



# FLORIDA’S STAKE IN THE FUEL ECONOMY BATTLE

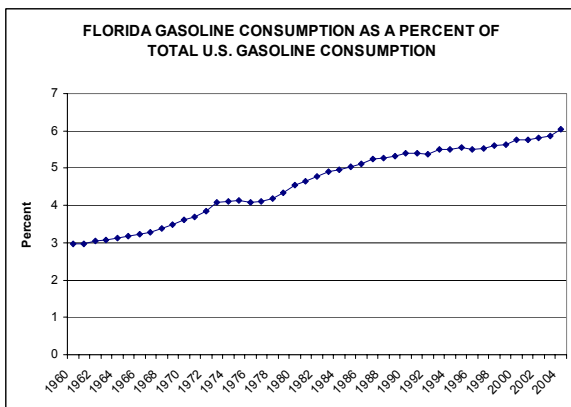
## AN ANALYSIS OF THE ECONOMIC, NATIONAL SECURITY AND ENVIRONMENTAL IMPACTS OF FLORIDA’S FUEL CONSUMPTION AND INCREASING FEDERAL FUEL ECONOMY STANDARDS.

July 2007

### Introduction

Recently Republican Governor Charles Crist announced ambitious global warming emission reduction targets. To achieve the goal of reducing greenhouse gas emissions to 1990 levels by 2025, Florida will have to cap pollution from every major emitting sector. Cars and trucks are the single largest source of U.S. global warming emissions. Under another Executive Order signed by the Governor, Florida will adopt California's vehicle emissions rule, which calls for an 18 to 25 percent reduction of carbon dioxide and other greenhouse gas pollutants by the model year 2009.

There is a lot at stake for Floridians. Their increasing consumption of gasoline and oil has far-reaching impacts on every aspect of their daily lives. This analysis outlines the economic, national security and environmental impacts of Florida’s fuel consumption and the Corporate Average Fuel Economy (CAFE) proposals coming to a vote in Congress within days aimed at reducing that consumption.



Public opinion polls show that Americans are concerned about high gasoline prices (82 percent), mid-Eastern oil imports (74 percent) and global warming (61 percent). Reflecting these concerns, they overwhelmingly (88 percent) support requiring automakers to produce vehicles with higher gasoline mileage.<sup>1</sup>

Source: Energy Information Administration State Energy Data, available at [http://www.eia.doe.gov/emeu/states/sep\\_use/total/csv/use\\_all\\_phy.csv](http://www.eia.doe.gov/emeu/states/sep_use/total/csv/use_all_phy.csv)

<sup>1</sup> Consumer Federation of America, Little Evidence Of Improved Motor Vehicle Fuel Economy: While Public Support And Demand For This Economy Grows, Big 3 Lag Other Auto Makers Despite Earlier Promises To Improve, July 17,2007

## **The Costs of Florida's Gasoline Consumption**

- Florida ranks fourth in total population, but third in gasoline consumption in the country.
- Over the past five years, Florida's gasoline consumption has grown at twice the national average.<sup>2</sup>
- This year, Floridians will burn about 9.4 billion gallons of gasoline, which will cost consumers almost \$28 billion.<sup>3</sup>
- The U.S. will import about 140 million barrels of oil and gasoline to meet Florida's needs this year.<sup>4</sup>
- Florida cars will emit about 90 million tons of carbon dioxide, the primary global warming greenhouse gas, this year.<sup>5</sup>
- The extraction, refining and delivery of the gasoline that Floridians consume will result in another 40 million tons of greenhouse gas emissions this year.

## **Corporate Average Fuel Economy Standards (CAFE)**

For the first time in three decades, Congress appears ready to increase CAFE standards to dramatically reduce our national oil consumption and greenhouse gas emissions. Just last month, the United States Senate passed legislation that would raise the standard to 35 miles per gallon (mpg) for new cars and trucks by 2020 – an increase of less than one mile per year over today. It would allow the National Highway Traffic Safety Administration (NHTSA) to set higher standards for cars and lower standards for trucks, as long as the average for new vehicles sold is 35 mpg. The U.S. House of Representatives will take up the issue within days. A bill similar to the Senate bill, but slightly more ambitious, introduced by Congressmen Markey and Platts, has 148 co-sponsors, targets 35 mpg in 2018 with continuing increases of 4 percent per year thereafter, is quite close the proposal made by President Bush in his State of the Union address, which called for a 4 percent per year increase over 10 years. Because these proposals would increase new vehicle fuel economy by 10 mpg (from 25 mpg to 35 mpg) in 10 years, they are referred to as “10 in 10.”

