SECURING AMERICA'S
FUTURE ENERGY

1111 19TH STREET, NW
SUITE 406
WASHINGTON, DC 20036

TEL: 202-461-2360
FAX: 202-461-2379
SECUREENERGY.ORG

Securing America's Future Energy

June 20, 2019

The Honorable Frank Pallone
Chairman, Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

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