vehicle types as they were in 2000-2001. While weight is a contributing factor in the crash outcomes, these graphs also demonstrate that good design can improve those outcomes. The design changes leading to these improvements resulted from a voluntary agreement established out of meetings between NHTSA and automakers to address the issue of compatibility.

¹⁷ Joe Nolan, "The Relative Safety of Large and Small Passenger Vehicles," Insurance Institute for Highway Safety, Presentation to the 2013 NHTSA Workshop on Mass-Size-Safety, Washington, DC, May 2013

¹⁸ IIHS, "Better compatibility has lessened the danger that SUVs and pickups pose to people in cars," IIHS/HLDI Status Report, Vol. 46, No. 8, September 28, 2011



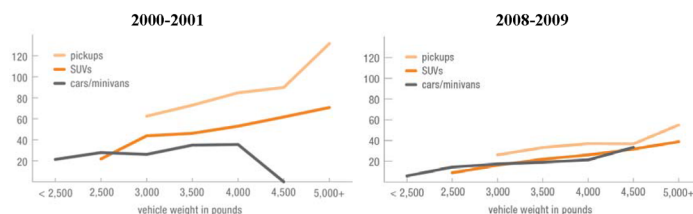


Figure 3. Crash partner deaths, 1-4 yr. old vehicles per million registered vehicle years¹⁹

We expect safety countermeasures to further improve with the advent of driver assist systems and more recently the high profile work on autonomous vehicles. These are especially significant as such efforts will aid in preventing crashes from taking place at all; or, at a minimum, reducing the severity of crashes that do occur. Such developments include lane keeping systems, blind side information systems, automatic emergency braking systems, drowsy driver alert systems and side sensing systems (that detect and provide warning that objects are coming closer to the side of one's vehicle).

Although one driver assistance study²⁰ (published in 2007) was noted in the NPRM, that analysis is significantly out of date when considering improvements to such systems made in the decade since its publication. In considering that fatality rates have demonstrated an overall continuous decline since the 1970s, that safety breakthroughs have continued to take place almost every decade, that new advanced technologies are being continually developed or improved and the anticipation these trends will continue; ACC concludes that the projected increase in fatalities in the NPRM due to lightweighting vehicles is unsupported and substantially overstated. Hence, a more robust analysis by the Agencies of the safety impacts of vehicle lightweighting is needed to properly account for the significant design and safety innovations that have occurred in recent years before the Agencies can reasonably use the impacts of lightweighting to justify their policy proposals in the NPRM. Given the speed with which automakers and lightweight plastic and polymer composite manufacturers are innovating to make automobiles simultaneously lighter and safer, the Agencies' conclusion that the past relationship between the size and weight of a vehicle and its safety will continue in the future is not supported by the Agencies' own records.

U.S. ECONOMIC IMPACT OF AUTOMOTIVE PLASTICS AND POLYMER COMPOSITES

Developing technology to lightweight vehicles spurs advanced innovations and creates high-skilled manufacturing jobs in the United States. The \$426 billion North American light vehicle industry represents an important sector of economy for the United States and is a large end-use customer market for chemistry. In 2017, the 16.88 million light vehicles assembled in North

¹⁹ *Id.*

²⁰ Blincoe, L. & Shankar, U., *The Impact of Safety Standards and Behavioral Trends on Motor Vehicle Fatality Rates*, National Highway Traffic Safety Administration (Jan. 2007), available at <https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/810777v3.pdf>.



America required some 5.8 billion pounds of plastics and polymer composites valued at \$7.0 billion, or \$416 in every vehicle.

These automotive plastic and polymer composite products are produced at 1,622 plants located in 45 states. These plants directly employ about 63,080 people and feature a payroll of \$3.2 billion. Michigan is the leading state in terms of direct employment (more than 15,275) and is followed by Ohio (about 8,900), Indiana (8,280), Tennessee (nearly 4,120), Minnesota (nearly 3,155), Pennsylvania (more than 2,865), Wisconsin (2,320), Illinois (more than 2,160), North Carolina (nearly 1,720), and New York (nearly 1,515).²¹

Producers of automotive plastics and polymer composites typically purchase plastic resins, additives, other materials, components and services from other parts of the economy. As a result, the contributions of plastics and polymer composites go well beyond their direct economic footprint. The automotive plastics and polymer composites industry fosters economic activity indirectly through supply-chain purchases and through the payrolls paid both by the industry itself and its suppliers. This, in turn, leads to induced economic output as well. As a result, every job in the automotive plastics and polymer composites industry generates an additional job elsewhere in the United States' economy, totaling more than 119,000 jobs.²²

These U.S. high-skilled manufacturing jobs and the additional jobs they generate elsewhere in the economy will be impacted by this final rulemaking and how the final rule addresses the impact of weight reduction by plastic and composites on safety. This economic impact must be taken into account when calculating the final regulatory impact analysis.

CONCLUSION

ACC appreciates the opportunity to submit this statement for the Committee's consideration. We look forward continuing work with the Committee, Congress, and the Administration on lightweighting vehicles and improving safety and fuel economy through the use of plastics and polymer composites.

Should you have any questions or require additional information, please do not hesitate to contact Booth Jameson at (202) 249-6204 or Booth_Jameson@americanchemistry.com.

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²¹ Economic and Statistics Department, American Chemistry Council, "Plastics and Polymer Composites in Light Vehicles", page 1, (September 2018), available at: <https://plastics-car.com/Resources/Resource-Library/Plastics-and-Polymer-Composites-in-Light-Vehicles-Report.pdf>

²² *Id.*



<https://www.americanchemistry.com/> ACC represents a diverse set of companies engaged in the business of chemistry. An innovative, \$553 billion enterprise, we work to solve some of the biggest challenges facing our nation and our world. Our mission is to deliver value to our members through advocacy, using best-in-class member engagement, political advocacy, communications and scientific research. We are committed to fostering progress in our economy, environment and society. The business of chemistry drives innovations that enable a more sustainable future; provides 526,000 skilled good paying jobs—plus over six million related jobs—that support families and communities; and enhances safety through our diverse set of products and investments in R&D.



Executive Branch Personnel Public Financial Disclosure Report (OGE Form 278e)

Filer's Information

Wehrum, William Ludwig

Assistant Administrator for Air and Radiation, Environmental Protection Agency

Other Federal Government Positions Held During the Preceding 12 Months:
None

Names of Congressional Committees Considering Nomination:

- **Committee on Environment and Public Works**

Electronic Signature - I certify that the statements I have made in this form are true, complete and correct to the best of my knowledge.

/s/ Wehrum, William Ludwig [electronically signed on 06/02/2017 by Wehrum, William Ludwig in Integrity.gov]

Agency Ethics Official's Opinion - On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments below).

/s/ Fugh, Justina, Certifying Official [electronically signed on 09/08/2017 by Fugh, Justina in Integrity.gov]

Other review conducted by

/s/ Fugh, Justina, Ethics Official [electronically signed on 09/08/2017 by Fugh, Justina in Integrity.gov]

U.S. Office of Government Ethics Certification

/s/ Apol, David, Certifying Official [electronically signed on 09/08/2017 by Apol, David in Integrity.gov]

1. Filer's Positions Held Outside United States Government

#	ORGANIZATION NAME	CITY, STATE	ORGANIZATION TYPE	POSITION HELD	FROM	TO
1	Hunton & Williams LLP	Washington, District of Columbia	Law Firm	partner	9/2007	Present

2. Filer's Employment Assets & Income and Retirement Accounts

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
1	Hunton & Williams LLP (law firm)	N/A		Partnership Share	\$2,154,504
2	Hunton & Williams LLP capital account	N/A	\$250,001 - \$500,000		None (or less than \$201)
3	T. Rowe Price Institutional Large Cap Core Growth Fund (TPLGX)	Yes	\$15,001 - \$50,000		\$1,001 - \$2,500
4	Dodge & Cox Stock Fund (DODGX)	Yes	\$15,001 - \$50,000		\$1,001 - \$2,500
5	Vanguard Inst. Index Fund (VINIX)	Yes	\$15,001 - \$50,000		\$2,501 - \$5,000
6	Neuberger Berman Genesis Fund (NRGSX)-- Class R6	Yes	\$1,001 - \$15,000		\$201 - \$1,000
7	Vanguard Extended Mkt. Index (VIEIX)	Yes	\$1,001 - \$15,000		\$201 - \$1,000
8	Fidelity Diversified International Fund (FDIVX)	Yes	\$50,001 - \$100,000		\$5,001 - \$15,000
9	NT Collective Emerging Mkts Equity Index Fund	Yes	\$15,001 - \$50,000		\$1,001 - \$2,500
10	Vanguard Total Bond Mkt. Index Fun -- Inst. Shares (VBSTX)	Yes	\$250,001 - \$500,000		\$15,001 - \$50,000
11	Federated Treasury Obligations Inst. Money Mkt. (TOIXX)	Yes	\$50,001 - \$100,000		\$2,501 - \$5,000

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
12	Fidelity Puritan K (FPUKX)	Yes	\$500,001 - \$1,000,000		\$50,001 - \$100,000
13	Longleaf Partners Fund (LLPF)	Yes	\$100,001 - \$250,000		\$15,001 - \$50,000
14	Dodge & Cox Income Fund (DODIX)	Yes	\$100,001 - \$250,000		\$1,001 - \$2,500
15	US brokerage money market account (cash)	N/A	\$1,001 - \$15,000		None (or less than \$201)
16	Hunton & Williams LLP (discretionary partnership distribution)	See Endnote	\$100,001 - \$250,000		None (or less than \$201)

3. Filer's Employment Agreements and Arrangements

#	EMPLOYER OR PARTY	CITY, STATE	STATUS AND TERMS	DATE
1	Hunton & Williams LLP	Washington, District of Columbia	The full amount of the capital account would be returned to me after departure.	9/2007
2	Hunton & Williams LLP	Washington, District of Columbia	I will continue to participate in this defined contribution plan. The plan sponsor will not make further contributions after my separation.	9/2007
3	Hunton & Williams LLP	Washington, District of Columbia	I will continue to participate in this defined contribution plan. The plan sponsor will not make further contributions after my separation.	9/2007
4	Boyle Investment Co.	Memphis, Tennessee	I will continue to participate in this defined contribution plan. The plan sponsor will not make further contributions after my separation.	11/2009
5	Hunton & Williams LLP	Washington, District of Columbia	discretionary partnership distribution for work performed during the firm's fiscal year ending March 31, 2018. I will not accept this distribution and will forfeit it unless I receive it before I assume the duties of the position as Assistant Administrator.	6/2017

4. Filer's Sources of Compensation Exceeding \$5,000 in a Year

#	SOURCE NAME	CITY, STATE	BRIEF DESCRIPTION OF DUTIES
1	Hunton & Williams LLP	Washington, District of Columbia	I am an equity partner in the firm.
2	American Forest & Paper Ass'n	Washington, District of Columbia	Legal Services
3	American Fuel & Petrochemical Mfrs.	Washington, District of Columbia	Legal Services
4	American Petroleum Institute	Washington, District of Columbia	Legal Services
5	B10 Litigation Coalition	Washington, District of Columbia	Legal Services
6	Brick Industry Ass'n	Carly, North Carolina	Legal Services
7	Diageo	Norwalk, Connecticut	Legal Services
8	Evonik Corp.	Parsippany, New Jersey	Legal Services
9	Gas Processor Ass'n	Washington, District of Columbia	Legal Services
10	Kinder Morgan Inc.	Westminster, Colorado	Legal Services
11	Koch Industries	Wichita, Kansas	Legal Services
12	Lowe's Companies Inc.	Charlotte, North Carolina	Legal Services
13	National Stone, Sand and Gravel Ass'n	Alexandria, Virginia	Legal Services
14	Pfizer Inc.	New York, New York	Legal Services

#	SOURCE NAME	CITY, STATE	BRIEF DESCRIPTION OF DUTIES
15	Salt River Project	Phoenix, Arizona	Legal Services
16	Spectra Energy Corp.	Houston, Texas	Legal Services
17	Sunflower Electric Power Corp.	Hays, Kansas	Legal Services
18	Tile Council of North America	Anderson, South Carolina	Legal Services
19	Utility Air Regulatory Group	Washington, District of Columbia	Legal Services
20	Whitaker Greer Co.	Alliance, Ohio	Legal Services

5. Spouse's Employment Assets & Income and Retirement Accounts

None

6. Other Assets and Income

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
1	U.S. bank account No. 1 (cash)	N/A	\$250,001 - \$500,000	Interest	\$201 - \$1,000
2	U.S. bank account No. 2 (cash)	N/A	\$250,001 - \$500,000	Interest	\$15,001 - \$50,000
3	U.S. bank account No. 3 (cash)	N/A	\$250,001 - \$500,000	Interest	\$15,001 - \$50,000
4	U.S. Brokerage Money Mkt (cash)	N/A	\$100,001 - \$250,000	Interest	\$201 - \$1,000
5	U.S. bank account No. 4 (cash)	N/A	\$250,001 - \$500,000	Interest	\$5,001 - \$15,000
6	U.S. bank account No. 5 (cash)	N/A	\$250,001 - \$500,000	Interest	\$2,501 - \$5,000

#	DESCRIPTION	EIF	VALUE	INCOME TYPE	INCOME AMOUNT
7	U.S. bank account No. 6 (cash)	N/A	\$15,001 - \$50,000	Interest	\$201 - \$1,000
8	U.S. bank account No. 7 (cash)	N/A	\$250,001 - \$500,000	Interest	None (or less than \$201)

7. Transactions

(N/A) - Not required for this type of report

8. Liabilities

None

9. Gifts and Travel Reimbursements

(N/A) - Not required for this type of report

Endnotes

PART	#	ENDNOTE
2.	16	NOTE: This is an estimate only. The amount could be as low as zero.

Summary of Contents

1. Filer's Positions Held Outside United States Government

Part 1 discloses positions that the filer held at any time during the reporting period (excluding positions with the United States Government). Positions are reportable even if the filer did not receive compensation.

This section does not include the following: (1) positions with religious, social, fraternal, or political organizations; (2) positions solely of an honorary nature; (3) positions held as part of the filer's official duties with the United States Government; (4) mere membership in an organization; and (5) passive investment interests as a limited partner or non-managing member of a limited liability company.

2. Filer's Employment Assets & Income and Retirement Accounts

Part 2 discloses the following:

- Sources of earned and other non-investment income of the filer totaling more than \$200 during the reporting period (e.g., salary, fees, partnership share, honoraria, scholarships, and prizes)
- Assets related to the filer's business, employment, or other income-generating activities that (1) ended the reporting period with a value greater than \$1,000 or (2) produced more than \$200 in income during the reporting period (e.g., equity in business or partnership, stock options, retirement plans/accounts and their underlying holdings as appropriate, deferred compensation, and intellectual property, such as book deals and patents)

This section does not include assets or income from United States Government employment or assets that were acquired separately from the filer's business, employment, or other income-generating activities (e.g., assets purchased through a brokerage account). Note: The type of income is not required if the amount of income is \$0 - \$200 or if the asset qualifies as an exempt investment fund (EIF).

3. Filer's Employment Agreements and Arrangements

Part 3 discloses agreements or arrangements that the filer had during the reporting period with an employer or former employer (except the United States Government), such as the following:

- Future employment
- Leave of absence
- Continuing payments from an employer, including severance and payments not yet received for previous work (excluding ordinary salary from a current employer)
- Continuing participation in an employee welfare, retirement, or other benefit plan, such as pensions or a deferred compensation plan
- Retention or disposition of employer-awarded equity, sharing in profits or carried interests (e.g., vested and unvested stock options, restricted stock, future share of a company's profits, etc.)

4. Filer's Sources of Compensation Exceeding \$5,000 in a Year

Part 4 discloses sources (except the United States Government) that paid more than \$5,000 in a calendar year for the filer's services during any year of the reporting period.

