



Regulation Review

Regulation Review: Final Fuel Efficiency (CAFE) Rule

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Today, Secretary of Transportation Ray LaHood and EPA Administrator Lisa Jackson announced a final rule for Corporate Average Fuel Efficiency (CAFE) standards. One week after a [federal court reject](#)

[ed](#) EPA's Cross-State Air Pollution Rule, the joint CAFE rule leaves most of the proposed version unchanged.

The 54.5 miles-per-gallon requirement for combined efficiency by 2025 remains and the burdens are mostly unchanged.

Breakdown

Proposed Rule:

- Costs: [\\$141 Billion](#)
- Paperwork Burden: 5,133 hours

Final Rule:

- Costs: \$156 Billion
- Paperwork Burden: 5,667 hours

Net Change: (+) \$15 billion in costs and 534 more hours

Analysis

The unofficial version of the rule weighs in at 1,994 pages; at \$156 billion in lifetime costs, this is the costliest regulation the Forum has tracked. However, the paperwork burden is minimal, with only 33 respondents and a combined 5,667 hours. As the Forum [commented](#) in February, light-duty trucks face perhaps the steepest efficiency curve. During the initial analysis, EPA estimated that “potentially severe economic consequences” could result from higher standards.

EPA estimated the following costs:

- Technology: \$121 billion;
- Maintenance: \$5.3 billion;
- Congestion: \$19 billion;
- Accident: \$8.9 billion, and
- Noise: \$355 million

The agencies did conduct a “probabilistic uncertainty analysis” to provide a range of possible costs and benefits. They concluded, “Over all nine model years, the higher CAFE standards will produce a net impact ranging from a net cost of \$69.3 billion to a net benefit of \$774.7 billion.”

On the consumer side, despite fuel savings, there will be increased vehicle costs. By 2025, EPA estimates the average cost per vehicle will increase by \$2,236, for a cumulative price hit of \$154.2 billion.

On benefits, EPA estimates the new standards will reduce CO₂ emissions by 1.8 billion metric tons, and save 170 billion gallons of fuel. In addition to fuel cost savings, EPA projected \$49.3 billion in CO₂ benefits, and \$7.1 billion in reduced particulate matter benefits.

In sum, these final CAFE standards represent a bold, but costly, step by the administration to reduce fuel consumption. Light-duty truck manufacturers face a steep technological hill and there is [no guarantee](#) that consumers will warm to a radically different vehicle fleet by 2025. With \$156 billion in lifetime costs, the administration has a narrow margin for regulatory failure.