When Congress enacted CAFE for the first time in the 1970's, automakers cut the gas consumption of passenger vehicles by half in less than 10 years, and reduced our national oil imports by half, even when the price of oil fell. But ever since, the automobile industry has waged a multimillion-dollar campaign against higher fuel economy standards. As with other major public health and safety improvements – such as seat belts, air bags, antilock brakes, catalytic converters and the first set of fuel economy standards, the auto industry resists change that is in its best interest. This time, instead of outright opposition, they have introduced an

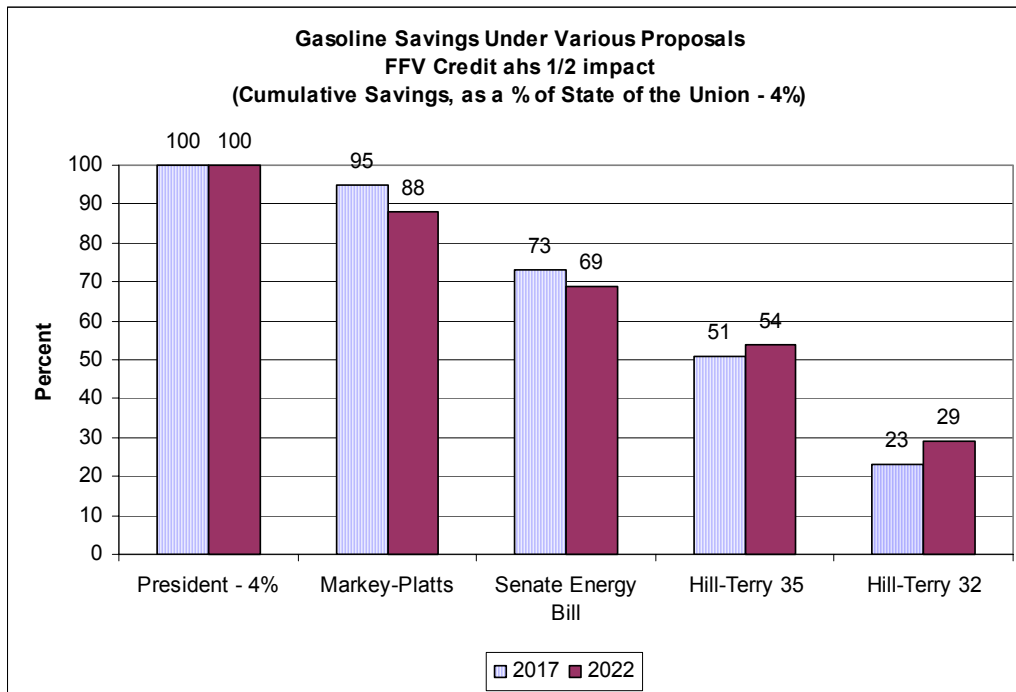
<sup>2</sup> Energy Information Administration State Energy Data, available at [http://www.eia.doe.gov/emeu/states/sep\\_use/total/csv/use\\_all\\_phy.csv](http://www.eia.doe.gov/emeu/states/sep_use/total/csv/use_all_phy.csv)

<sup>3</sup> The most recent state consumption data is for 2004. To arrive at 2007 consumption, the 2004 consumption is assumed to continue to grow at the same rate as consumption grew in the 1999-2004 period (3 percent per year).

<sup>4</sup> The monthly energy review shows net petroleum imports at 63 percent of total petroleum consumption, nationwide. This percentage is applied to Florida gasoline consumption (see Monthly energy Review available at <http://www.eia.doe.gov/emeu/mer/overview.html>)

<sup>5</sup> Sierra Club, *The Biggest Single Step*, estimates wellhead to wheel CO2 emissions at 28 pounds per gallon. Of this, the tail-pipe emissions are 19.3 pounds.

alternative approach sponsored by Representatives Hill and Terry that aims for a lower target (32 mpg) and takes a half decade longer to get there. In addition, it extends other loopholes that increase gasoline consumption, and includes a provision that undermines the Clean Air Act. The Hill-Terry bill would achieve less than half and probably only a quarter of the gasoline savings that Markey-Platts would achieve.<sup>6</sup>



Source *Too Little, Too Late: Why The Auto Industry Proposal To Go Low And Slow On Fuel Economy Improvements Is Not In The Consumer Or National Interest* (Consumer Federation of America, July 2007)

**Costs Savings with “10 in 10” to Florida Consumers**

According to a 2002 National Academy of Sciences study, improving the fuel economy of autos and light trucks by 10 mpg can be achieved with existing technology without compromising the vehicle size or safety.<sup>7</sup> Advances in ignition, transmission and engine technology, as well as body design and new stronger lighter materials can dramatically increase fuel economy.

The really good news for consumers is that these improvements can be achieved at costs that are less than the value of fuel savings. When consumers buy a new vehicle they tend to take out an auto loan – increasingly of five years or more. Using the National Academy of Science estimates of cost increases, we compared the increase in the auto loan payment for the more fuel efficient vehicles to the decrease in gasoline expenditures. The cost of owning and operating the

<sup>6</sup> National Highway Safety Administration, *CAFÉ Compliance and Effects Modeling System (Documentation Draft, 5/26/06)*, estimates savings from a 4 percent scenario at 110 billion gallons. We estimate Markey-Platts at 95 percent of that total for 100 billion. Florida accounts for 6 percent of the national total.  
<sup>7</sup> Union of Concerned Scientists, *H.R. 1506: Fueling Job Growth and Saving Consumers Money*, July 2007.

more fuel efficient vehicle is lower on a monthly basis. Over the life of the vehicle, savings are substantial, \$1,000 - \$1500.