The filer discloses payments both from employers and from any clients to whom the filer personally provided services. The filer discloses a source even if the source made its payment to the filer's employer and not to the filer. The filer does not disclose a client's payment to the filer's employer if the filer did not provide the services for which the client is paying.

5. Spouse's Employment Assets & Income and Retirement Accounts

Part 5 discloses the following:

- Sources of earned income (excluding honoraria) for the filer's spouse totaling more than \$1,000 during the reporting period (e.g., salary, consulting fees, and partnership share)
- Sources of honoraria for the filer's spouse greater than \$200 during the reporting period
- Assets related to the filer's spouse's employment, business activities, other income-generating activities that (1) ended the reporting period with a value greater than \$1,000 or (2) produced more than \$200 in income during the reporting period (e.g., equity in business or partnership, stock options, retirement plans/accounts and their underlying holdings as appropriate, deferred compensation, and intellectual property, such as book deals and patents)

This section does not include assets or income from United States Government employment or assets that were acquired separately from the filer's spouse's business, employment, or other income-generating activities (e.g., assets purchased through a brokerage account). Note: The type of income is not required if the amount of income is \$0 - \$200 or if the asset qualifies as an excepted investment fund (EIF). Amounts of income are not required for a spouse's earned income (excluding honoraria).

6. Other Assets and Income

Part 6 discloses each asset, not already reported, that (1) ended the reporting period with a value greater than \$1,000 or (2) produced more than \$200 in investment income during the reporting period. For purposes of the value and income thresholds, the filer aggregates the filer's interests with those of the filer's spouse and dependent children.

This section does not include the following types of assets: (1) a personal residence (unless it was rented out during the reporting period); (2) income or retirement benefits associated with United States Government employment (e.g., Thrift Savings Plan); and (3) cash accounts (e.g., checking, savings, money market accounts) at a single financial institution with a value of \$5,000 or less (unless more than \$200 of income was produced). Additional exceptions apply. Note: The type of income is not required if the amount of income is \$0 - \$200 or if the asset qualifies as an excepted investment fund (EIF).

7. Transactions

Part 7 discloses purchases, sales, or exchanges of real property or securities in excess of \$1,000 made on behalf of the filer, the filer's spouse or dependent child during reporting period.

This section does not include transactions that concern the following: (1) a personal residence, unless rented out; (2) cash accounts (e.g., checking, savings, CDs, money market accounts) and money market mutual funds; (3) Treasury bills, bonds, and notes; and (4) holdings within a federal Thrift Savings Plan account. Additional exceptions apply.

8. Liabilities

Part 8 discloses liabilities over \$10,000 that the filer, the filer's spouse or dependent child owed at any time during the reporting period.

This section does not include the following types of liabilities: (1) mortgages on a personal residence, unless rented out (limitations apply for PAS filers); (2) loans secured by a personal motor vehicle, household furniture, or appliances, unless the loan exceeds the item's purchase price; and (3) revolving charge accounts, such as credit card balances, if the outstanding liability did not exceed \$10,000 at the end of the reporting period. Additional exceptions apply.

9. Gifts and Travel Reimbursements

This section discloses:

- Gifts totaling more than \$375 that the filer, the filer's spouse, and dependent children received from any one source during the reporting period.
- Travel reimbursements totaling more than \$375 that the filer, the filer's spouse, and dependent children received from any one source during the reporting period.

For purposes of this section, the filer need not aggregate any gift or travel reimbursement with a value of \$150 or less. Regardless of the value, this section does not include the following items: (1) anything received from relatives; (2) anything received from the United States Government or from the District of Columbia, state, or local governments; (3) bequests and other forms of inheritance; (4) gifts and travel reimbursements given to the filer's agency in connection with the filer's official travel; (5) gifts of hospitality (food, lodging, entertainment) at the donor's residence or personal premises; and (6) anything received by the filer's spouse or dependent children totally independent of their relationship to the filer. Additional exceptions apply.

Privacy Act Statement

Title I of the Ethics in Government Act of 1978, as amended (the Act), 5 U.S.C. app. § 101 et seq., as amended by the Stop Trading on Congressional Knowledge Act of 2012 (Pub. L. 112-105) (STOCK Act), and 5 C.F.R. Part 2634 of the U. S. Office of Government Ethics regulations require the reporting of this information. The primary use of the information on this report is for review by Government officials to determine compliance with applicable Federal laws and regulations. This report may also be disclosed upon request to any requesting person in accordance with sections 105 and 402(b)(1) of the Act or as otherwise authorized by law. You may inspect applications for public access of your own form upon request. Additional disclosures of the information on this report may be made: (1) to any requesting person, subject to the limitation contained in section 208(d)(1) of title 18, any determination granting an exemption pursuant to sections 208(b)(1) and 208(b)(3) of title 18; (2) to a Federal, State, or local law enforcement agency if the disclosing agency becomes aware of violations or potential violations of law or regulation; (3) to another Federal agency, court or party in a court or Federal administrative proceeding when the Government is a party or in order to comply with a judge-issued subpoena; (4) to a source when necessary to obtain information relevant to a conflict of interest investigation or determination; (5) to the National Archives and Records Administration or the General Services Administration in records management inspections; (6) to the Office of Management and Budget during legislative coordination on private relief legislation; (7) to the Department of Justice or in certain legal proceedings when the disclosing agency, an employee of the disclosing agency, or the United States is a party to litigation or has an interest in the litigation and the use of such records is deemed relevant and necessary to the litigation; (8) to reviewing officials in a new office, department or agency when an employee transfers or is detailed from one covered position to another; (9) to a Member of Congress or a congressional office in response to an inquiry made on behalf of an individual who is the subject of the record; (10) to contractors and other non-Government employees working on a contract, service or assignment for the Federal Government when necessary to accomplish a function related to an OGE Government-wide system of records; and (11) on the OGE Website and to any person, department or agency, any written ethics agreement filed with OGE by an individual nominated by the President to a position requiring Senate confirmation. See also the OGE/GOVT-1 executive branch-wide Privacy Act system of records.

Public Burden Information

This collection of information is estimated to take an average of three hours per response, including time for reviewing the instructions, gathering the data needed, and completing the form. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Program Counsel, U.S. Office of Government Ethics (OGE), Suite 500, 1201 New York Avenue, NW., Washington, DC 20005-3917.

Pursuant to the Paperwork Reduction Act, as amended, an agency may not conduct or sponsor, and no person is required to respond to, a collection of information unless it displays a currently valid OMB control number (that number, 3209-0001, is displayed here and at the top of the first page of this OGE Form 278e).



J. Douglas Sparkman
COO Fuels, North America

BP Products North America, Inc.
30 South Wacker Drive, Suite 900
Chicago, IL 60606
Phone: 312.594.7160

June 13, 2019

The Honorable Andrew R. Wheeler
Administrator
U.S. Environmental Protection Agency
William Jefferson Clinton Building
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator Wheeler:

We are writing you about internal combustion engine (ICE) efficiency standards. BP is committed to addressing the dual challenge of providing the world more energy while producing and delivering it in new ways with fewer emissions. BP believes liquid fuels and efficient ICEs are critical for meeting transportation needs as we transition to a lower carbon economy. The track record is impressive: from 2004 to 2018, vehicle fuel economy has increased by 32% while CO₂ emissions dropped by 25%. These improvements occurred even as automakers reacted to consumer demands for larger and more powerful vehicles.

BP appreciates the need to balance efficiency and GHG reductions with safety, affordability, and other considerations. At the same time, we believe – along with many of the auto OEMs – that continuous improvement in ICE efficiency is possible. We urge EPA and NHTSA to continue working with automakers and other relevant experts to find a path that effectively balances these issues and continues the impressive trajectory of efficiency improvements we already see with the ICE.

Thank you for considering our recommendation. BP looks forward to continuing to play our role in developing and providing cleaner fuels and lubricants to an increasingly efficient fleet of vehicles.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Douglas Sparkman". The signature is fluid and cursive, with the first name "J." and last name "Sparkman" clearly distinguishable.

J. Douglas Sparkman
Chief Operating Officer
BP Fuels North America

¹ US Environmental Protection Agency. 2018 EPA Automotive Trends Report. Data available at www.epa.gov/automotive-trends/explore-automotive-trends-data. Accessed June 13, 2019.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

June 20, 2019

The Honorable Cathy McMorris Rodgers
The Honorable John Shimkus
Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
2125 Rayburn House Office Building
Washington, DC 20515

THE ADMINISTRATOR

Dear Ranking Members McMorris Rodgers and Shimkus,

I am pleased that the U.S. Environmental Protection Agency has been invited to contribute to this morning's hearing to answer questions and clear the record regarding the Trump Administration's upcoming fuel economy standards regulation.

I believe that it is important for the members of the subcommittees to understand that when Ms. Nichols states that she offered a counterproposal to the proposed rule as if she operated as a good faith actor in this rulemaking, that is what is false.

I personally met with Ms. Nichols where she assured me that she would evaluate the Administration's proposed rule and offer any counterproposal within two weeks of our proposal. In fact, I met or spoke with Ms. Nichols three or four times including once in California concerning the proposed rule, and the EPA team has met with her and her staff numerous times. Ten weeks after the proposed rule, she had still not offered any counterproposal. When she finally offered a counterproposal maintaining the previous Administration's standards with one extra year of compliance, she also conveyed that outgoing Governor Brown and incoming Governor Newsom had not approved her counterproposal. She also informed me that Attorney General Becerra had not approved her counterproposal having already said he planned to sue EPA. Further, she informed me that the members of the California Air Resources Board had also not approved her counterproposal.

Ms. Nichols was unable or unwilling to be a good faith negotiator. Her testimony that EPA professional staff were cut out of this proposal's development is false. Her testimony that California was cut out of the development of this proposal is her own doing, and her irresponsible testimony about conspiracy theories that "the oil industry drove this action" and that it is being done by "the former oil and coal industry lobbyists and lawyers who now work in leadership at the Agency" is beneath the responsibilities of the substantial position she holds.

I hope that the members of the subcommittees will ask her about California's lack of effort. I believe this hearing today can provide important information for American taxpayers about the development of this regulation over the past two and a half years.

Sincerely,

Andrew R. Wheeler

their lower purchase prices and financing costs (line 5). They will also avoid the increased risks of being injured in crashes that would have resulted from manufacturers' efforts to reduce the weight of new models to comply with the baseline standards, which represents another benefit from reducing stringency vis-à-vis the baseline (line 6).

At the same time, new cars and light trucks will offer lower fuel economy with more lenient standards in place, and this imposes various costs on their buyers and users. Drivers will experience higher costs as a consequence of new vehicles' increased fuel consumption (line 7), and from the added inconvenience of more frequent refueling stops required by their reduced driving range (line 8). They will also forego some mobility benefits as they use newly-purchased cars and light trucks less in response to their higher fueling costs, although this loss will be almost fully offset by the fuel and other costs they save by driving less (line 9). On balance, consumers of new cars and light trucks produced during the model years subject to this proposed action will experience significant economic benefits (line 10).

By lowering prices for new cars and light trucks, this proposed action will cause some owners of used vehicles to retire them from service earlier than they would otherwise have done, and replace them with new models. In effect, it will transfer some driving that would have been done in used cars and light trucks under the baseline scenario to newer and safer models, thus reducing costs for injuries (both fatal and less severe) and property damages sustained in motor vehicle crashes. This improvement in safety results from the fact that cars and light trucks have become progressively more protective in crashes over time (and also slightly less prone to certain types of crashes, such as rollovers). Thus, shifting some travel from older to newer models reduces injuries and damages sustained by drivers and passengers because they are traveling in inherently safer vehicles and not because it changes the risk profiles of drivers themselves. This reduction in injury risks and other damage costs produces benefits to owners and drivers of older cars and light trucks. This also results in benefits in terms of improved fuel economy and significant reductions of emissions from newer vehicles (line 11).

Table II-27 through Table II-28 also show that the changes in fuel consumption and vehicle use resulting from this proposed action will in turn generate both benefits and costs to the

remainder of the U.S. economy. These impacts are "external," in the sense that they are by-products of decisions by private firms and individuals that alter vehicle use and fuel consumption but are experienced broadly throughout the U.S. economy rather than by the firms and individuals who indirectly cause them. Increased refining and consumption of petroleum-based fuel will increase emissions of carbon dioxide and other greenhouse gases that theoretically contribute to climate change, and some of the resulting (albeit uncertain) increase in economic damages from future changes in the global climate will be borne throughout the U.S. economy (line 13). Similarly, added fuel production and use will increase emissions of more localized air pollutants (or their chemical precursors), and the resulting increase in the U.S. population's exposure to harmful levels of these pollutants will lead to somewhat higher costs from its adverse effects on health (line 14). On the other hand, it is expected that the proposed standards, by reducing new vehicle prices relative to the baseline, will accelerate fleet turnover to cleaner, safer, more efficient vehicles (as compared to used vehicles that might otherwise continue to be driven or purchased).

As discussed in PRIA Section 9.8, increased consumption and imports of crude petroleum for refining higher volumes of gasoline and diesel will also impose some external costs throughout the U.S. economy, in the form of potential losses in production and costs for businesses and households to adjust rapidly to sudden changes in energy prices (line 15 of the table), although these costs should be tempered by increasing U.S. oil production.²¹⁶ Reductions in driving by buyers of new cars and light trucks in response to their higher operating costs will also reduce the external costs associated with their contributions to traffic delays and noise levels in urban areas, and these

²¹⁶Note: This output was based upon the EIA Annual Energy Outlook from 2017. The 2018 Annual Energy Outlook projects the U.S. will be a net exporter by around 2020, with net exports peaking at around 0.3 mbd circa 2040. See Annual Energy Outlook 2018, U.S. Energy Information Administration, at 23 (Feb. 6, 2018), <https://www.eia.gov/outlooks/aeo/pdf/AEO2018.pdf>. Furthermore, pursuant to Executive Order 13783 (Promoting Energy Independence and Economic Growth), agencies are requested to review and revise or rescind policies that unduly burden the development of domestic energy resources beyond what is necessary to protect the public interest or otherwise comply with the law. Therefore, it is reasonable to anticipate further increases in domestic production of petroleum. The agencies may update the analysis and table to account for this revised information.

additional benefits will be experienced throughout much of the U.S. economy (line 17). Finally, some of the higher fuel costs to buyers of new cars and light trucks will consist of increased fuel taxes; this increase in revenue will enable Federal and State government agencies to provide higher levels of road capacity or maintenance, producing benefits for all road and transit users (line 18).

On balance, Table II-27 through Table II-28 show that the U.S. economy as a whole will experience large net economic benefits from the proposed action (line 22). While the proposal to establish less stringent CAFE and GHG emission standards will produce net external economic costs, as the increase in environmental and energy security externalities outweighs external benefits from reduced driving and higher fuel tax revenue (line 19), the table also shows that combined benefits to vehicle manufacturers, buyers, and users of cars and light trucks, and the general public (line 20), including the value of the lives saved and injuries avoided, will greatly outweigh the combined economic costs they experience as a consequence of this proposed action (line 21).

The finding that this action to reduce the stringency of previously-established CAFE and GHG standards will create significant net economic benefits—when it was initially claimed that establishing these standards would also generate large economic benefits to vehicle buyers and others throughout the economy—is notable. This contrast with the earlier finding is explained by the availability of updated information on the costs and effectiveness of technologies that will remain available to improve fuel economy in model years 2021 and beyond, the fleet-wide consequences for vehicle use, fuel consumption, and safety from requiring higher fuel economy (that is, considering these consequences for used cars and light trucks as well as new ones), and new estimates of some external costs of fuel in petroleum use.

3. Macroeconomic Assumptions That Affect the Benefit Cost Analysis

Unlike previous CAFE and GHG rulemaking analyses, the economic context in which the alternatives are simulated is more explicit. While both this analysis and previous analyses contained fuel price projections from the Annual Energy Outlook, which has embedded assumptions about future macroeconomic conditions, this analysis requires explicit assumptions about future GDP growth, labor force participation, and interest rates in order to evaluate the alternatives.



