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Statement

Chairman Burgess and Vice Chairman Olson, Ranking Members Schakowsky and Rush, and other members of the Subcommittees, I appreciate the opportunity to testify on the Environmental Protection Agency's (EPA) greenhouse gas (GHG) standards for light-duty vehicles and what we call the Midterm Evaluation (MTE) process. I want to start by underscoring the urgent threat of climate change, and how EPA is fulfilling our mission to protect human health and the environment through actions to address this threat. Climate change is truly a global environmental problem that will require every country and every sector of the economy to take meaningful action to reduce the GHG emissions that contribute to

the problem. Despite the progress we've made to reduce GHG emissions, the climate continues to change before us.

Last month, EPA released a report called "Climate Change Indicators in the United States" that shows how our climate is changing and tracks the effects on Americans' health and our environment. I want to highlight a few key points from this report:

First, average annual levels of carbon dioxide (CO_2), the most important GHG driving the atmosphere to get hotter, recently exceeded 400 parts per million for the first time in at least 800,000 years. The last time there was this much CO_2in the Earth's atmosphere, human civilizations didn't exist, and sea level was 40 feet higher than it is today.

Second, average temperatures are rising, and fast. Worldwide, 2015 was the warmest year on record and 2006–2015 was the warmest decade, and 2016 is on track to set another record for global temperatures.

And finally, the consequences of increasing levels of CO_2 and rising temperatures result in sea level rise, Arctic sea ice loss, ocean warming, extreme weather events such as floods, forest fires, droughts, coastal erosion, and ecosystem disturbances.

These are sobering facts, and this is why all of our work on reducing GHG emissions, and why we need to continue, indeed accelerate, the progress and innovation our country has shown – as the U.S. is the world leader on that front.

A little over three years ago President Obama announced his Climate Action Plan. That plan called on the federal government to do everything possible to combat the urgent threat of climate change using our current laws and authority, and EPA has responded to that call. EPA has adopted several rules under our Clean Air Act authority to reduce GHG emissions that are fueling climate change, including: the clean power plan to reduce carbon emissions from the power sector, standards to cut methane emissions from the oil and gas industry, an "endangerment finding" for aircraft GHG emissions,

and two sets of rules to significantly reduce GHG emissions from light-duty and heavy duty vehicles and trucks.

These light-duty vehicle rules are the core of what has become a truly National Program for reducing GHG emissions and fuel consumption, and are the focus of my remarks today. This National Program was the product of unprecedented collaboration among EPA, the U.S. National Highway Transportation Safety Administration (NHTSA), on behalf of the Department of Transportation (U.S. DOT), and the State of California – and, notably – with broad support and extensive input from the auto industry. And what a great partnership it has been with this complex industry over the years – key as it is to our economy and to job creation – as we've been able to work together to improve public health. The light-duty vehicle rules aimed to nearly double fuel economy with standards from model years (MY) 2012 through 2025, and are already driving substantial GHG reductions, oil reductions, and savings for consumers at the gas pump.

In the 2012 light-duty rule that established GHG and fuel economy standards for model years 2017-2025, the Agency committed to conduct what we call the "Midterm Evaluation." Because of the long time frame at issue in the 2012 rule, EPA, in coordination with NHTSA and California, will develop and compile up-to-date information to inform the MTE. On the basis of this information, EPA will determine whether the GHG standards for MYs 2022 through 2025 are still appropriate. The rule established the factors that EPA should consider in making this determination. If EPA determines that the standards are not appropriate, then EPA will propose whether to make the standards either more or less stringent. The first step in the MTE process was preparation of a draft Technical Assessment Report – or TAR – which EPA, NHTSA, and CARB wrote jointly and released in July 2016. The agencies provided a 60-day public comment period for the Draft TAR, which ends next week.

The Draft TAR is a comprehensive and robust technical analysis, but I should emphasize that it is not a regulatory document with enforceable requirements. The Draft TAR delivers on our commitment to examine a wide range of factors relevant to the MY 2022-2025 standards, consistent with the regulatory commitment EPA established in 2012. It's a long list, and includes things like developments in different CO_2-reducing technologies and their penetration into the marketplace, whether there is consumer acceptance of new efficient technologies, trends in fuel prices and the vehicle fleet, and many others.

Significant analysis from EPA, NHTSA and California went into developing the Draft TAR, from state-of-the-art benchmarking testing of actual vehicles at EPA's National Vehicle Fuel and Emissions Laboratory to full-vehicle computer simulations that look at how new technologies work together to reduce emissions and improve fuel economy. Throughout this process, we have made it a priority to share information informing our assessment with stakeholders in real time, including publication of numerous peer-reviewed scientific papers and technical reports. The Draft TAR was also heavily informed by what we learned from extensive outreach to a wide range of stakeholders, including dozens of meetings with car makers and technology suppliers. And we considered the significant body of data, and numerous studies, that many organizations have produced in recent years including, importantly, the National Academies of Sciences, Engineering and Medicine.

