

Statement of
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Chairman Upton, Chairman Burgess, Ranking Member Schakowsky, Vice Chairman Olson,
Ranking Member Rush, and Members of the Committee:

My name is Paul Hemmersbaugh. I am the Chief Counsel of the National Highway Traffic Safety Administration (NHTSA), which has been entrusted by Congress to set Corporate Average Fuel Economy (CAFE) standards.

Thank you for the opportunity to testify regarding the Administration's National Program for greenhouse gas (GHG) emissions and fuel economy standards for light duty cars and trucks. Today I would like to update you on the status of NHTSA's work on the Mid-Term Evaluation (MTE), and answer any questions you may have.

At the outset, I want to emphasize a few general points about the two primary topics of this hearing—the Mid-Term Evaluation and the Draft Technical Assessment Report, or TAR.

First, the TAR is only the initial step of the MTE for light-duty vehicle fuel economy and greenhouse gas emissions standards. The TAR is focused on the model years (MY) between 2022 and 2025, and will be used to inform future decisions about the standards for those years. The TAR is not a decision document. The TAR does not change the standards that are currently in place, either for NHTSA for model years between now and 2021, or for EPA for model years 2022 to 2025. Pursuant to statute, NHTSA will be conducting a de novo rulemaking to develop standards for these years.

Second, the Administration’s vehicle standards are working, and we are happy to report that consumers are buying more fuel efficient vehicles. While the TAR analysis focuses on the MY2022-2025 standards, it also discusses recent performance. Under current standards, stringency levels have been increasing steadily since model year 2012, and manufacturers have been meeting those standards. This occurred during a period in which the automotive industry has seen six consecutive years of sales increases and a new all-time sales record in 2015. That means consumers are buying, and benefiting from, more efficient vehicles with lower greenhouse gas emissions, and saving money on fuel costs.

Third, our new analysis confirms that the standards can be met largely with more efficient gasoline-powered cars. Automakers have a wide range of technology pathways to choose from, but advanced gasoline technologies will continue to be the predominant technologies, with generally moderate levels of what we call “strong hybrids” (like a Prius) and very low levels of full electrification (like a Chevy Bolt or a Tesla) needed to meet the standards. In fact, many of today’s vehicle models are already meeting future fuel economy targets. Many vehicles – from many manufacturers – are meeting future targets several years ahead of schedule.

I would like to take a moment to describe this important program. The National Program—developed by NHTSA and EPA in coordination with the California Air Resources Board—is designed to enable consumers to choose the car or truck they want, while ensuring that the vehicles they buy will continue to save on fuel costs and consumption, and cut greenhouse gas emissions. This joint program is overseen by NHTSA and EPA.

The Department of Transportation established national fuel economy standards following passage of the Energy Policy and Conservation Act (EPCA) of 1975. That Act directed the

Secretary of Transportation (and by delegation, NHTSA) to set standards separately for passenger cars and light trucks at maximum feasible levels in each model year. The first fuel economy standards issued by NHTSA took effect in model year 1978. Congress has amended EPCA several times to provide further direction.

Through the Energy Independence and Security Act (EISA) of 2007, Congress gave NHTSA additional authority for the CAFE program. It directed NHTSA to set attribute-based fuel economy standards for both cars and trucks, rather than the previous flat standards which imposed a single miles-per-gallon value. This approach has allowed NHTSA to implement a CAFE program that is more responsive to changes in consumer demand.

The standards that we currently have in place were specifically designed to preserve consumer choice while ensuring that light duty vehicles of every size continue to improve and yield savings for consumers and reduce petroleum consumption and emissions. They are based on annual “footprint curves” where each vehicle model has a target based on its size, which are used to calculate each manufacturer’s overall average annual requirement. Manufacturers can thus build vehicles that reflect consumer preference and real-world fleet mix, because their overall corporate average requirement will be calculated based the models and volume that they actually produce. The standards get more stringent across all types of vehicles over time, ensuring that all classes of vehicles improve. Working in that way ensures that – despite any future fluctuations in fuel prices, or new trends in consumers’ buying habits – manufacturers can continue to offer a wide array of cleaner, more fuel-efficient vehicles to their customers for the life of the program.