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

October 23, 2018

The Honorable Elaine L. Chao
Secretary
United States Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

The Honorable Andrew Wheeler
Acting Administrator
Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Madam Secretary and Administrator Wheeler:

As the attorneys general for our respective states, we write to stress the importance of the President's proposal to improve and bring national harmony to the Corporate Average Fuel Economy (CAFE) standards.

One state should not be able to effectively dictate fuel economy standards, tailpipe emission requirements, and mandates for zero emission vehicles (ZEV) for the entire nation where Congress has set a clear policy favoring a single federal standard and no compelling air quality concern exists that is unique to that state.

We believe in the rule of law and concur with the assertion in the proposed rule that state-based greenhouse gas (GHG) tailpipe standards and ZEV mandates are preempted under the Energy Policy Conservation Act of 1975. That legislation was enacted to address the United States' dependency on OPEC by establishing uniform motor vehicle fuel economy standards across the entire nation.

Unfortunately, it is impossible to achieve those uniform standards under current federal policy. Instead, the voters of states that prefer more stringent standards are allowed the latitude to legislate as they see fit while voters in states that prefer less stringent standards find themselves subjected to the more stringent state's standards. Allowing one state the authority to increase federal standards for the entire nation while preempting any state that seeks to decrease them is inconsistent with bedrock principles of federalism and thwarts Congress' purpose of establishing a unified national standard when it created the CAFE program in 1975.

The current policy originated with a purported waiver issued under the Clean Air Act. We agree that this ostensible waiver was likewise preempted by the terms of the Energy Policy Conservation Act. Contrary to the Environmental Protection Agency's prior interpretation of the

correlation of these statutes, state standards preempted under the Energy Policy Conservation Act cannot rationally be afforded a valid waiver of preemption under the Clean Air Act.

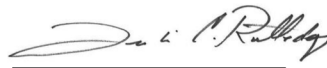
We also believe that the California GHG waiver was improperly granted and is inconsistent with Section 209 of the Clean Air Act. There is no sound basis on which to conclude the California standards address “compelling and extraordinary” air quality concerns unique to California. In fact, California has made no secret of the fact that their standards are aimed at establishing nationwide policy toward carbon emission and will not meaningfully address ambient GHG concentrations in the state. Moreover, the California standards are unlawful in that they are infeasible and do not provide sufficient lead time or give appropriate consideration to compliance costs under Section 209 of the Act.

We support implementation of the proposal and urge revocation of the Environmental Protection Agency’s previous waivers to California, thereby precluding the nine other opt-in states under Section 177 from enacting California’s fuel economy standards.


Very truly yours,



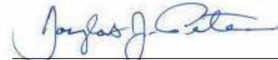
Ken Paxton
Attorney General of Texas



Leslie Rutledge
Attorney General of Arkansas



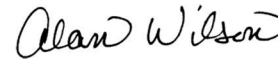
Jeff Landry
Attorney General of Louisiana



Doug Peterson
Attorney General of Nebraska



Mike Hunter
Attorney General of Oklahoma



Alan Wilson
Attorney General of South Carolina

Additional Questions for the Record

**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback of Fuel Economy and Clean Car
Standards”
June 20, 2019**

**The Honorable James C. Owens, Acting Administrator,¹
National Highway Traffic Safety Administration, U.S. Department of Transportation**

The Honorable Frank Pallone (D-NJ)

1. What consideration, if any, has NHTSA given to the potential consequences of transportation conformity issues for infrastructure projects receiving federal dollars from the Department of Transportation? Why were transportation conformity implications not addressed in the Notice of Proposed Rulemaking?

NHTSA RESPONSE: The transportation conformity requirements under Federal law apply to activities carried out pursuant to Title 23 of the United States Code, as well as to Chapter 53 of Title 49 of the United States Code. As this rulemaking is carried out pursuant to Chapter 32 of Title 49 of the United States Code, transportation conformity requirements do not apply.

2. On July 25, 2019, California and four automakers announced a voluntary framework that will, among other things, require increasing stringency of greenhouse gas standards at a nationwide average annual rate of 3.7% year-over-year, with 1% of that annual stringency achievable through advanced technology multiplier credits. The deal also extended the availability of technology multipliers and raised the cap on off-cycle menu credits. Were any terms of this voluntary framework, or similar terms, proposed by California during discussions with the federal government about revisions to the existing regulatory program?

NHTSA RESPONSE: The Federal government and representatives of the California Air Resources Board (CARB) held several discussions in 2017 and 2018 leading up to and after publication of the SAFE Vehicles Rule proposal. While it has long been NHTSA’s intention to maintain one national standard based on a sound regulation, unfortunately at no time during these discussions did CARB representatives provide a suggested rulemaking approach that recognizes market conditions or realities, or respected the need for transparency. As part of the rulemaking process, NHTSA has

¹ The witness, Deputy Administrator Heidi R. King, is no longer with NHTSA. These questions are being responded to on behalf of NHTSA Acting Administrator James C. Owens.

The Honorable James C. Owens
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diligently reviewed all comments and information submitted to the Federal Register in order to ensure the final rule incorporates the best possible science and data. That review includes comments submitted by CARB. NHTSA appreciates CARB's thoughtful comments that were submitted and has sought to incorporate suggestions where appropriate.

The Honorable Cathy McMorris-Rodgers (R-WA)

1. Administrator King, how do the California greenhouse gas emissions limits and zero emission vehicle mandates interfere with federal regulation of fuel economy?

NHTSA RESPONSE: Fuel economy and tailpipe greenhouse gas emissions are physically and mathematically linked. In fact, since 1975, Federal Law has effectively required that fuel economy be tested by measuring the amount of tailpipe greenhouse gas emissions emitted from a vehicle's tailpipe. Zero emission vehicle mandates require a certain portion of an automaker's new car sales have zero tailpipe greenhouse gas emissions—the equivalent to infinite fuel economy. Effectively, regulation of tailpipe greenhouse gas emission standards and zero emission vehicle mandates result in the regulation of fuel economy.

The Energy Policy and Conservation Act of 1975 (EPCA) requires NHTSA to set national fuel economy standards, applicable to an automaker's entire national new car fleet. Similarly, the Environmental Protection Agency (EPA), in coordination with NHTSA's fuel economy standards, sets national tailpipe greenhouse gas emission standards applicable to an automaker's entire national new car fleet. These Federal standards also include balancing factors required by statute. For instance, NHTSA must consider economic practicability in setting standards—determining the impact that standards will have on the economic wellbeing of the country, automakers, and consumers. The standards NHTSA sets are calibrated with this specifically in mind. If a State could set a standard that is more stringent than the Federal standard, it would add costs that are not factored into NHTSA's balancing.

When a state regulates fuel economy/tailpipe greenhouse gas emissions, it introduces external factors that cannot be accounted for through the Federal standards. This is why Congress, in passing EPCA, prohibited States and local governments from setting fuel economy standards, and even went so far as to prohibit States and local governments from setting standards "related to" fuel economy standards.

2. Administrator King, can you please explain how this Administration considered safety with respect to the proposed SAFE Vehicles Rule?

NHTSA RESPONSE: NHTSA's mission is to improve safety on public roads and the agency has a long history of considering safety in fuel economy rulemakings. With the SAFE Vehicles Rule, NHTSA and EPA are fully recognizing the safety implications of cost increases necessary to meet unrealistically stringent standards.

The Honorable James C. Owens
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As vehicle prices increase, fewer people can afford to purchase today's safer vehicles—meaning they will stay in older, less safe vehicles and reduce the speed of fleet turnover. Given that the fleet is already approaching an average vehicle age of 12 years, we have a responsibility to ensure safety and affordability are appropriately considered in setting fuel economy standards.

In the proposal, NHTSA considered safety as related to and even part of its consideration of economic practicability—which is a required factor to consider in setting maximum feasible fuel economy standards. NHTSA examines the effect that vehicle lightweighting has on safety (generally, as it relates to crashes between two vehicles, reducing weight on larger vehicles improves safety, and lightweighting smaller cars increases safety risks). NHTSA also examined the safety impacts of the well-recognized “rebound” effect (when the cost to drive decreases—either due to cheaper fuel or more fuel efficient vehicles—people drive more), measuring the safety impacts of additional miles driven due to cheaper driving costs. Further, NHTSA examined the impact that higher prices have on the ability of consumers to afford newer, safer vehicles.

Effectively, NHTSA found that the combination of slowed introduction of newer and safer vehicles, additional “rebound” driving, and lightweighting of smaller vehicles to achieve the unreasonably stringent standards set in 2012 would result in thousands of additional fatalities over the lifetime of the vehicles affected by the standards.

- a. Did the prior Administration similarly consider safety? If no, please explain.

NHTSA RESPONSE: The 2012 rulemaking to establish standards through model year 2025 did not quantify the safety effect of increased prices slowing down new vehicle sales. It also did not consider the safety impact of additional driving due to affordability. The 2012 rulemaking did consider the impact of lightweighting on safety, and measured the safety benefits of lightweighting larger vehicles, but introduced an assumption that automakers would not reduce weight of smaller vehicles. This had the effect of artificially constraining consideration of negative safety impacts and only considering positive safety impacts.

3. Administrator King, can you explain how the proposed SAFE Vehicles Rule is expected to reduce the average cost of new vehicles?

NHTSA RESPONSE: Fuel economy standards are more stringent than they have ever been, and will continue to rise significantly through the 2020 model year regardless of the standards set in the Final SAFE Vehicles Rule. While technology exists to increase fuel economy, it comes at a cost. And as the cost-effective fuel saving technologies are already being installed on today's vehicles, the low-hanging fruit is already picked. This means that very expensive fuel saving technologies will need to be installed to meet the standards set in 2012. Setting more reasonable standards will significantly reduce the costs to comply. It is also noteworthy that fuel

The Honorable James C. Owens

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economy benefits experience diminishing marginal returns, so that doubling fuel economy from 30 to 60 MPG will return only half as much in fuel savings as doubling fuel economy from 15 to 30 MPG, while the cost of achieving higher fuel economy standards grows significantly.

The Honorable Michael C. Burgess, M.D. (R-TX)

1. On January 13, 2016, just a few short days before President Trump was inaugurated, the Environmental Protection Agency (EPA) unexpectedly released the final draft of the One National Program mandate. These changes were made outside of the regular rulemaking process and were made with no consideration from the National Highway Traffic Safety Administration (NHTSA). These mandates would have resulted in increased auto prices, the loss of consumer choice, and little benefit to the environment.

How has NHTSA conducted the promulgation of the Safer Affordable Fuel-Efficient (SAFE) Vehicles standards?

NHTSA RESPONSE: NHTSA worked closely with EPA to develop a Notice of Proposed Rulemaking examining a wide range of options that could be selected for a Final Rule, published a Draft Environmental Impact Statement and Preliminary Regulatory Impact Analysis, published the underlying model used as part of the analysis, gave more than 60 days for public comment, and held three public hearings in locations across the country, including California, Michigan, and Pennsylvania.

- a. Was this done through the normal rule making process or have these new standards been rushed in any way?

NHTSA RESPONSE: The proposal, modeling, and analysis were developed over several years. The agencies went to great length to maximize transparency and allow for public input, and adhered to the requirements of the Administrative Procedures Act. The agencies will continue to prioritize following all applicable standards governing the rulemaking process.

- b. How does your agency take into consideration the comments submitted for the SAFE Vehicles standards? What impact do these comments have on the final result?

NHTSA RESPONSE: The agencies jointly received more than 750,000 public comments. Every comment is evaluated and considered. In response to these comments, NHTSA and Environmental Protection Agency (EPA) are in the process of updating the analysis and analytical tools. The reason that the agencies have gone to such great lengths to hear from the public is so that we can make improvements to our analysis and understanding of the issues

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underlying the rulemaking. These comments play a significant role in this rulemaking effort.

- c. Given the expedited nature of the One National Program's promulgation, how were stakeholder concerns taken into consideration?

NHTSA RESPONSE: To NHTSA's knowledge, it is not clear that major stakeholder concerns were appropriately addressed during the 2016 Mid-Term Review final determination. EPA's analysis was developed in partnership with the California Air Resources Board. Thus, in this rulemaking the agencies have been taking a fresh look at all relevant data and analysis to inform the best possible rule.

- d. How have your agencies' processes for the promulgation of the SAFE Vehicle Standards compare to the processes used to release the finalized One National Program mandate under the Obama EPA?

NHTSA RESPONSE: The agencies are focused on a transparent rulemaking process in accordance with applicable law, pursuant to the Administrative Procedures Act.

The Honorable Markwayne Mullin (R-OK)

1. come from a very rural, very poor district where the median income is roughly \$40,000. What's the average going rate of a new car?

NHTSA RESPONSE: The average price of a new vehicle continues to climb. We have seen average prices for new vehicles exceed \$37,000 this year.²

- a. If we had continued with the Obama administration mandates, what would that do to the price of the car?

NHTSA RESPONSE: The analysis in the SAFE Vehicles Rule proposal indicated that the average new vehicle price would have increased \$1,850, and total ownership costs increasing by \$2,340 between 2020 and 2029 under the standards set in 2012 compared to the preferred alternative discussed in the proposal.³

² See Kelley Blue Book, "Average New-Car Prices Up Nearly 4 Percent Year-Over-Year for May 2019, According to Kelley Blue Book," June 3, 2019. Available at <https://mediaroom.kbb.com/2019-06-03-Average-New-Car-Prices-Up-Nearly-4-Percent-Year-Over-Year-for-May-2019-According-to-Kelley-Blue-Book> (last accessed Oct. 2, 2019).

³ See SAFE Rule NPRM, Table VII-72, "Impacts to the Average Consumer of a MY 2030 Vehicle under CAFE Program, 7% Discount Rate," at 83 Fed. Reg. 42986, 43324 (Aug. 24, 2018).

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- b. People in my district already hold onto their vehicle longer than the national average 13.7 years versus 11.6 nationally. What are the safety implications of older cars on the road?

NHTSA RESPONSE: Newer vehicles today are incredibly safe, not only protecting occupants from accidents, but increasingly avoiding accidents altogether. The quicker we renew the light duty fleet and take older vehicles off the road, the sooner our society can enjoy the remarkable safety benefits of today's new vehicle safety technologies. NHTSA released a report in 2018 comparing safety outcomes from serious crashes, and the data demonstrate that the fatality rate in older vehicles is significantly higher than with newer vehicles.⁴

- c. In the Midterm review, assumed there would be more EV's on the road. Was this a correct assumption?

NHTSA RESPONSE: While we see more EVs on the road today than in 2012, they only make up a miniscule proportion of light duty sales. While EV sales have increased significantly from a near-zero base in 2012, those sales have been heavily subsidized by tax and regulatory incentives, and it is noteworthy that the average EV buyer is significantly wealthier than the average new vehicle buyer, and sales trends indicate that only about half of EV buyers will buy another EV when they shop for new vehicles.

- d. The market for electric vehicles in my district is basically non-existent. However, my colleagues on the other side of the aisle want to subsidize EV's on the back of Rural Americans. Do you know who disproportionately subsidizes the West Coast elites' electric cars?

NHTSA RESPONSE: While every automaker is situated differently, a recent report by McKinsey & Company indicated that most automakers do not make a profit when selling EVs, and that EVs cost approximately \$12,000 per vehicle more to produce than comparable internal combustion engine vehicles.⁵ This cost is spread across the automaker's fleet, but generally worked into higher-margin vehicles such as pickup trucks and sport utility vehicles (SUV), or by selling regulatory credits to another automaker, who in turn likely recoup costs for the credits by marking up prices of other vehicles.

Another compounding factor is that many EVs are leased at heavily subsidized rates, which means the lessor of the EV (generally an affiliate of

⁴ See U.S. DOT/NHTSA, Traffic Safety Facts, Research Note: Passenger Vehicle Occupant Injury Severity by Vehicle Age and Model Year in Fatal Crashes, DOT HS 812528, April 2018. Available at <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/812528> (last accessed Oct. 2, 2019).