Let me note some of the key initial findings from the Draft TAR. First, the draft report shows that automakers and suppliers are innovating. Manufacturers are adopting CO_2-reducing technologies very rapidly. In fact, we are seeing technologies that reduce emissions and improve fuel economy entering the fleet at faster rates than we originally expected. This innovation means that there are many vehicles meeting future standards several years ahead of schedule – there are over 100 car, SUV, and pickup versions on the market today, from many manufacturers, that already meet 2020 or later standards. The advanced technologies these vehicles are using include gasoline direct injection, more sophisticated transmissions, weight reduction, improved aerodynamics, and stop-start systems that reduce idling fuel

consumption. And, notably, these innovations have been occurring during a period when the automotive industry has seen six consecutive years of sales increases and a new all-time sales record in 2015. For consumers, this means that vehicles are getting cleaner and using less gas: every single vehicle category, from subcompacts to pickup trucks, offers more fuel efficient, lower-emitting choices for consumers now than in years past. Furthermore, the initial finding in the Draft TAR is that carmakers can meet the standards at similar or lower costs than we had anticipated in our 2012 analysis.

Second, the agencies' vehicle standards are working. While the Draft TAR analysis focuses on the MY 2022-2025 standards, EPA's annual Manufacturer Performance Reports, which the Draft TAR briefly summarizes, show how the industry over-complied with the GHG standards for each of the first three years of the program, and in 2014 outperformed the standards by 13 grams per mile of CO_2, or about 1.4 miles per gallon.

Third, our draft analysis is consistent with a key finding from the 2012 rulemaking that originally established the standards out through 2025, namely, that the 2022-2025 standards can be met largely with more efficient gasoline-powered cars. That is, the standards appear achievable using more efficient internal combustion engines, without significant use of electrification or alternative fuels. Automakers have a wide range of technology pathways from which to choose, but it appears that advanced gasoline technologies will continue to be the predominant technologies, with modest levels of what we call "strong hybrids" (like the Prius) and very low levels of full electrification needed to meet the standards. This draft finding is also consistent with what the National Academies found in their comprehensive 2015 study.

We believe that the analysis presented in the draft TAR underscores that the auto industry is well-positioned to meet their customers' expectations while reaching significant new levels of environmental

performance. As MY 2017 vehicles reach showrooms, the Obama Administration's national GHG and fuel economy program has already reduced carbon pollution emissions significantly and has saved Americans a lot of money at the pump at the same time.

The national GHG and fuel economy standards were established with the consumer in mind, and were explicitly designed to preserve consumer choice. A common misconception about the program is that the standards require *all* vehicles to achieve a specific, inflexible fuel economy or GHG reduction level. The program was designed, however, to allow standards to automatically adjust to changing market circumstances. In this way, consumers are not forced into one type of vehicle or another. In addition, automakers are using a wide variety of compliance flexibilities that were designed into the program, such as averaging and credit trading across their fleets. All cars and light trucks get cleaner over time, consumers have complete choice of what cars they buy.

The agencies designed the standards to preserve consumer choice. They are based on a vehicle's physical "footprint," defined by the area enclosed by the points at which the wheels hit the ground. Each year, each vehicle has compliance targets that reflect its size. The targets get more stringent over time and all vehicle types get cleaner. Each manufacturer has its own unique fleet-wide standard that reflects the average of the vehicles it chooses to produce to meet its customers' needs and wants. Manufacturers are not compelled to build vehicles of any particular size or type and no single vehicle is required to meet an individual target. This design of the program ensures that – despite 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. For this reason, as lower gas prices and other factors resulting in consumers purchasing relatively fewer passenger cars and more larger vehicles like cross-overs, SUVs, and pickup trucks, automakers' standards are adjusting accordingly. This means the program adjusts to the marketplace – exactly as we had designed it to do – and that consumer choice is preserved.

As the comment period closes next week, we look forward to reviewing the public's input. As required by EPA regulations, EPA will issue a Proposed Determination as to whether the MY 2022-2025 standards are still appropriate, which will be informed by the public input we receive on the Draft TAR and other new data and information. In addition to the opportunity to comment on the Draft TAR, there will be a public comment period on EPA's Proposed Determination. Under EPA's regulation, EPA must make a Final Determination on the appropriateness of the MY 2022-2025 standards no later than April 2018.

Again, I thank you for the opportunity to serve as a witness at this hearing.