



Consumer Federation of America

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TIMING OF FUEL ECONOMY INCREASES CRITICAL TO SUCCESS

New CFA Report Analyzes Congressional Proposals to Raise CAFE

Washington, D.C. – The Consumer Federation of America (CFA) today released an economic and technological analysis of legislative proposals to raise corporate average fuel economy (CAFE) standards coming to a vote next week in the United States House of Representatives. The report finds that vehicle fleet turnover requires the highest targets with shortest deadlines in order to achieve the reductions in oil consumption identified as necessary for national security by President George W. Bush.

The new CFA report, entitled *Technology, Cost and Timing: An Analysis of Competing Congressional Proposals to Raise Fuel Economy Standards*, points out that a recent National Petroleum Council (NPC) document¹ calling for a doubling of fuel economy by 2030 echoes a CFA study from May 2006, entitled *50 by 2030*.² Both reports concluded that it is technologically feasible and economically beneficial for consumers to double the fuel economy of the vehicle fleet by 2030, resulting in a reduction in oil consumption and imports of up to 5 million barrels per day.

“The only proposals that deliver the oil savings our country needs, when we need it, are the President’s and the Markey-Platts bill,” said Mark Cooper, CFA Director of Research and report author. “When the President, Democrat Ed Markey, the National Petroleum Council and Consumer Federation of America all agree – it’s a brand new ballgame, as the Senate vote last month to raise fuel economy demonstrated. But the House can still drop the ball, if it fails to pass Markey-Platts, and adopts the ‘low and slow’ proposals of Hill-Terry or Barton-Hastert that are being pushed by the auto companies.”

“Our analysis shows that increasing fuel economy is the sweet spot of energy policy because it lowers consumer costs, promotes national security, reduces the exposure of the economy to price spikes, and cuts greenhouse gas emissions,” Cooper added.

A 2002 study by the National Research Council (NRC) of the National Academy of Sciences (NAS) is the foundation for the CFA study. The NRC found that even with gasoline at \$1.50 a gallon, investing \$1500 in fuel saving technology is economically justified. A 37 mile per gallon (mpg) fleet-wide average could be achieved without changing fleet makeup.

¹ National Petroleum Council, *Facing the Hard Truths about Energy*, 2002.

² Mark Cooper, *50 by 2030* (Consumer Federation of America, May 2006).

The CFA study notes that the NRC capped the investment at \$1500, leaving out significant existing technology that could bring the fleet-wide average higher.

“With gasoline at \$3 a gallon (\$2.50 in 1999 dollars), using the NRC data, a \$5000 investment in fuel saving technology is economically justified, cash neutral for the consumer, and can achieve 50 mpg fleet-wide,” Cooper said.

“By 2030, the alternative legislation being pushed by the auto industry (Hill-Terry and Barton-Hastert) will put America two decades behind the science,” Cooper added. “They establish a slow path to a low target that will not achieve in 2030 the level of fuel economy the National Research Council identified as technically feasible.”

CFA’s analyses have examined doubling fuel economy by 2030, as well as the interim goal of achieving 35 mpg by 2017 and found fuel economy increases pay for themselves. The reduction in gasoline expenditures is larger than the increase in the monthly loan payment to purchase the more efficient vehicle. Rural households and pickup truck owners enjoy the largest savings.

The study finds that while it is economically and technologically feasible to achieve 50 mpg by 2030, the problem is timing. The lag time required for vehicle fleet turnover (industry retooling takes several years; vehicles stay on the road 10 years or more) requires high targets with short deadlines to successfully double vehicle fleet fuel economy by 2030.

“Rising gas prices have changed the landscape of what is possible and affordable when it comes to fuel economy technology,” said Cooper. “The problem is timing. We cannot get the oil savings we need for national security and global warming reasons without moving more quickly than either the market or the industry sponsored bills allow. And we know that higher fuel economy is good for consumers.”

“As Members of Congress scramble to deal with rising gas prices, we want to make sure they don’t unwittingly stick it to the consumer again. If they had set higher fuel economy standards for the past two decades, when they had a chance, we wouldn’t be in this mess today,” said Cooper. “While fuel economy stayed flat, oil imports tripled.”

“CFA analyses show that achieving a doubling of the fuel efficiency of the national vehicle fleet over the next quarter century – one mile per gallon a year – is an aggressive, but achievable goal that would deliver an unprecedented level of oil savings that is easily justified from both the consumer and societal perspectives,” Cooper added. “We would lower oil consumption by almost 5 million barrels per day and reduce projected imports by one-third.”

For the CFA report, go to http://www.consumerfed.org/pdfs/Technology_Cost_Timing.pdf

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