⁵ See Yeon Baik, Russell Hensley, Patrick Hertzke, and Stefan Knapfer, "Making Electric Vehicles Profitable," March 2019. Available at <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/making-electric-vehicles-profitable> (last accessed Oct. 2, 2019).

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the manufacturer) will take possession of the vehicle at the end of the lease. Used EVs are selling at very low prices compared to non-EVs (for instance a 2015 new Ford Focus BEV had a manufacturer's suggested retail price (MSRP) of \$29,170 (5-door hatchback electric) and now has a value of roughly \$8,700. A new 2015 non-BEV Ford Focus had an MSRP of \$18,960 (5-door hatchback SE FWD) and now has a value of roughly \$9,200.)⁶ These losses are, likewise, spread across the automaker's other vehicles.

⁶www.kbb.com search based on private party transaction.

[The Environmental Protection Agency submitted the following in response to questions originally sent to witness William L. Wehrum.]

Additional Questions for the Record

**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback of
Fuel Economy and Clean Car Standards”
June 20, 2019**

**Ms. Anne Idsal, Acting Assistant Administrator, Office of Air and Radiation,
U.S. Environmental Protection Agency**

The Honorable Frank Pallone (D-NJ)

1. On July 25, 2019, California and four automakers announced a voluntary framework that will, among other things, require increasing stringency of greenhouse gas standards at a nationwide average annual rate of 3.7% year-over-year, with 1% of that annual stringency achievable through advanced technology multiplier credits. The deal also extended the availability of technology multipliers and raised the cap on off-cycle menu credits. Were any terms of this voluntary framework, or similar terms, proposed by California during discussions with the federal government about revisions to the existing regulatory program?

EPA response: California never proposed terms of sufficient concreteness to compare them against the details of the so-called ‘voluntary frame-work’ that they announced.

2. Your predecessor, Mr. Wehrum, is alleged to have violated a number of ethics requirements. Please explain how you will conduct your affairs differently than Mr. Wehrum.

EPA response: As with other Office of Air and Radiation (OAR) officials, Mr. Wehrum worked closely with EPA ethics officials to understand and comply with ethical obligations. Prior to and since joining EPA, I have worked directly with EPA ethics officials to ensure that I understand the full range of federal ethics laws and regulations as well as the implications of Executive Order 13770.

3. The staff in the Office of Transportation Air Quality (OTAQ) are global leaders in their field. They performed important analyses of NHTSA’s drafts for the proposed SAFE Vehicles rulemaking. See, e.g., EPA-HQ-OAR-2018-0283-0453, “Email 5 – Email from William Charmley to Chandana Achanta – June 18, 2018.”

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- a. Do you commit to support OTAQ's work and to ensure that it continues without political interference?
- b. Will you pledge to allow OTAQ to evaluate and analyze NHTSA's work as NHTSA moves toward finalizing the SAFE Vehicles Rule?
- c. Will you commit to placing any such OTAQ analyses in the administrative record?

EPA response: OTAQ has a long history of conducting independent light-duty vehicle emissions research and making that information readily available to the Administrator to inform his or her decisions. Currently, EPA and the National Highway Traffic Safety Administration (NHTSA) are working together, and EPA will follow all statutory rules governing materials in the administrative record.

4. Why is there no analysis of transportation conformity in the Notice of Proposed Rulemaking? Please explain EPA's position on how the proposed rule will affect transportation conformity analyses across the country.

EPA response: Consistent with past practice for when a final rule is promulgated, EPA will assess potential impacts and provide technical guidance as needed to state and local agencies so that any final rule impacts can be reflected in future analyses.

5. What analysis has EPA conducted to calculate specific automotive supply chain job losses as a result of this proposal? Has the Administration identified how many direct and indirect jobs will be lost in both rural America and urban centers, including from major suppliers, equipment manufacturers, parts and materials producers, and others? Please provide specifics.

EPA response: The SAFE Vehicles proposed rule's assessment of employment impacts is found at 83 FR 43436-43437.

The Honorable John Shimkus (R-IL)

1. Why do you assert in the proposed rule that "tailpipe carbon dioxide emissions are directly and inherently related to fuel economy standards"?

EPA response: The relationship between improving fuel economy and reducing carbon dioxide tailpipe emissions is a direct and close one. The amount of tailpipe carbon dioxide emissions is essentially constant per gallon combusted of a given type of fuel. Thus, the more fuel efficient a vehicle is, the less fuel it burns to travel a given distance, and in turn the less carbon dioxide it emits.

2. The August 28, 2018 Notice of Proposed Rulemaking announced that this proposal would be de novo based on entirely new analysis reflecting the best and most up to

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date information available to EPA and NHTSA.

- a. What does this mean?
- b. Under what law is this permissible?
- c. Are there precedents for employing this process?

EPA response: The Clean Air Act section 202(a)(1) provides the EPA Administrator authority to establish “and from time to time revise” light-duty vehicle emission standards.

3. In the 2017 announcement to reconsider the Mid-Term Evaluation, EPA stated that EPA failed in its commitment to work with NHTSA to develop and publish EPA’s January 12, 2017 Mid-Term Review. Clean Air Act section 202(a)(1) does not require this consultation, but regulation does.
 - a. What are the potential ramifications of NHTSA and EPA not coordinating as they had previously proposed?

EPA response: EPA’s regulations at 40 CFR 1818-12(h) state that the Administrator of EPA shall determine whether the light-duty vehicle greenhouse gas standards are appropriate under section 202(a) of the Clean Air Act, no later than April 1, 2018, in light of the record then before the Administrator. While the EPA regulations did not establish a formal role for NHTSA in making the determination, the follow-on need for NHTSA to promulgate a new and separate rulemaking has always existed.

The Honorable Michael C. Burgess, M.D. (R-TX)

2. On January 13, 2016, just a few short days before President Trump was inaugurated, the Environmental Protection Agency (EPA) unexpectedly released the final draft of the One National Program mandate. These changes were made outside of the regular rulemaking process and were made with no consideration from the National Highway Traffic Safety Administration (NHTSA). These mandates would have resulted in increased auto prices, the loss of consumer choice, and little benefit to the environment.

How has the EPA conducted the promulgation of the Safer Affordable Fuel-Efficient (SAFE) Vehicles standards?

- a. Was this done through the normal rule making process or have these new standards been rushed in any way?
- b. How does your agency take into consideration the comments submitted for the SAFE Vehicles standards? What impact do these comments have on the final result?

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EPA response: EPA and NHTSA issued the SAFE Vehicles proposed rule on August 24, 2018 and provided a public comment period ending on October 26, 2018. NHTSA received 150,000 comments, while the EPA has received more than 600,000 public comments on the proposal. EPA will carefully consider these public comments during the development of the final rule.

3. Given the expedited nature of the One National Program's promulgation, how were stakeholder concerns taken into consideration?
 - a. How have your agencies' processes for the promulgation of the SAFE Vehicle Standards compare to the processes used to release the finalized One National Program mandate under the Obama EPA?

EPA response: EPA and NHTSA issued the SAFE Vehicles proposed rule on August 24, 2018 and provided a public comment period ending on October 26, 2018. NHTSA received 150,000 comments, while the EPA has received more than 600,000 public comments on the proposal. EPA will carefully consider these public comments during the development of the final rule.

The Honorable Markwayne Mullin (R-OK)

1. The purpose of the CAFE Standards is to increase fuel efficiency thus lowering greenhouse gas emissions. Would you agree that the increase usage of natural gas has lowered greenhouse gas emissions?
 - a. So, is it safe to say that natural gas vehicles are important to the fleet mix?

EPA response: As EPA showed in the 2012 rule establishing standards for model year 2017-2025 vehicles, the tailpipe CO2 emissions of natural gas vehicles produced in that time frame were about 20% lower than those of comparable gasoline vehicles being produced in the 2012 time frame, based on the limited data we had at the time (77 FR 62815).

- b. Were you aware that the Obama Administration arbitrarily removed the greenhouse gas compliance factor that was used for natural gas vehicles?
- c. I would like to see this compliance factor reinstated that was used for the 2012 to 2015 model years in the final SAFE rule. This would give them parity with electric vehicles, which the previous administration chose to favor. Ms. Idsal, I would appreciate your commitment to work with my staff and colleagues to ensure greater parity is achieved for natural gas vehicles in order to provide automakers another important compliance option that offers consumers an affordable clean vehicle running on American natural gas.

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EPA response: EPA has received similar comments from the natural gas industry on the SAFE Vehicles proposed rule, and we will take these comments into consideration during the development of the final rule.

Additional Questions for the Record

**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on “Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Air Standards
June 20, 2019**

**Mr. Nicolas Loris
Deputy Director and Herbert & Joyce Morgan Research Fellow
Roe Institute for Economic Policy Studies
The Heritage Foundation**

The Honorable Cathy McMorris-Rodgers (R-WA)

- 1.) Mr. Loris, in your testimony, you state that fuel economy standards override consumer choice. Can you please explain how?**

Consumers consider numerous tradeoffs and opportunity costs when buying a product. Car and truck buyers are no different. The market for vehicles is not one size fits all. Some consumers value speed, size or safety over fuel efficiency. In order to comply with fuel economy standards, companies must forgo designing a vehicle based solely on what consumers actually want. In essence, federal regulators are making decisions for the consumer. The standards compel manufacturers to make decisions on vehicle design, weight, material and engine size that they otherwise might not make, thereby overriding consumer preferences. Mandates force auto producers to give up qualities that car buyers like, making consumers worse off.

Drivers value fuel efficiency, but the federal government should not be in the business of telling consumers *how much* they should value fuel economy. Spending on gas is a significant cost for families. The average person in most states spends more than \$1,000 per year on fuel costs.¹ Demand response for fuel economy changes as prices at the pump change. As mentioned in my written testimony, a 2016 study in the *Journal of Public Economics* examined consumers’ willingness to pay for fuel economy. The study found, “By seeing how price differences across high and low mileage vehicles of different fuel economies change in response to shocks to the price of gasoline, we estimate the relationship between vehicle prices and future fuel costs. Our data suggest that used automobile prices move one for one with changes in present discounted future fuel costs, which implies that consumers fully value fuel economy.”²

¹ U.S. Energy Information, “Motor Gasoline Price and Expenditure Estimates, Ranked by State, 2017,” https://www.eia.gov/state/seds/data.php?incfile=/state/seds/sep_sum/html/rank_pr_mg.html&sid=US (accessed August 26, 2019).

² James M. Sallee, Sarah E. West, and Wei Fan, “Do Consumers Recognize the Value of Fuel Economy? Evidence from Used Car Prices and Gasoline Price Fluctuations?” *The Journal of Public Economics*, Vol. 135 (March 2016), pp. 61–73, <https://www.sciencedirect.com/science/article/abs/pii/S0047272716000049> (accessed June 18, 2019).

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However, when the federal government forces fuel economy mandates on auto manufacturers, the consumers suffer.

2.) Mr. Loris, can you explain why you believe it is important for consumer choice to drive what vehicles auto makers produce rather than federal government mandates?

Whether it is clothes, food or vehicles, markets work more efficiently when products are consumer centric. If federal government mandate dictate what producers make, auto companies may be stuck selling cars that consumers do not want to buy. Rhett Ricart of the National Automobile Dealers Association compared fuel economy mandates to forcing a kid to eat vegetables, saying, "If he doesn't like vegetables, you can't stuff his mouth full of them."³

Evidence from vehicle sales data demonstrates that consumers value gas guzzlers over gas sippers. In fact, light-truck sales captured a record 69 percent of the U.S. market in 2018 while car sales fell to 31 percent, down from 50 percent in 2013. Since compliance with the mandate depends on a company's fleet wide sales in the U.S., manufacturers may have to offer lower prices for more fuel-efficient vehicles even further to shift purchasing decisions to meet the more stringent standards. Doing so could hurt the financial viability of the company or result in higher prices for SUVs and trucks to adjust fleet wide sales to comply with Corporate Average Fuel Economy (CAFE) standards. Noncompliance results in fines passed onto the consumer. Either case, the majority of car buyers suffer through higher prices and reduced choice.

Importantly, it is not a legitimate function of the federal government to tell consumers how to save money or what attributes should be most important when buying a product. The federal government could ostensibly save consumers money by forcing all automakers to adhere to one design but that would not make them better off. However, we have product differentiation for everything from cars and potato chips to toilet paper because consumers have different budget constraints, values and preferences. Each time the federal government imposes more stringent CAFE standards, it reduces the role of the consumer and centralizes more decision-making in Washington.

3.) Mr. Loris, can you explain how more stringent fuel-economy standards override consumers' preferences and skew decisions made by auto makers and what, if any, problems that causes?

Auto companies continually invest in new technologies and product designs to meet consumers' heterogeneous preferences. Whether it is size, comfort, horsepower, safety or fuel economy, car buyers have different needs. CAFE standards require manufacturers to ignore what consumers truly desire by placing an arbitrarily higher value on fuel economy over other vehicle attributes. For instance, automakers have added a number of characteristics to vehicles over the years that consumers like, such as GPS systems, backup cameras, televisions and

³ Tom Krisher and Sudhin Thanawala, "Automakers seek flexibility at hearing on mileage standards," *AP News*, September 25, 2018, <https://www.apnews.com/66e3b04cb0a445e9b830a2166a6f7502> (accessed August 26, 2019).

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powered seats, all of which add weight to the vehicle. While the weight of those attributes may seem marginal, producers will have to cut weight elsewhere or make other design adjustments to comply with CAFE. Consumers may not want vehicle producers make those sacrifices.

As mentioned in my written testimony, a 2011 Massachusetts Institute of Technology study analyzed the trade-offs automakers make because of consumers' heterogeneous preferences. The article found that if vehicle weight, horsepower, and torque were held constant at 1980 levels, fuel efficiency would have increased 60 percent from 1980 to 2006 instead of the 15 percent increase that did occur.⁴ The reason fuel efficiency increased at 15 percent rather than 60 percent is because auto manufacturers met buyers' demands for larger, heavier vehicles with more torque and horsepower.

The federal government should not decide which vehicle attribute is most valuable for consumers, especially when the fuel economy mandates originate from antiquated assumptions of resource scarcity.

To be clear, there is a stark difference between compelling an automaker to comply with an environmental standard versus compelling an automaker to comply with a fuel economy mandate. If the federal government pursues regulation that enforces a socially optimal level of emissions, there is value to internalizing external costs that harm human health and public safety. Regulating emissions corrects an external cost borne by a third party. Regulating fuel economy places a subjectively higher value on fuel efficiency over other vehicle attributes. Attempting to correct external costs of emissions through fuel economy mandates is a costly, inefficient way to do so.

4.) Mr. Loris, how do fuel economy mandates affect the up-front price of new vehicles and how does that affect consumer choice?

One of the biggest expenses for American families is transportation. 95 percent of Americans own a vehicle and spend thousands of dollars annually on car payments, maintenance, insurance and fuel.⁵ Forcing automakers to meet fuel economy standards is costly as it requires new engineering designs, spending on new materials and changes to vehicles that automakers might otherwise not make.

Proponents of CAFE mandates incorrectly mislabel this spending as "investment." However, the reality is that the spending is compliance for a regulation where the producers pass the costs onto consumers. Moreover, spending to comply with CAFE results in an opportunity cost. Money allocated toward regulatory compliance cannot be invested elsewhere in the

⁴Christopher R. Knittel, "Automobiles on Steroids: Product Attribute Trade-Offs and Technological Progress in the Automobile Sector," *The American Economic Review*, Vol. 101, No. 7 (December 2011), pp. 3368–3399, http://web.mit.edu/knittel/www/papers/steroids_latest.pdf (accessed August 26, 2019).

⁵Maurie Backman, "Expenses That Account for 87% of the Average Household Budget," *The Motley Fool*, August 14, 2017, <https://www.fool.com/retirement/2017/08/14/8-expenses-that-account-for-87-of-the-average-hous.aspx> (accessed August 26, 2019).