### Consumer Analysis of Reformed CAFE (35 mpg All Vehicles, 30 mpg Pickups)

	ALL Households		Rural Households		Pickup Trucks	
<b>Cost of Gasoline/Gallon</b>	<b>\$2.50</b>	<b>\$3.00</b>	<b>\$2.50</b>	<b>\$3.00</b>	<b>\$2.50</b>	<b>\$3.00</b>
<b>Loan Payment Increase</b>	\$1909	\$1909	\$1909	\$1909	\$3565	\$3565
<b>Life of Loan</b>						
<b>Fuel Cost Savings</b>	\$2073	\$2487	\$2488	\$2984	\$4740	\$5688
<b>Net Savings</b>	\$164	\$578	\$579	\$1075	\$1175	\$2123
<b>Life of Vehicle</b>						
<b>Fuel Cost Savings</b>	\$2900	\$3480	\$3480	\$4176	\$9552	\$11463
<b>Net Savings</b>	\$991	\$1571	\$1175	\$2123	\$5957	\$7898

**Source *Too Little, Too Late: Why The Auto Industry Proposal To Go Low And Slow On Fuel Economy Improvements Is Not In The Consumer Or National Interest* (Consumer Federation of America, July 2007)**

Moreover, households that reside in rural areas fare even better than those in urban areas.

- They are more likely to have a vehicle.<sup>8</sup>
- They drive 15 percent more miles.<sup>9</sup>
- They get 6 percent fewer mpg.<sup>10</sup>
- They consume 21 percent more gasoline per year.<sup>11</sup>
- They are more likely to own vehicles that fall into the category of pickup and SUV.<sup>12</sup>
- Over three-quarters of all pickups, SUVs and vans are used for personal transportation.<sup>13</sup>
- Trucks get 30 percent fewer mpg.<sup>14</sup>
- Trucks are kept on the road 11 percent longer.<sup>15</sup>

As a result of these differences, households in rural America spend 20 percent more on gasoline<sup>16</sup> and have suffered a larger increase in their expenditures on gasoline. Not only do rural households spend more on gasoline, but because their average income is lower, they spend a larger share of their income on gasoline (5.4 percent for rural households compared to 3.5 percent for urban households).<sup>17</sup> Because of their high expenditure, rural households would benefit disproportionately from increasing fuel efficiency. Pickup owners would do particularly well should the fuel economy standards be raised.

<sup>8</sup> *Summary of Travel Trends: 2001 National Household Travel Survey*, December 2004, p. 36.

<sup>9</sup> Economic Research Service, U.S. Department of Agriculture, *Amber Waves of Grain*, April 2006.

<sup>10</sup> Id.

<sup>11</sup> Id.

<sup>12</sup> U.S. Census Bureau, *Statistical Abstract of the United States: 2004-2005*; Tables 25 and 1082; *2002 Economic Census: Vehicle Inventory and Use Survey* (December 2004) Table a.

<sup>13</sup> U.S. Census Bureau, *2002 Economic Census: Vehicle Inventory and Use Survey* (December 2004) Table

<sup>14</sup> Energy Information Administration, *Monthly Energy Review*, April 2007.

<sup>15</sup> Office of Highway Policy Information, U.S. Department of Transportation, *Attributes of the U.S. Vehicle Fleet*.

<sup>16</sup> U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey*, various years, 2005 adjusted to 2006 with Energy Information Administration, Gasoline Price database.

<sup>17</sup> U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure, 1999-2005*. 2006 expenditures estimated based on 2005-2006 price increase from Energy Information Administration, U.S. All Grades All Formulations Retail Gasoline Prices.

## **The Benefits of ‘10 in 10’ for Florida Consumers**

Increasing fuel economy of vehicles is the sweet spot of national energy policy because it addresses all the major concerns – consumer pocketbook, economic burden, national security and environmental harm. The benefits of passing the Markey-Platt bills would be substantial for Florida.

Over the next 10 years, Floridians would:

- Use approximately 6 billion gallons less gasoline.<sup>18</sup>
- At \$3 per gallon, they would save about \$18 billion.
- This reduction in gasoline consumption would lower greenhouse gas emissions by 84 million tons.
- The Union of Concerned Scientists estimates lower gasoline expenditures would create more than 14,000 jobs in the state.<sup>19</sup>

## **Conclusion**

It is clear that Florida, the fourth most populous state in the nation but third highest in gas consumption which has grown at twice the national average over the past five years, has much at stake in seeing aggressive fuel economy legislation with no loopholes, such as the Markey-Platts proposal, enacted. This is a critical time for Congress to act to help Floridians as well as all Americans realize the economic, environmental and national security benefits of “10 in 10.”

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<sup>18</sup> U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey*, various years, 2005 adjusted to 2006 with Energy Information Administration, Gasoline Price database.

<sup>19</sup> U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure, 1999-2005*. 2006 expenditures estimated based on 2005-2006 price increase from Energy Information Administration, U.S. All Grades All Formulations Retail Gasoline Prices.