



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

October 31, 2007

RE: *NEW CFA STUDY FINDS \$400 BILLION IN SAVINGS BY 2020 FROM CAFE, BIOFUELS AND R.E.S. PROVISIONS IN ENERGY LEGISLATION*

Dear Senator:

As the Senate and House work to achieve final passage of energy legislation, a report issued yesterday by the Consumer Federation of America (CFA)¹ has found that consumers will lose more than \$180 billion as a result of higher gasoline bills and the nation will forfeit \$400 billion in total savings by 2020 unless three key cost-saving measures are included: the Senate requirements to increase CAFE standards and biofuels production, and the House mandate that utilities meet a Renewable Electricity Standard (RES).² Compared to the \$180 billion in direct consumer savings that would result from the Senate CAFE standard, proposals promoted by the auto industry would achieve only a quarter of the savings of the Senate bill.

CFA also released a new poll showing that large majorities of Americans continue to be deeply concerned about rising gas prices, U.S. dependence on Mid-Eastern oil, and global warming. As a result, **three-quarters of Americans support passage of these three energy policies, even when presented with opponents' arguments against the legislation.**³

CFA's economic analysis concludes that the public has good reason to support these policies, which will have a positive net benefit under both a consumer pocketbook test and a national cost-benefit test.

- **Gasoline consumption would be dramatically reduced.** Increases in fuel economy standards in the Senate bill will result in lower gasoline consumption of over 60 billion gallons between now and 2020. At \$3 per gallon, the savings to consumers will be over \$180 billion. The Senate biofuels requirements will lower gasoline consumption by approximately the same amount.
- **The growth of imports would be stopped for the first time in two decades.** Combining improved fuel economy and biofuels output will cut imports by almost 2.4 million barrels per day, equal to about 20 percent of imports.
- **Greenhouse gas emissions would be dramatically reduced.** Combining the fuel economy, biofuels, and RES programs would reduce greenhouse emissions by 1.1 billion to 1.7 billion tons.
- **The total national benefit for all three programs would be over \$400 billion in indirect consumer, national security, and environmental savings by 2020,** based on conservative estimates of \$1 per gallon for reductions in gasoline consumption and

\$100 per ton of carbon dioxide emissions, equivalent to \$1 per gallon. This estimate includes a reduction of \$180 billion in spending by consumers, \$120 billion in reduced imported oil and \$110 to \$180 billion in greenhouse gas reductions.

CFA's analysis has found that the increase in the cost of vehicles that consumers must pay to achieve higher fuel economy is more than offset by the reduction in expenditures on gasoline. Using estimates of the cost of increasing fuel economy from the National Academy of Sciences (NAS) and estimates of the fuel savings from the National Highway Traffic Safety Administration (NHTSA), CFA estimates that consumer savings from the purchase of more fuel efficient vehicles are at least \$1,000 over the lifetime of a car (about 10 years) and from \$6,000 to \$8,000 for pick-ups.

Economic analysis and public opinion overwhelmingly support a bold change in energy policy direction to lower pressures on prices, reduce our dependence on imported oil, and cut green house gas emissions. The key building blocks of a new energy policy have passed the House of Representatives and the Senate and need to be welded together for final passage. **We urge you to support energy legislation that includes the Senate CAFE and biofuels requirements and the House RES standard.** The U.S. simply cannot afford anything less in addressing the national energy crisis.

Sincerely,



Travis B. Plunkett
Legislative Director



Mark Cooper
Research Director

¹ "No Time to Waste: America's Energy Situation is Dangerous, but Congress Can Adopt New Policies to Secure Our Future," October 2007, http://www.consumerfed.org/pdfs/No_Time_To_Waste.pdf.

² H.R. 6, as passed by the Senate, would increase the Corporate Average Fuel Economy (CAFE) standard to 35 miles per gallon (mpg) by 2020 and expand the production of cleaner, more advanced cellulosic ethanol and other biofuels to 36 billion gallons. The House-passed H.R. 3221 would institute a Renewable Electricity Standard (RES) that requires utilities to use renewable energy as the source of 15 percent of their electricity.

³ Over 1,000 people nationwide responded to this question: *The U.S. Congress is considering legislation that would significantly increase energy efficiency and the use of renewable energy. The most important provisions of this legislation would: require increases in the gas mileage of cars, SUVs, and pickup trucks; require greater use by electric utilities of renewable fuels such as wind and solar power; and create programs to expand the use of ethanol and other biofuels. Supporters say these policies will lower consumer spending on energy, lower U.S. dependence on foreign oil, and lower global warming emissions. Opponents say that prices will rise and jobs will be lost. Do you personally support or oppose this legislation?*