Mr. Nicolas Loris

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company, whether it be on creating innovations for consumers or hiring more employees. Both the regulatory costs and the opportunity costs harm the consumer.

CAFE is a regulatory mandate that increases the sticker price of new vehicles. My colleagues estimate that the Obama fuel-economy mandates increased new-car prices \$6,800 more than the pre-2009 baseline trend, and that eliminating the more aggressive standards would save 2025 car buyers at least \$7,200 per vehicle.⁶ While it is impossible to say exactly what vehicle prices would have been if the Obama Administration had not implemented CAFE standards, direction of the price impact from the regulations is clear.

The change in the price of new vehicles has ripple effects throughout the new and used car markets. Higher costs price new buyers out of the market and increases the demand for used vehicles, causing the price of used vehicles to rise. Higher prices in the new and used vehicle market causes car owners to hold onto their vehicles longer, resulting in less fleet turnover, which negates some of the intended fuel savings and emissions reductions. Even when factoring monetary savings from greater fuel economy, economists have shown that there is a net cost to consumers.⁷

The Honorable Michael C. Burgess, M.D. (R-TX)

1. Mr. Loris, can you explain precisely how federal intervention in fuel economy standards erodes consumer choice and the ability of the private industry to innovate?

Families choose to buy fuel-efficient vehicles when it makes sense for them to do so. The myopic view from the federal government, however, is that efficiency upgrades always make sense if they save money. However, that is not always the case. When the government forces efficiency choices on people, it takes away choices, or at the very least, overrides them. Someone choosing to forgo the most fuel-efficient vehicle is not acting irrationally but instead valuing other preference in vehicles more, such as power, safety, enjoyment, or other practical considerations.

On the other hand, a family may just decide to pay less up front for a less-efficient vehicle to free up much-needed money for some greater priority such as electric bills, food, healthcare or a child's education. This does not mean that they do not recognize that they will pay a little extra for gasoline over time. It simply gives them additional flexibility to manage a real-world family budget. Whatever the preferences may be, auto manufacturers have an incentive to balance trade-offs and needs of Americans, because their sales will suffer if they fail to do so.

While both smart cars and pickup trucks are available in a world with CAFE standards, the government's mandates force trade-offs among preferences that are better determined by consumers and producers. The budgets for automakers to invest in new technologies is

⁶Salim Furth and David Kreutzer, "Fuel Economy Standards Are a Costly Mistake," Heritage Foundation *Background* No. 3096, March 4, 2016, <https://www.heritage.org/government-regulation/report/fuel-economy-standards-are-costly-mistake>.

⁷Thomas Klier and Joshua Linn, "New-vehicle Characteristics and the Cost of the Corporate Average Fuel Economy Standard," *The RAND Journal of Economics*, Vol. 43, No. 1 (Spring 2012), pp. 186–213, <http://www.jstor.org/stable/23209303> (accessed August 26, 2019).

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not limitless. Compliance with CAFE takes investment opportunities away from other potential innovations that consumers may desire more than improvements in fuel economy. Rather than abide by a government-imposed fuel economy target, policymakers should remove barriers that prevent the private sector from driving energy efficiency forward. The practices of being resourceful and saving money are inherently desired, which means that the economy does not need government mandates, rebate programs, or spending initiatives to make cars more fuel-efficient.

Markets have driven the energy economy and energy efficiency in the right direction. Mandates do the opposite. Reducing the role of the federal government and increase the freedom of choice for all American families, and automakers will have the freedom to produce the cars and trucks that consumers want to buy.

Additional Questions for the Record

**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Car Standards”
June 20, 2019**

**Mr. David Schwietert
Interim President and Chief Executive Officer
Alliance of Automobile Manufacturers**

The Honorable Cathy McMorris-Rodgers (R-WA)

1. Mr. Schwietert, what does the market tell us about where consumers rank fuel economy as preferences when making purchasing decisions?

Response:

Ranking Member McMorris-Rodgers – As noted in my written testimony, consumers have many different preferences, goals or priorities when purchasing a new vehicle. As reflected in the chart below, market research suggests that affordability, safety, reliability and other factors continue to rank higher in consumer preferences than fuel economy (See Chart 1).¹

Chart 1:

Rank	Purchase Reason	%
1	Overall Safety of the Vehicle	63%
2	Overall Driving Performance	59%
3	Overall Value for the Money	58%
4	Overall Impression of Durability/Reliability	58%
5	Price/Deal Offered	56%
6	Safety Features	56%
7	Riding Comfort	54%
8	Handling	53%
9	Braking	52%
10	Comfort of Front Seat	52%
11	Affordable to Buy	50%
12	Road Holding Ability	50%
13	Front Visibility	50%
14	Engine Performance	50%
15	Warranty Coverage	50%
16	Overall Seat Comfort	48%
17	Overall Exterior Workmanship	47%
18	Maneuverability	47%
19	Fun to Drive	46%
20	Fuel Economy/Mileage	46%

¹ “Strategic Vision New Vehicle Experience Study (2018); ranking of purchase reasons”

Mr. David Schwietert
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2. Mr. Schwietert, what are the types of vehicles consumers are currently purchasing from your members and how should that factor into fuel economy standards?

Response:

Ranking Member McMorris-Rodgers - Since 2012, when the Model Year 2017 through 2025 GHG standards were set and fuel economy standards first contemplated subject to a mid-term review, low gas prices, as well as improved engine efficiency have contributed to a dramatic shift in consumer demand away from passenger cars to vehicles with other attributes such as sport utility vehicles (SUVs) and crossover utility vehicles (CUVs). To help illustrate this shift in consumer preferences, using the EPA regulatory definition for car and truck, in 2012 the projected mix of light-duty vehicle sales for 2018 was 64% cars and 36% light trucks (see Chart 2).² Actual light-duty vehicle sales in 2018, however, were 49% cars and 51% light trucks.

Chart 2:

Assumptions vs. Market Realities			
Rulemaking assumptions needed to be compared to market realities to ensure that future standards are attainable.			
	2016	2017	2018
Gas Prices Projected (2012) <small>(1)</small>	\$3.68	\$3.77	\$3.82
Gas Prices Actual	\$2.34	\$2.58	\$2.81
Sales: New Cars v. Light Trucks Projected (2012)	66/34% (Car/LT)	63/37% (Car/LT)	64/36% (Car/LT)
Sales: New Cars v. Light Trucks Actual <small>(2)</small>	55/45% (Car/LT)	52/48% (Car/LT)	49/51% (Car/LT)
Annual New Vehicle Sales	Record Year	Softening	Flat

(1) Based on 2011 EIA Annual Energy Outlook in 2018 dollars
(2) Regulatory definition of car and light truck

In fact, last year the majority of new light-duty vehicle sales each of the 50 states were light trucks (see Attachment 1).

The statistics below, based on 2018 sales data, further illustrate this new fleet mix reality³:

- A pickup is the top selling new vehicle in 289 congressional districts, or 66% of Congress

² Note citations in Chart 2 – (1) Based on 2011 EIA Annual Energy Outlook in 2018 Dollars, and (2) Regulatory Definition of Car and Light Truck (see <https://nepis.epa.gov/Exec/QueryPDF.cgi/P100W5C2.PDF?Dockey=P100W5C2.PDF>, page 32.)

³ Figures compiled by Auto Alliance with data provided by IHS Markit as of December 31, 2018

Mr. David Schwietert

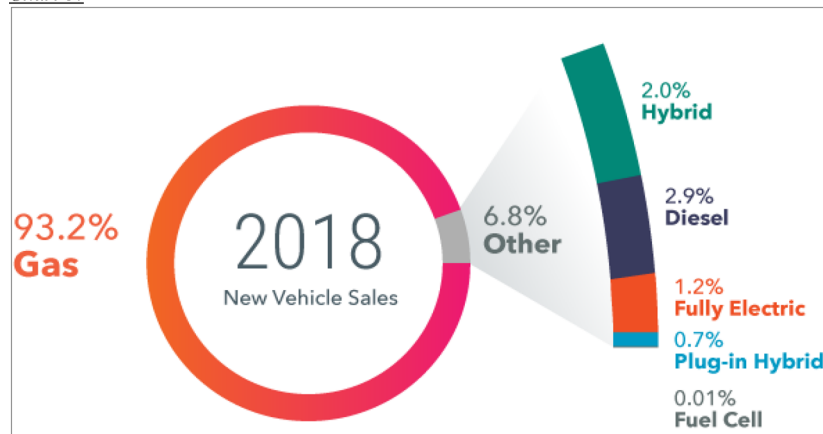
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- SUVs/CUVs are the top selling vehicles in 85 congressional districts (19%)
- Sedans are the top selling vehicles in just 56 congressional districts (13%)
- There are 150 congressional districts (34%) where the top three selling vehicles are pickup trucks.

Based on vehicle sales data for the first half of 2019, consumer preference away from cars continues, with light-trucks representing nearly 70% of new vehicle sales (Attachment 2).

Despite record numbers of models of alternative powertrain and fuel efficient vehicles being offered in dealer showrooms, sales of these vehicles remain low – less than 4 percent of total U.S. sales for all alternative powertrains (including plug-in EVs, hybrid and Fuel Cell Vehicles). If you remove hybrid vehicles, plug-in EVs account for less than two percent of all sales nationwide.⁴

Chart 3:



These market realities are a significant factor in automakers ability to achieve compliance with fuel economy standards. Under existing regulation, automakers are judged by what consumers buy, not what we offer for sale. Assumptions made in 2012 have not been realized, resulting in a substantial gap between government targets and what Americans choose to buy.⁵

Fuel economy standards achieve the maximum benefit to the environment, economy and consumers when they balance all interests. This is why automakers remain steadfast in our support

⁴ Ward's Automotive, 2019

⁵ EPA Automotive Trends Report (MY 2017)

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of a negotiated solution that balances environmental goals, consumer preferences and market realities. Our priorities remain unchanged and include:

- Year-over-year increases in fuel economy to provide our customers with more energy-efficient vehicles with greater emissions reductions and the latest safety technology.
- Partner with public/private groups to get more energy-efficient vehicles on our roads via charging/fueling infrastructure, consumer incentives, government fleet sales and car-sharing and ride-sharing programs.
- Continue increasing investments in research and development for more advancements in safety and efficiency.
- Do all this while keeping vehicles affordable for consumers.

Attachment 1:⁶

2018 Light Vehicle Registrations And New Purchases: Body Style														
State	2018 Registrations							2018 New Purchases						
	Total	Vehicle Type		Light Truck Segments				Total	Vehicle Type		Light Truck Segments			
		Cars	Light Trucks	CUVs	SUVs	Pickups	Vans/Minivans		Cars	Light Trucks	CUVs	SUVs	Pickups	Vans/Minivans
AK	607,052	25.62%	74.38%	18.24%	15.59%	34.02%	6.53%	26,452	19.57%	80.43%	35.52%	10.93%	28.17%	5.81%
AL	4,920,798	43.46%	56.54%	13.74%	12.21%	25.95%	4.64%	209,124	31.79%	68.21%	31.68%	9.87%	22.47%	4.19%
AR	2,649,722	35.90%	64.10%	14.83%	12.93%	31.70%	4.65%	122,614	24.72%	75.28%	32.51%	10.62%	28.39%	3.76%
AZ	6,304,340	44.29%	55.71%	16.36%	12.02%	20.88%	6.45%	386,255	31.83%	68.17%	30.82%	7.74%	18.53%	11.08%
CA	31,507,331	51.22%	48.78%	17.09%	10.15%	15.78%	5.76%	1,959,243	45.73%	54.27%	31.66%	6.89%	11.67%	4.05%
CO	5,309,996	36.48%	63.52%	21.66%	15.69%	21.26%	4.91%	270,687	23.32%	76.68%	40.49%	12.58%	19.29%	4.32%
CT	3,052,626	47.54%	52.46%	24.97%	9.95%	11.77%	5.78%	169,074	30.57%	69.43%	47.19%	8.86%	9.78%	3.60%
DC	349,111	63.24%	36.76%	19.64%	7.57%	3.93%	5.61%	22,770	44.18%	55.82%	39.80%	6.89%	3.61%	5.53%
DE	854,561	45.12%	54.88%	21.00%	11.22%	15.85%	6.81%	49,592	31.23%	68.77%	40.05%	9.50%	14.27%	4.95%
FL	17,133,318	48.46%	51.54%	19.97%	9.72%	15.75%	6.10%	1,328,459	38.51%	61.49%	36.17%	8.34%	12.29%	4.70%
GA	8,908,162	44.44%	55.56%	16.60%	11.96%	21.20%	5.80%	509,087	35.17%	64.83%	32.32%	9.08%	18.23%	5.21%
HI	1,227,125	42.26%	57.74%	17.77%	10.32%	22.06%	7.59%	88,909	35.52%	64.48%	27.61%	14.34%	15.07%	7.46%
IA	3,123,958	37.48%	62.52%	17.79%	10.51%	26.63%	7.59%	131,176	20.45%	79.55%	38.41%	8.91%	26.45%	5.79%
ID	1,765,462	35.26%	64.74%	15.22%	13.28%	31.08%	5.16%	64,596	18.67%	81.33%	37.98%	9.48%	30.31%	3.57%
IL	10,641,237	44.95%	55.05%	22.59%	10.46%	13.82%	8.18%	616,104	30.15%	69.85%	43.23%	8.42%	11.75%	6.45%
IN	5,955,100	41.01%	58.99%	18.61%	11.12%	21.55%	7.72%	247,013	25.60%	74.40%	39.06%	8.77%	19.01%	5.56%
KS	2,831,833	40.32%	59.68%	16.07%	10.95%	26.29%	6.36%	98,205	25.88%	74.12%	35.22%	10.01%	23.43%	5.46%
KY	4,028,531	41.58%	58.42%	16.46%	10.81%	25.14%	6.01%	149,421	28.59%	71.41%	37.01%	8.86%	20.48%	5.06%
LA	3,779,281	38.04%	61.96%	14.81%	12.53%	30.66%	3.96%	218,709	28.76%	71.24%	28.95%	10.88%	27.91%	3.50%
MA	5,382,570	45.10%	54.90%	27.06%	9.34%	12.36%	6.14%	355,731	28.56%	71.44%	45.65%	9.25%	12.39%	4.15%
MD	4,723,057	48.45%	51.55%	21.45%	9.43%	13.23%	7.43%	329,936	35.22%	64.78%	37.58%	7.75%	11.89%	7.55%
ME	1,287,077	37.65%	62.35%	22.40%	9.31%	25.29%	5.35%	70,462	19.64%	80.36%	42.22%	7.78%	26.48%	3.87%
MN	8,710,114	38.02%	61.98%	23.38%	12.06%	19.19%	7.37%	606,504	16.41%	83.59%	47.09%	10.53%	21.84%	4.13%
MI	5,134,436	39.78%	60.22%	21.54%	10.63%	20.40%	7.66%	250,471	21.17%	78.83%	44.05%	8.18%	21.29%	5.31%
MO	5,776,127	40.92%	59.08%	17.49%	10.35%	24.01%	7.23%	311,578	27.11%	72.89%	32.14%	9.00%	23.11%	8.64%
MS	2,809,895	42.83%	57.17%	11.80%	12.60%	28.58%	4.19%	106,676	31.06%	68.94%	28.68%	10.22%	26.54%	3.50%
MT	1,351,398	32.74%	67.26%	13.34%	13.61%	35.33%	4.97%	57,724	16.49%	83.51%	33.75%	12.28%	32.91%	4.57%
NC	8,924,646	43.77%	56.23%	17.76%	11.34%	20.95%	6.18%	462,028	33.27%	66.73%	35.28%	9.19%	17.45%	4.81%
ND	783,878	31.02%	68.98%	16.10%	12.62%	34.80%	5.46%	39,472	12.41%	87.59%	32.58%	11.38%	40.43%	3.20%
NE	2,083,160	38.64%	61.36%	16.75%	11.93%	26.28%	6.41%	86,138	20.92%	79.08%	37.70%	10.23%	26.12%	5.03%
NH	1,306,353	40.62%	59.38%	24.82%	8.80%	20.02%	5.74%	97,069	24.93%	75.07%	42.67%	7.52%	20.76%	4.13%
NJ	7,243,886	47.81%	52.19%	25.03%	10.34%	9.35%	7.47%	581,215	33.57%	66.43%	44.61%	9.55%	7.83%	4.43%
NM	1,891,881	38.83%	61.17%	14.25%	12.44%	30.05%	4.43%	87,576	30.98%	69.02%	30.76%	9.31%	25.92%	3.03%
NV	2,364,062	44.96%	55.04%	17.87%	12.80%	19.62%	4.74%	143,917	36.80%	63.20%	34.01%	9.24%	15.94%	4.01%
NY	11,731,223	43.75%	56.25%	26.83%	10.24%	11.55%	7.64%	1,011,032	27.75%	72.25%	47.72%	9.86%	10.05%	4.61%
OH	10,743,373	45.11%	54.89%	20.84%	9.26%	17.37%	7.42%	598,699	29.34%	70.66%	42.43%	7.49%	15.36%	5.37%
OK	4,354,435	37.82%	62.18%	17.35%	11.39%	26.88%	6.56%	770,178	33.78%	66.22%	29.75%	9.50%	16.45%	10.52%
OR	3,790,198	40.68%	59.32%	18.38%	11.49%	22.99%	6.45%	175,570	27.51%	72.49%	39.84%	8.09%	19.00%	5.56%
PA	12,032,941	44.14%	55.86%	22.11%	10.77%	15.97%	7.01%	661,479	27.13%	72.87%	44.52%	7.96%	15.49%	4.90%
RI	859,116	49.62%	50.38%	23.63%	8.58%	12.50%	5.67%	49,166	30.65%	69.35%	45.37%	7.63%	13.20%	3.14%
SC	4,902,802	43.47%	56.53%	16.12%	12.71%	21.96%	5.73%	218,753	31.10%	68.90%	35.48%	9.34%	19.38%	4.71%
SD	961,184	33.60%	66.40%	15.59%	12.86%	31.55%	6.40%	38,271	14.68%	85.32%	37.35%	10.49%	33.67%	3.81%
TN	6,124,542	42.20%	57.80%	16.71%	12.40%	23.40%	5.28%	273,666	31.83%	68.17%	33.97%	9.73%	19.88%	4.58%
TX	22,847,822	38.63%	61.37%	17.50%	12.89%	26.48%	4.49%	1,515,438	29.75%	70.25%	31.03%	10.55%	25.12%	3.55%
UT	2,675,339	41.80%	58.20%	16.58%	12.56%	22.92%	6.14%	143,459	24.86%	75.14%	31.77%	10.40%	27.87%	5.10%
VA	7,532,673	45.39%	54.61%	19.23%	11.24%	17.44%	6.69%	382,955	34.53%	65.47%	37.59%	8.54%	12.41%	6.94%
VT	564,886	37.77%	62.23%	26.82%	7.22%	23.53%	4.66%	42,913	20.90%	79.10%	44.09%	5.76%	26.40%	2.86%
WA	6,908,023	44.62%	55.38%	18.36%	10.78%	20.01%	6.24%	295,582	30.67%	69.33%	40.24%	7.59%	16.45%	5.04%
WI	5,351,303	40.28%	59.72%	21.18%	10.25%	20.14%	8.14%	246,648	21.93%	78.07%	42.87%	8.02%	21.32%	5.85%
WV	1,584,252	35.68%	64.32%	19.45%	12.36%	27.85%	4.66%	81,580	22.12%	77.88%	40.01%	9.87%	25.20%	2.79%
WY	637,640	27.53%	72.47%	13.79%	15.27%	39.47%	3.95%	26,171	13.19%	86.81%	31.59%	11.80%	40.67%	2.75%
U.S. Total	278,243,836	43.49%	56.51%	19.30%	11.13%	19.83%	6.26%	16,785,627	31.6%	68.40%	37.3%	8.9%	17.0%	5.2%