The agencies finalized the first set of National Program standards covering model years 2012-2016 in May 2010, and a second set of standards, covering MYs 2017-2025, in October

2012. The National Program establishes fuel economy and greenhouse gas emissions standards that increase in stringency each year from model year 2012 through model year 2025. Presently, standards are projected to reach a level by 2025 that will nearly double fuel economy and cut greenhouse gas emissions in half as compared to model year 2008. The coordinated National Program allows automakers to build one single fleet of vehicles across the U.S. that satisfies all GHG and CAFE requirements. At the same time, these standards afford consumers a full range of vehicle choices that meet their needs.

NHTSA and EPA committed in the 2012 final rule to conduct a comprehensive mid-term evaluation for the model year 2022-2025 standards. Because EISA limits NHTSA to setting CAFE standards for five years at a time, the model year 2022-2025 CAFE provisions in the 2012 final rule were only “augural,” reflecting NHTSA's best judgment of what standards would have been the maximum feasible at that time, based on the information then available. The mid-term evaluation is an integral tool for informing NHTSA’s forthcoming rulemaking process to establish model years 2022-2025 CAFE standards, and the TAR is the first step in that process.

The TAR is a technical document designed to update and analyze relevant data and information, and to give stakeholders an opportunity to provide input on that data and analysis. Commenters can tell the agencies what they think we are getting right and what they think we are getting wrong, and suggest adjustments.

EPA, NHTSA, and CARB jointly developed the TAR, which we published in July, and it is presently available for public comment. The TAR is a comprehensive and robust report, informed by extensive stakeholder outreach and substantial technical work by the agencies over the past several years. It is worth repeating that the TAR *is not a rulemaking or decision document* and *does not change existing standards or legal requirements* under the National

Program. Rather, the TAR, and public comment and input on it, will be used to inform and develop NHTSA's NPRM for its *de novo* rulemaking for standards for model years 2022-2025.

The next step for NHTSA is to commence a *de novo* rulemaking, which will consider all relevant information, including comments submitted in response to the TAR, and conduct a fresh balancing of statutory factors in order to determine the maximum feasible CAFE standards for model years 2022–2025. Public input on the research and analysis presented in the TAR will inform NHTSA's proposed rule and EPA's MTE determination process, and the public will again have the opportunity to comment. NHTSA, EPA, and the California Air Resources Board (CARB) have closely coordinated efforts, in order to advance our commitment to maintaining a single National Program to address GHG emissions and fuel economy.

The TAR delivers on the agencies' commitment to examine a wide range of factors that may affect the MY 2022-2025 standards. Those factors include developments in powertrain technology, vehicle electrification, mass reduction and vehicle safety impacts, the penetration of fuel efficient technologies in the marketplace, consumer acceptance of fuel-efficient technologies, trends in fuel prices, trends in the vehicle fleet, and many others.

Key Features and Findings of the TAR

I would like to highlight a few more of the key results of the TAR analysis.

The TAR shows that automakers are innovating in a time of record sales and fuel economy levels. It also shows that manufacturers are adopting fuel economy technologies at unprecedented rates. These technologies—such as gasoline direct injection, more sophisticated transmissions, weight reduction, aerodynamic improvements and start-stop systems—are helping automakers meet, and in many cases exceed, applicable standards. Moreover, these technologies

are being adopted at costs similar to those that NHTSA anticipated in our 2012 rulemaking. In fact, many of today's vehicle models are already meeting future fuel economy targets.

The TAR analysis also shows the industry can meet its targets using advanced gasoline technologies as the predominant technologies, generally with moderate levels of hybrids and very low levels of fully electric vehicles. This finding is consistent with what the National Academy of Sciences found in 2015. And, NHTSA's assessment shows that the costs of meeting the augural standards for model years 2022-2025 are comparable to what the Agency found they would be in 2012, at about \$1,200 per vehicle, while the average model year 2025 vehicle will save over \$1,900 in fuel costs over its lifetime.

To conclude where I began, the TAR delivers on the agencies' commitment to examine the full range of technological, safety, and marketplace factors that affect the MY 2022-2025 standards; it shows that the Administration's vehicle standards are working, it shows that technologies that reduce emissions and improve fuel economy are entering the fleet at faster rates than originally expected.

On behalf of NHTSA, I commit to you that our door is open and we are listening, and will continue to listen, to stakeholder feedback and input that will inform the eventual setting of CAFE standards for model years 2022 and beyond. NHTSA will continue to work with Congress and stakeholders as it seeks to meet its statutory obligations and implement the National Program.

Thank you for the opportunity to testify today. I look forward to your questions.