⁶ Figures compiled by Auto Alliance with data provided by IHS Markit as of December 31, 2018.

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Attachment 2:

Mid-Year 2019 New Registrations Of Light Duty Vehicle By Body Style							
2019 YTD (June) New Registrations							
State	Total	Vehicle Type		Light Truck Segments			
		Cars	Light Trucks	CUVs	SUVs	Pickups	Vans/ Minivans
AK	15,955	19.63%	80.37%	33.97%	13.49%	29.35%	3.56%
AL	105,188	29.65%	70.35%	31.27%	11.32%	25.28%	2.47%
AR	63,186	23.01%	76.99%	32.24%	11.45%	31.01%	2.28%
AZ	175,539	28.02%	71.98%	28.80%	7.98%	32.73%	2.46%
CA	1,045,754	43.54%	56.46%	31.44%	8.44%	13.67%	2.91%
CO	177,870	24.58%	75.42%	38.54%	14.32%	20.26%	2.31%
CT	88,701	30.77%	69.23%	44.49%	10.49%	11.89%	2.36%
DC	9,655	44.02%	55.98%	42.00%	6.31%	5.89%	1.78%
DE	24,895	30.41%	69.59%	39.36%	10.43%	17.13%	2.67%
FL	610,936	36.29%	63.71%	37.49%	8.97%	14.85%	2.40%
GA	219,897	34.18%	65.82%	32.29%	10.28%	20.10%	3.15%
HI	50,822	38.10%	61.90%	27.55%	11.68%	15.35%	7.32%
IA	56,509	18.32%	81.68%	38.31%	9.36%	30.55%	3.45%
ID	32,669	19.09%	80.91%	34.45%	14.12%	30.02%	2.32%
IL	273,633	29.42%	70.58%	42.20%	10.51%	13.48%	4.39%
IN	125,560	25.28%	74.72%	38.44%	9.88%	21.38%	5.03%
KS	45,710	24.40%	75.60%	34.21%	10.58%	27.34%	3.47%
KY	81,878	27.31%	72.69%	35.63%	9.78%	23.32%	3.96%
LA	117,084	28.13%	71.87%	29.30%	11.50%	28.71%	2.36%
MA	177,721	27.96%	72.04%	43.56%	11.29%	14.19%	3.00%
MD	145,031	35.32%	64.68%	37.09%	9.61%	14.34%	3.65%
ME	35,368	19.72%	80.28%	41.31%	9.51%	27.34%	2.12%
MI	298,256	14.26%	85.74%	51.82%	9.81%	21.74%	2.38%
MN	134,801	20.46%	79.54%	43.43%	9.22%	23.77%	3.11%
MO	137,420	26.92%	73.08%	35.62%	9.80%	23.84%	3.82%
MS	53,761	30.25%	69.75%	28.03%	11.70%	27.51%	2.51%
MT	25,684	16.39%	83.61%	31.75%	14.03%	35.80%	2.04%
NC	200,123	31.14%	68.86%	35.72%	10.93%	19.44%	2.77%
ND	20,417	12.22%	87.78%	30.60%	11.99%	43.56%	1.63%
NE	42,909	19.48%	80.52%	36.83%	11.40%	29.42%	2.86%
NH	44,279	24.32%	75.68%	42.24%	9.21%	22.01%	2.22%
NJ	291,888	33.51%	66.49%	44.46%	10.12%	9.34%	2.57%
NM	42,706	30.58%	69.42%	30.04%	10.61%	26.52%	2.25%
NV	78,712	36.37%	63.63%	32.42%	9.77%	17.58%	3.86%
NY	490,014	27.63%	72.37%	46.27%	11.40%	11.33%	3.37%
OH	303,931	27.48%	72.52%	41.70%	8.96%	18.40%	3.45%
OK	85,601	22.67%	77.33%	31.21%	10.53%	32.96%	2.62%
OR	87,848	28.95%	71.05%	36.74%	10.08%	21.07%	3.16%
PA	341,362	27.00%	73.00%	42.64%	9.73%	17.99%	2.64%
RI	30,085	32.21%	67.79%	42.83%	9.02%	13.38%	2.56%
SC	112,686	29.38%	70.62%	35.52%	10.92%	21.20%	2.98%
SD	20,400	14.77%	85.23%	35.72%	11.61%	35.27%	2.63%
TN*	103,285	32.70%	67.30%	34.73%	10.41%	18.92%	3.23%
TX	627,286	26.63%	73.37%	31.97%	11.67%	27.95%	1.78%
UT	99,242	25.93%	74.07%	31.11%	11.42%	28.20%	3.34%
VA	207,397	32.34%	67.66%	35.50%	10.71%	17.62%	3.82%
VT	22,537	21.27%	78.73%	42.65%	7.48%	26.78%	1.82%
WA	166,916	31.04%	68.96%	38.18%	10.51%	16.93%	3.34%
WI	123,925	21.88%	78.12%	41.53%	9.05%	23.90%	3.64%
WV	23,455	22.69%	77.31%	36.43%	10.88%	27.60%	2.40%
WY	27,102	14.63%	85.37%	27.31%	13.18%	43.17%	1.71%
U.S. Total	7,923,589	30.23%	69.77%	37.37%	10.16%	19.30%	2.94%

Source: Figures compiled by Auto Alliance with new registration retail and fleet data provided by Hedges & Co covering January 1, 2019 - June 30, 2018.
*Tennessee figures cover January 1, 2019 - April 30, 2019 only.

Additional Questions for the Record**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Air Standards”**

Submitted by Mr. Josh Nassar
Legislative Director
UAW

Responses to the Chairwoman Jan Schakowsky (D-IL)

Question #1:

The transportation sector is the greatest contributor to the greenhouse gas emissions in the United States, accounting for 29 percent of all emissions. Electric Vehicles, vehicles that run solely on electricity, hold the promise of helping curb these emissions. How can we promote the deployment of electric vehicles?

Response to Question #1:

Thank you for your question. I appreciate the opportunity to respond on behalf of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), President Gary Jones, the UAW International Executive Board (IEB) and our one million active and retired members.

As you noted, various sectors contribute to greenhouse gases, including transportation. U.S. greenhouse gas (GHG) are generated in the U.S. from many discrete sources: vehicles, power plants, industrial facilities, households, commercial buildings and agricultural activities. Long-term solutions require emission reductions across the board and must be viewed in a holistic manner. In the area of transportation electric vehicles (EVs) reduce greenhouse gas emissions, a significant driver of global warming and climate change. The energy sources used to generate electricity should also be taken into consideration when evaluating the potential impact stemming from the expected widespread adoption of EVs in future decades.

EVs not only hold the promise of helping curb emissions but they hold the promise of leading to high quality manufacturing jobs of the future. From EV's to full-sized pickups, fuel efficiency is improving across the industry, including vehicles and components made by UAW members. We support the development of EV's and are deeply concerned that a significant portion of vehicles and their components will not be built in the United States as companies continue to pour investments in EV's overseas.

As referenced in my testimony, most of the production footprint for tomorrow's advanced automotive technology is being developed overseas. It is projected that by 2021, 56 percent of the battery manufacturing capacity will be in China and another 19 percent will be in Europe. The U.S. will only have 14 percent of global battery production capacity. The U.S. is currently falling behind its Asian and European counterparts.

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In addition, the demand for raw materials such as cobalt and lithium to make EV batteries often come at troubling cost. In fact, 60 percent of the world's cobalt is mined in the Democratic Republic of Congo (DRC), where child labor and other labor abuses are prevalent, and injury and death are common.¹ Congress should not ignore this part of the supply chain. In fact, Congress should take measures to hold companies accountable that exploit workers throughout the entire supply chain.

Additionally, EVs and autonomous vehicles (AVs) of the future will be heavily reliant on semiconductors. It is estimated that an EV/AV will have over a thousand dollars' worth of semiconductors. This increase in semiconductor usage comes at a time when U.S. semiconductor manufacturing has been in decline. The total number of U.S. fabs has decreased from 123 in 2007 to 95 today,² while the industry employs 100,000 less production workers than it did at the turn of the century.³ Currently, U.S. manufacturers account for only 13 percent of the global semiconductor supply. This is because the U.S. is no longer attracting new fabs. In 2011, of 27 high-volume fabs built worldwide, only one was in the U.S.; 18 were in China and 4 in Taiwan. In 2018, 20 new fab projects had been announced in China, with total investment exceeding \$10 billion.⁴

If the EV manufacturing footprint takes root outside the US, it will be extremely difficult for the US to recapture that work in the future. The capital intensity and long manufacturing lead times in auto, makes the possibility of reshoring the EV market once it has left, all the less likely.

A strong, forward looking industrial policy is needed to promote the manufacturing of electric vehicles in the United States. Our trade, tax, labor, and environmental policies must work in tandem to promote the manufacturing of EVs in the United States. We can promote high quality manufacturing jobs that make vehicles of the future in the U.S. by (ideas below can be found in UAW Whitepaper)⁵:

- 1) Advancing trade policies that strengthen U.S. manufacturing: The economic potential of EVs will be lost if their components are generally imported. Advanced vehicle technology should be treated as a strategic sector to be protected and built in the U.S.
- 2) Investing in the Infrastructure: Vehicle electrification requires building a charging infrastructure for drivers. It also means upgrading our energy infrastructure to meet electricity demand and ensure electricity production is as green as the EVs themselves. This is an opportunity to create quality jobs to build, install, and maintain EV infrastructure.
- 3) Supporting worker training: Workers will need new skills and displaced workers will need re-training programs. We should make every effort to re-train and place workers in quality jobs, provide strong economic support for workers during transition periods, and create robust government jobs programs to guarantee quality jobs for all those seeking work.

¹ UAW Research. (August 2018) "Taking the High Road: Strategies for A Fair EV Future." <https://uaw.org/wp-content/uploads/2019/07/EV-White-Paper-Spring-2019.pdf>

² <http://mforesight.org/download/7817/>

³ BLS, Quarterly Census of Employment and Wages (QCEW) for NAICS 334413, <http://www.bls.gov/cew/>.

⁴ <http://mforesight.org/download/7817/>

⁵ UAW Research. (August 2018) "Taking the High Road: Strategies for A Fair EV Future." <https://uaw.org/wp-content/uploads/2019/07/EV-White-Paper-Spring-2019.pdf>

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- 4) Advancing pro-worker policies that enable workers' to collectively bargain free of employer intimidation. Congress should pass pro-worker bills like H.R. 2474 and the President should sign it into law. The Trump Administration should advance policies that give workers a voice on the job. Through collective bargaining more good jobs can be created in the manufacturing of EV's and critical components. Further, workers who join unions earn more than their non-union counterparts. By supporting worker's right to collectively bargain, you are supporting policies that move families into the middle class, potentially increasing the demand for EVs since working families would have more disposable income. Conversely, anti-worker policies help depress wages and make it easier for employers to offshore jobs.
- 5) Investment supports: Government incentives promote production of EVs and EV components in the U.S. Incentives should be used in a targeted way to promote a domestic EV supply chain and enforce high-road manufacturing practices.
- 6) Government procurement: Government EV fleet purchases, from cars to public transportation, must be a tool to spur demand and create cleaner transportation. Such purchases should promote high-road jobs by considering assembly location, origin of content, and labor conditions. Taxpayer dollars should be used to enhance domestic manufacturing and good U.S. jobs.
- 7) Providing consumer incentives: Consumer incentives are essential for creating a robust domestic EV market. This will encourage companies to orient their EV strategies towards the U.S. market. Consumer incentives should be based on where the vehicle and its contents were produced and under what labor conditions. Consumer incentives are particularly important in light of the fact that worker's wages which have been stagnate over the last several decades even though worker productivity has increased. From 1978 to 2018, net productivity rose 69.6 percent, while the hourly pay of typical workers has increased by only 11.6 percent over 39 years (after adjusting for inflation).⁶
- 8) Supporting strong environmental policy: Environmental standards can be structured as a win-win for the environment and economy. Environmental policy should be used to address climate change while also promoting investment in future technologies that create quality jobs.
- 9) Rejecting policies that discourage investments in new technologies: The preferred alternative in the SAFE proposed rule could unintentionally make the problem worse as countries around the globe promote greater efficiency and lower emissions.

Question #2:

For decades, automobile manufacturing has both directly and indirectly been the source of thousands of jobs. And while that sector has faced its share of challenges, the drive for cleaner, more fuel-efficient vehicles supports nearly 300,000 manufacturing and engineering jobs in 48 states. What effect have fuel economy standards had on auto-workers' wages and employment?

⁶ Economic Policy Institute. (July 2019). The Productivity Gap. See full report: <https://www.epi.org/productivity-pay-gap/>

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Response to Question #2:

We have learned from experience that strong and well-crafted fuel-efficient standards can be good for the environment and domestic manufacturing. Analysis by the Union of Concerned Scientists projects these standards will create an estimated 650,000 jobs (full-time equivalent) throughout the U.S. economy by 2030, including 50,000 in light-duty vehicle manufacturing (parts and vehicle assembly).⁷ According to the Blue Green Alliance, more than 1,200 U.S. factories and engineering facilities in 48 states—and 288,000 American workers—are building technology that improves fuel economy for today's innovative vehicles. Nine states (Michigan, Indiana, Ohio, Tennessee, Kentucky, California, Alabama, North Carolina, and South Carolina) each count 10,000 or more manufacturing and engineering jobs building fuel efficient technologies, and half of U.S. states count fuel-efficient technology jobs in the thousands.⁸

Strong fuel economy standards have been good for the economy and U.S. manufacturing. We are deeply concerned that the Administration's proposal to flatline standards for light duty vehicles could hurt the industry by dramatically reducing requirements for efficiency improvements. According to a recent Blue Green Alliance study, between 89,000 and 202,000 of tomorrow's jobs would be lost or foregone as a result of the rollback.⁹

It is important for the final standard to strengthen incentives for companies to invest in diverse domestic fleets. We need diverse fleets to prepare for changes in the economy and consumer preference.

Auto worker's wages are not tied to the production of a specific type of vehicle. One of the primary ways to ensure that auto worker's wages are middle class wages is to support worker's right to collective bargain. Policies such as the PRO Act would protect worker's right to form a union, the basis by which workers collectively bargain with the employer for wage increases and benefits such as health care and pensions.

Question # 3:

How has climate change affected the United Automobile Workers Members and retirees?

There is no credible scientific debate on the connection between fossil fuel consumption, rising carbon dioxide levels in the earth's atmosphere, and climate change. The impact is happening in real time as the number and strength of extreme weather and climate events such as heat waves and droughts have increased over the last several decades. UAW members and retirees throughout the continental United States and Puerto Rico have suffered from extreme weather events in recent years. Acting as though climate change does not exist sets our country on an unsustainable course. It not only creates risks for our national security and our planet, but it is also a direct threat to our jobs, and an even bigger threat to the jobs and quality of life enjoyed by our children and grandchildren in the future.

⁷ Union of Concerned Scientist, "Fact Sheet: Fuel Economy and Emissions Standards for Cars and Trucks, Model Years 2017 to 2025", June 2016: <https://www.ucsusa.org/sites/default/files/attach/2016/06/Fuel-Economy-Standards-2017-2025summary.pdf>

⁸ Natural Resources Defense Council (NRDC) and the Blue Green Alliance, Supplying Ingenuity II: U.S. Suppliers of Key Clean, Fuel-Efficient Vehicle Technologies, June 2017. Available online: <https://www.bluegreenalliance.org/resources/supplyingingenuity-ii-u-s-suppliers-of-keyclean-fuel-efficient-vehicle-technologies/>.

⁹ Blue Green Alliance. (August 1, 2019) Tech@Risk: The Domestic Innovation, Technology Deployment, Manufacturing, and Jobs at Risk in Stepping Away from Global Leadership on Clean Cars. Available Online: http://www.bluegreenalliance.org/wp-content/uploads/2019/08/Tech@Risk_Report2019_vFINAL.pdf

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The problems created by climate change are grave and include increased risk of extinction for many species, risks to fisheries and crops, reduced access to fresh water, and more extreme storms that destroy homes and threaten to devastate coastal cities.

Significant actions are needed across the globe to mitigate this threat. This is why strong vehicle emissions standards must be part of a broader policy to address climate change, which includes emissions regulations, investment in sustainable infrastructure and the green economy, and international cooperation, such as the Paris Climate Accord.

We wholeheartedly reject the false claim that protecting the environment is inherently bad for the economy. Well-crafted regulations benefit both American workers and our environment. We are proud of the role we have played in the last decade in reaching a consensus among a wide variety of stakeholders including the Administration, state and federal regulators, the automobile industry, environmental advocates, elected officials and many others to significantly reduce greenhouse gases and raise the average fuel economy of passenger vehicles sold in the United States.

Experience has taught us that well-constructed, regulations promote investment in advanced technology, create new jobs and make our cars more attractive in foreign markets while allowing manufacturers the flexibility they need to continue building in the USA. To achieve these results, we must have a seat at the table. We are advocating for balanced standards that benefit manufacturing and address the climate change crisis. It is alarmingly clear that ignoring climate change threatens the future of our families and communities.

The United States is now the only country in the world not part of the Paris Climate Accord that aims to fight global warming. The National Aeronautics and Space Administration (NASA), 97 percent of climate scientists, the U.S. Government's National Oceanic and Atmospheric Administration (NOAA), National Geographic and many other groups and scientists have shown that climate change and global warming are real dangers caused in large part by human activity. We all have a role to play in reducing America's use of fossil fuels, reducing greenhouse gas emissions and protecting our environment. We must act now to protect our future and the future of our children and grandchildren. Well-constructed federal CAFE standards can benefit the environment, American workers, U.S. manufacturing and the economy as a whole.

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Additional Questions for the Record**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Car Standards”
June 20, 2019**

The Honorable Jeffery Landry
Attorney General
State of Louisiana

The Honorable Michael C. Burgess, M.D. (R-TX)

1. Attorney General Landry, as a state official, what is your view regarding the proposal in the SAFE Vehicles Rule to rescind California’s waiver for federal fuel economy standards?

I fully support the Trump Administration’s proposed Safer Affordable Fuel Efficient (SAFE) Vehicle Rule, including the U.S. Environmental Protection Agency’s proposal to withdraw the California waiver of Clean Air Act (CAA) preemption. As the chief law enforcement officer of the state of Louisiana, I remain firmly committed to the separation of powers and the rule of law. This is why, as I noted in my testimony, my office joined a coalition of State Attorneys General in requesting the Trump Administration rescind California’s waiver of CAA preemption for motor vehicle emission regulations. California should not be permitted to dictate de facto national fuel standards that force states with less stringent emission requirements to comply with overly stringent regulations at the expense of American consumers.

When a state subverts clear Congressional intent to push a political agenda, cooperative federalism weakens; this is why one national fuel economy standard should apply to every state. The California greenhouse gas (GHG) waiver violates the terms of CAA section 209(b)(1) because there are no “compelling and extraordinary” air quality concerns unique to California that justifies a waiver of federal fuel economy standards. Furthermore, the California standards violate CAA section 209 because they are technologically infeasible, fail to provide sufficient lead

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time for industries to adequately respond to the emissions regulations, and lack appropriate consideration of compliance costs.

I agree with the SAFE Vehicle Rule's assertion that state-based GHG tailpipe and zero emission vehicle (ZEV) standards are preempted under the Energy Policy Conservation Act of 1975 (EPCA), which sought to create a consistent, uniform national fuel standard in response to the energy crisis of the 1970s. I hope that the Department of Transportation's National Highway Traffic Safety Administration (NHTSA) properly concludes that California's GHG and ZEV standards are, in fact, preempted by the EPCA. Ultimately, I am confident that the Trump Administration will uphold the principles of federalism, invalidate the California waiver, and make clear that California may not impose its regulatory will on Louisiana or any other state in our great nation.

Additional Questions for the Record**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Car Standards”
June 20, 2019**

Ms. Shoshana M. Lew
Executive Director
Colorado Department of Transportation

The Honorable Frank Pallone (D-NJ)

1. Administrator King testified that finalizing the proposed flatline standard would not create a health concern. Based on your experience, does NHTSA’s modeling (through the date of the hearing) corroborate this answer?

Notwithstanding former-Administrator King’s testimony, NHTSA’s modeling analysis in support of the proposed flatline standard demonstrates that, if finalized, the proposal would result in meaningfully negative health impacts. Specifically, NHTSA’s Draft Environmental Impact Statement (DEIS) shows that, by 2050, the preferred alternative (i.e. freezing standards) would increase premature mortality by between 134-299 deaths, as a result of criteria pollutant emissions from U.S. passenger cars and light trucks. This is demonstrated in the table below (4.3.3-1), which was printed in the NHTSA DEIS. Notably, NHTSA did not acknowledge these negative health impacts when claiming, in their draft Regulatory Impact Analysis, that the proposal would save 12,700 lives (see table below). When taken together, NHTSA’s modeling shows that the assumed premature mortalities as a result of criteria pollutant emissions could significantly exceed the number of lives saved as a result of mass changes (160). That mass reduction figure, while itself debatable, is the element of NHTSA’s safety analysis that is based on the strongest research – the remaining balance being based on the “rebound effect” and indirect assumptions about consumer demand. Thus, the comparison between safety impacts of mass reduction and health impacts of emissions is an important one to consider when weighing costs and benefits of different options from the perspective of health and safety.

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Table 4.2.3-1. Nationwide Changes in Health Impacts (cases per year) from Criteria Pollutant Emissions from U.S. Passenger Cars and Light Trucks by Alternative, Direct and Indirect Impacts^{a,b}

Year	Alt. 0 No Action	Alt. 1	Alt. 2	Alt. 3	Alt. 4	Alt. 5	Alt. 6	Alt. 7	Alt. 8
Premature mortality (Krewski et al. 2009)									
2025	0	32	29	29	24	18	17	12	11
2035	0	86	80	75	64	48	35	18	24
2050	0	134	124	116	100	73	53	25	39
Premature mortality (Lepeule et al. 2012)									
2025	0	73	68	66	56	41	38	28	25
2035	0	194	179	169	145	109	78	40	55
2050	0	299	278	260	223	163	120	55	87

Source: NHTSA DEIS, Table 4.3.3-1

Table 11-27 - Change in Safety Parameters from Augural CAFE Standards Baseline Total Fatalities MY 1977 – 2029, 3% Discount Rate

	Alt 1	Alt 2	Alt 3	Alt 4	Alt 5	Alt 6	Alt 7	Alt 8
Fatalities								
Mass changes	-160	-147	-143	-173	-152	-73	-12	-30
Sales Impacts	-6180	-5680	-5260	-4280	-3170	-2550	-1030	-1480
Subtotal CAFE Atrb.	-6340	-5830	-5400	-4460	-3330	-2630	-1050	-1520
Rebound effect	-6340	-5960	-5620	-4850	-3610	-3320	-2200	-2170
Total	-12700	-11800	-11000	-9300	-6940	-5950	-3240	-3690

Source: PRIA, Table 11-27

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The Honorable Jan Schakowsky (D-IL)

1. The Administration's Safer Affordable Fuel Efficiency Vehicle Rule or SAFE Vehicles Rule assumes that by rolling back clean car standards for new vehicles, owners of older vehicles will drive much, much less. This assumption allowed the Agencies to conclude that people will drive less under the Administration's proposal, which means fewer automobile fatalities. And this assumption accounted for nearly half of the purported lives saved under the Administration's proposal. Is the assumption reasonable, and do the conclusions that follow from it make sense?

NHTSA endeavored to model how the costs associated with stronger fuel standards could impact consumers' decisions about whether or not to purchase a new car, and thus the rate at which the fleet of cars on the road turns over. Analyzing this relationship further is a good idea, but the execution of the concept within this model does not measure up against common sense.

For example, the model assumes that stronger standards depress new car sales and keep more old cars on the road. But they assume that for each new sale deferred, MANY old cars stay on the road – which is illogical when considering how consumers behave in the real world. For example, even if a consumer chose to defer one new car purchase, it would not rationally follow that the individual would hold on to multiple old cars.

All told, the model assumes that the freeze would take 4 million cars off the road in 2025 (see table below), or 46 million cars when considering a "cumulative measure" (it is not immediately clear from the modeling how these two numbers align, though both appear in the course of regulatory analysis).

The model then goes on to assume that the additional old cars remaining on the road would drive significantly more than the new cars that would have displaced them – which, again in real world terms, would be the equivalent of arguing that the car owners would be compelled to drive significantly more miles to the grocery store or work on account of deferring a new car purchase.

*The result of this set of flawed modeling assumptions is to conclude that stronger fuel economy standards would result in **692 BILLION extra miles driven over their lifetime** (Source: NPRM, Table VII-88, copied on subsequent slide, adding the two VMT lines that exclude rebound).*

It's clear from the administrative record that even many federal experts thought this modeling did not make sense. As noted in the docket, "EPA does not support the use of the CAFE consumer choice and scrappage model for a primary analysis for the NPRM standard setting", though EPA provided multiple suggestions for its future refinement (Email, June 18, 2018).

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CY	Fleet Size (m)			
	Baseline	Proposed	Change	Change%
2017	234	234	0	0.0%
2018	240	239	0	0.0%
2019	245	245	0	-0.1%
2020	250	250	-1	-0.3%
2021	256	255	-1	-0.5%
2022	262	261	-2	-0.7%
2023	269	266	-3	-1.0%
2024	275	272	-3	-1.2%
2025	281	277	-4	-1.4%

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Table VII-88 - Cumulative Changes in Fleet Size, Usage and Fatalities for MY's 1977-2029 Under CAFE Program

Model Year Standards Through	MY 2021	MY 2022	MY 2023	MY 2024	MY 2025	MY 2026	TOTAL
Cumulative Changes in Fleet Size, Usage and Fatalities Through MY 2029							
Fleet Size (millions)	-31	-28	-38	-48	-46	0	-190
Share LT, CY 2040	45%	45%	45%	45%	45%	45%	N/A
VMT, Fatalities, and Fuel Consumption for MY's 2017-2029							
VMT, with rebound (billion miles)	-222	-149	-200	-236	-219	0	-1,030
VMT, without rebound (billion miles)	-48	-29	-43	-46	-70	0	-235
Fatalities, with rebound	-1,840	-1,160	-1,740	-2,010	-1,880	0	-8,630
Fatalities, without rebound	-420	-175	-452	-442	-666	0	-2,160
Fuel Consumption, with rebound (billion gallons)	20	14	18	23	17	0	91
Fuel Consumption, without rebound (billion gallons)	26	18	23	29	21	0	116
VMT, Fatalities, and Fuel Consumption for MY's 1977-2016							
VMT, with rebound (billion miles)	-76.6	-70.4	-88.0	-115	-91.4	0	-441
VMT, without rebound (billion miles)	-79.3	-72.8	-91.0	-119	-94.5	0	-457
Fatalities, with rebound	-711	-646	-804	-1,060	-829	0	-4,050
Fatalities, without rebound	-737	-669	-832	-1,090	-856	0	-4,180
Fuel Consumption, with rebound (billion gallons)	-3.33	-2.87	-3.58	-4.65	-3.65	0	-18.1
Fuel Consumption, without rebound (billion gallons)	-3.46	-2.98	-3.71	-4.82	-3.78	0	-18.8

Source: PRIA, 1412

- In the SAFE Vehicles Rule, the Administration invoked the principle of the rebound effect, which asserts that people drive efficient vehicles more because they are cheaper to operate. And more driving means more deaths. The Administration argued that freezing the fuel economy standards would reduce the rebound effect, and in the process made calculations based on a doubling of the rebound effect from number the previous administration applied.

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- a. At the hearing, Mr. Wehrum stated, with respect to the rebound effect, that “historically, my office has assumed 10 percent. NHTSA has assumed 20 percent.” Based on your experience and knowledge of USDOT’s regulatory history, is this correct?

There is a long, ongoing literature on the appropriate calculation of rebound effect, and the past two rulemakings used a 10% rate for rebound in both the NHTSA modeling analysis as well as the EPA analysis. Prior to that, NHTSA issued a Notice of Proposed Rulemaking for CAFE Standards in 2007 in which the agency (independently of EPA), assumed a 15% rebound rate. NHTSA had used 20% rebound assumptions for earlier rules, prior to 2007.

- b. Do you agree that the Trump Administration miscalculated the rebound effect? Could lives be saved by rolling back our clean car standards?

As noted above, there is a long and ongoing literature related to the appropriate calculation of rebound effect, and the 20% rate assumed in the proposed rule is twice the rate assumed by both NHTSA and EPA in the past two rulemakings, and also significantly higher than the 15% assumed in NHTSA’s 2007 proposed CAFE rule at the end of the Bush Administration.

Moreover, while it is appropriate to factor rebound effect into CAFE rulemaking analysis, it is also important to recognize the constraints of this modeling technique—and that projections about how much consumers may or may not drive given costs associated with driving is ultimately a matter of consumer choice, not the result of a regulatory requirement. As explained in the analysis for the SAFE rule, the “rebound effect” predicts consumers will drive more when the cost of driving declines. More stringent CAFE standards reduce vehicle operating costs, and in response, some consumers may choose to drive more. Driving more increases exposure to risks associated with on-road transportation, and this added exposure translates into higher fatalities.” (PRIA, 1328). In essence, because of the correlation between vehicle miles traveled (VMT) and crashes, modeled rebound also shows more crash fatalities, along with emissions from added VMT. Nevertheless, the agencies’ analysis goes on to stress that “nothing in the higher CAFE standards compels consumers to drive additional miles. If consumers choose to do so, they are making a decision...” (PRIA, 1329).

Additional Questions for the Record

**Subcommittee on Consumer Protection and Commerce
Subcommittee on Environment and Climate Change
Hearing on
“Driving in Reverse: The Administration’s Rollback
of Fuel Economy and Clean Car Standards”
June 20, 2019**

Mr. David J. Friedman
Vice President, Advocacy
Consumer Reports

The Honorable Jan Schakowsky (D-IL)

1. The Administration’s Safer Affordable Fuel Efficiency Vehicle Rule or SAFE Vehicles Rule assumes that by rolling back clean car standards for new vehicles, owners of older vehicles will drive much, much less. This assumption allowed the Agencies to conclude that people will drive less under the Administration’s proposal, which means fewer automobile fatalities. And this assumption accounted for nearly half of the purported lives saved under the Administration’s proposal. Is the assumption reasonable, and do the conclusions that follow from it make sense?

Mr. Friedman’s response: No, this assumption is not reasonable and flows from severely flawed analysis and models. The decreases in driving predicted by the administration’s analysis come from two places:¹ 1) from a doubling of the rebound effect which is unjustified by the literature,² and 2) the agency’s highly flawed scrappage model that was not peer-reviewed, predicts a much smaller vehicle fleet under the rollback than under the existing standards, and applies uniform

¹ See pages 5-7 of Attachment 1 “Joint Summary Comments of Environmental, Advocacy, and Science Organizations on the Proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, Docket Nos. NHTSA-2018-0067, EPA-HQ-OAR-2018-0283”

² Gillingham, K., Jenn, A., & Azevedo, I.M. Heterogeneity in the response to gasoline prices: Evidence from Pennsylvania and implications for the rebound effect, (2015) *Energy Economics*, 52, S41-S52, Wenzel, T.P., & Fujita, K. S. Elasticity of Vehicle Miles of Travel to Changes in the Price of Gasoline and the Cost of Driving in Texas, (2018) LBNL.

See comments from the Environmental Defense Fund and Union of Concerned Scientists: Joint Comments of Health, Environmental, and Conservation Groups on EPA’s Proposed Rule: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, 83 Fed. Reg. 42,986, Docket No. NHTSA-2018-0067 and EPA-HQ-OAR-2018-0283 (Aug. 24, 2018). Available at <https://www.regulations.gov/document?D=NHTSA-2018-0067-12075>.

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vehicle miles traveled assumptions to all vehicles regardless of the size of the fleet.³ These flaws have been documented and thoroughly rebutted in the record by a wide range of stakeholders.

2. In the SAFE Vehicles Rule, the Administration invoked the principle of the rebound effect, which asserts that people drive efficient vehicles more because they are cheaper to operate. And more driving means more deaths. The Administration argued that freezing the fuel economy standards would reduce the rebound effect, and in the process made calculations based on a doubling of the rebound effect from number the previous administration applied.

a) Do you agree that the Trump Administration miscalculated the rebound effect?
Could lives be saved by rolling back our clean car standards?

Mr. Friedman's response: Yes, the administration overestimated the rebound effect by about double the level indicated by peer-reviewed literature as described in detail in the public comments cited.⁴

b) *Could lives be saved by rolling back our clean car standards?*

Mr. Friedman's response: Consumer Reports' analysis showed that rolling back clean car standards would not save lives and could slightly increase traffic fatalities.⁵

³ See page 6 of Attachment 1, and pages 171-185 of Attachment 2 "Appendix A - Comments of the Center for Biological Diversity, Conservation Law Foundation, Earthjustice, Environmental Defense Fund, Environmental Law and Policy Center, Natural Resources Defense Council, Public Citizen, Inc., Sierra Club, Union of Concerned Scientists on the Proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, Docket Nos. NHTSA-2018-0067, EPA-HQ-OAR-2018-0283"

⁴ Gillingham, K., Jenn, A., & Azevedo, I.M. Heterogeneity in the response to gasoline prices: Evidence from Pennsylvania and implications for the rebound effect, (2015) *Energy Economics*, 52, S41-S52, Wenzel, T.P., & Fujita, K. S. Elasticity of Vehicle Miles of Travel to Changes in the Price of Gasoline and the Cost of Driving in Texas, (2018) LBNL. See comments from the Environmental Defense Fund and Union of Concerned Scientists: Joint Comments of Health, Environmental, and Conservation Groups on EPA's Proposed Rule: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks, 83 Fed. Reg. 42,986, Docket No. NHTSA-2018-0067 and EPA-HQ-OAR-2018-0283 (Aug. 24, 2018). Available at <https://www.regulations.gov/document?D=NHTSA-2018-0067-12075>.

⁵ Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

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The Honorable Cathy McMorris-Rodgers (R-WA)

1. Mr. Friedman, at the hearing, you testified about polling numbers with respect to consumer preference. How do the real-world sales of vehicles line up with the polling?

Mr. Friedman's response: 2018 marked the fourth straight year in which more than 17 million light-duty vehicles were sold in the U.S., a mark reached only twice before 2015. This has occurred while fuel economy, driven by the existing federal fuel economy standards, has increased every year.⁶ Gradually improving, footprint based, fuel economy standards act as a rising tide that lifts all boats, providing consumers more efficient vehicle choices while continuing to provide the level of size and performance consumers want.⁷ This is consistent with the polling results, which indicated that consumers want more fuel efficient vehicles and they want automakers to expand choice in that area so they can act on that unfulfilled demand.

2. Mr. Friedman, what CAFE-related activities, whether rulemakings, analyses, or reports, were conducted during your tenure as deputy administrator and acting administrator at NHTSA?

Mr. Friedman's response: (1) The vast majority of my time while at NHTSA was devoted to auto safety issues, including issuing a record amount of fines on automakers due to violations of defect laws; (2) of the remaining, more limited time, some significant portion was focused on fuel economy, the vast majority of which was on medium and heavy-duty vehicle fuel economy standards, which were proposed a month before I left NHTSA to move over to DOE; (3) some of that time was also focused on fuel economy enforcement and the development of the agency's CAFE Public Information Center; (3) the existing fuel economy and greenhouse gas pollution standards for light-duty vehicles that the current administration is seeking to roll back were established in October, 2012, seven months before I was at the agency; and (4) while I recall being involved in process, background, and other preliminary discussions regarding the mid-term evaluation, I do not recall being involved in major decision-making regarding substance critical to that evaluation.

⁶ See 2019 EPA Trends Report <https://www.epa.gov/automotive-trends> and Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/research/fuel-economy-and-greenhouse-gas-vehicle-standards-are-working-according-to-the-epas-own-data/>

⁷ See 2019 EPA Trends Report <https://www.epa.gov/automotive-trends> and Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/research/fuel-economy-and-greenhouse-gas-vehicle-standards-are-working-according-to-the-epas-own-data/>

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1. How has that influenced consumers union position on the proposed SAFE Vehicles Rule?

Mr. Friedman's response: Consumer Reports (formerly as Consumers Union, and, until November 2018, as Consumers Union, the advocacy division of Consumer Reports) has been supportive of strong fuel economy standards for over a decade.⁸ Further, CR was supportive of and conducted research showing net benefits of the MY 2017-2025 standards in 2012 and 2013,⁹ well before I joined the organization. Overall, our position on the proposed fuel economy and pollution standards rollback was driven by our in-depth analysis of the text of the proposal, detailed modeling of the effects of that proposal, and years of surveys highlighting bipartisan consumer preferences for increased fuel economy.¹⁰ My time as a public servant at NHTSA has certainly deepened my understanding of the regulatory process, the role of safety and its interactions with fuel economy, and the financial and other issues NHTSA considers, all of which I hope helped further improve the robustness of our analysis of the rollback proposal.

3. Mr. Friedman, you held a position in the previous administration during the time that preliminary work was being done on the draft Technical Assessment Report (TAR) that later was used by EPA that prematurely rushed the midterm review process. What was your role at NHTSA during that time?

Mr. Friedman's response: This question is difficult to answer as I am not aware of the EPA prematurely rushing the midterm review process. I was at the Department of Energy as Principal Deputy Assistant Secretary and as Acting Assistant Secretary when the vast majority of NHTSA's and EPA's work was done on the TAR. From that position it appeared that the EPA followed a very thorough process, using well-respected approaches and a very public notice and comment process to develop and gather information, which then went into a final determination that the existing standards are appropriate under the Clean Air Act.

That said, please refer to my answer to question 2, above, for my recollections regarding the mid-term review process.

⁸ See e.g. Consumers Union 2007 letter urging Congress to improve fuel economy standards at https://advocacy.consumerreports.org/press_release/cucfa-letter-to-the-senate-urging-an-increase-in-cafe-standards/

⁹ See e.g., "A Review of Consumer Benefits from Corporate Average Fuel Economy (CAFE) Standards" dated June 13, 2013 at <https://advocacy.consumerreports.org/research/a-review-of-consumer-benefits-from-corporate-average-fuel-economy-cafe-standards/>; and Consumers Union press release dated August 28, 2012 supporting MY 2017-2025 standards at https://advocacy.consumerreports.org/press_release/final-fuel-economy-standards-will-help-consumers-save-at-the-pump/

¹⁰ See Consumer Reports "The Un-SAFE Rule: How a Fuel Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety" (August 7, 2019) at https://advocacy.consumerreports.org/press_release/un-saferule/ (Summary for Policymakers included as Attachment 3); and "Joint comments from Consumers Union (CU), Consumer Federation of America (CFA), and American Council for an Energy-Efficient Economy (ACEEE)" in docket NHTSA-2018-0067-11731 at <https://www.regulations.gov/document?D=NHTSA-2018-0067-11731>. This public comment includes modeling of the consumer impacts of the rule, an analysis of automaker advertising, a discrete choice analysis of consumers' willingness to pay for fuel economy, nationally representative surveys, and other analyses.

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1. Did you have input into any analysis or modeling decisions related to the draft TAR and NHTSA's oversight of the CAFE program?

Mr. Friedman's response: While I recall being involved in process, background, and other preliminary discussions regarding the mid-term evaluation, I do not recall being involved in major decision-making regarding substance critical to that evaluation. For additional information on my role regarding NHTSA's oversight of the CAFE program, please see question 2, above.

4. Mr. Friedman, in your written testimony, you say NHTSA and EPA's preferred alternative would cost owners of a MY 2026 vehicle an average of \$3,300 over the life of the vehicle. Can you please explain how you arrived at that number, including the fuel price and number of years in the "life of the vehicle?"

Mr. Friedman's response: These results are from Consumer Reports' report titled "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety."¹¹ The calculation takes into account technology savings from the rollback along with fuel spending over an 18 year vehicle lifetime.¹² The vehicle miles traveled schedule was taken directly from NHTSA's analysis of the rule.¹³ Fuel costs were taken from the EIA's Annual Energy Outlook.¹⁴ The results are discounted to the present value at a discount rate of 3%. Additional calculations were performed for new vehicle buyers that determined that consumers who finance their vehicles over 5 years start losing money beginning in their first month of ownership under the proposed rollback.¹⁵

1. Under your analysis, are you assuming the original owner of the vehicle owns the vehicle for the entire "life of the vehicle?"

¹¹ Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

¹² Average vehicle lifetimes projected to range from 18 to 20 years for MY 2021-2035, calculated by linear extrapolation of data in Table 2 of Antonio Bento, Kevin Roth, Yiou Zuo, Vehicle Lifetime Trends and Scrappage Behavior in the U.S. Used Car Market (Jan. 18, 2016). Available at http://faculty_sites.uci.edu/kevinroth/files/2011/03/Scrappage_18Jan2016.pdf.

¹³ See Figures 8-6 and 8-9, and Table 8-6. Environmental Protection Agency, National Highway Traffic Safety Administration, The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Year 2021- 2026 Passenger Cars and Light Trucks (July 2018), 967, 969. Available at <https://www.nhtsa.gov/sites/nhtsa.dot.gov/files/documents/ld-cale-co2-nhtsa-2127-al76-epa-pria180823.pdf>.

¹⁴ Energy Information Agency, Annual Energy Outlook 2019 <https://www.eia.gov/outlooks/aeo/>.

¹⁵ See table 2 of Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

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Mr. Friedman's response: No. Consumer Reports' analysis includes original and subsequent owners in its calculation of costs and benefits, and is not sensitive to how long the original owner of the vehicle holds on to their vehicle or how many times the vehicle is sold over its lifetime. While not included in our analysis, original owners who sell their vehicles are likely to see reduced resale value under the SAFE rule due to lower upfront prices and lower valuation due to lower fuel economy. While used buyers will benefit from lower upfront costs, like new car buyers, their bottom line will be hurt by lower fuel economy and see overall losses under the SAFE rule. However, these dynamics only determine how much of the losses of the SAFE rule are borne by the first owner vs. subsequent owners of the vehicle, and do not affect the total amount of the losses to consumers overall.

Used car buyers make up about 70% of the total light vehicle market in the US,¹⁶ and therefore, any analysis that leaves out the impact of fuel economy standards to used car buyers is leaving out the impact on the majority of the country. In our analysis we estimate that around 50% of the total \$460B cost of the SAFE rule will fall on used car buyers.¹⁷

¹⁶ Edmunds.com "Used Vehicle Market Poised for Record Sales in 2019, According to New Report from Edmunds," March 20, 2019 <https://www.edmunds.com/industry/press/used-vehicle-market-poised-for-record-sales-in-2019-according-to-new-report-from-edmunds.html>.

¹⁷ Consumer Reports, "The Un-SAFE Rule: How a Fuel-Economy Rollback Costs Americans Billions in Fuel Savings and Does Not Improve Safety," published August 2019 <https://advocacy.consumerreports.org/wp-content/uploads/2019/08/The-Un-SAFE-Rule-How-a-Fuel-Economy-Rollback-Costs-Americans-Billions-in-Fuel-Savings-and-Does-Not-Improve-Safety-2.pdf>.

[Three supplemental documents submitted with Mr. Friedman's responses have been retained in committee files and also are available at <https://docs.house.gov/meetings/IF/IF17/20190620/109670/HHRG-116-IF17-Wstate-FriedmanD-20190620-SD004.pdf>.]