In what is a huge victory for California and a strong national commitment to more fuel efficient cars, the New York Times is reporting that the Obama administration will grant California its waiver to issue tough greenhouse gas emissions standards while at the same time combining those standards with a new national Corporate Automotive Fuel Economy (CAFE) standard. The result will be a unified national fuel standard of 42 miles per gallon for passenger cars by 2016 and 26.2 mpg for light trucks. According to the Times, industry groups are satisfied with the administration's move and will not challenge it.

This is truly huge news. California's leadership on auto standards has been confirmed and for the first time in thirty years the federal government will significantly strengthen CAFE standards. And if the reports are right the Obama administration will accomplish this change by getting the auto industry to drop its lawsuits against California and other states that have chosen to follow the California standards. Otherwise, the new standards even with federal approval might well have faced seriously delay until the resolution of the suits (as it is the California standards were supposed to take effect for model year 2009, something that obviously didn't happen). Moreover California will retain its regulatory leadership role and thus can continue to set the pace, post-2016, for further greenhouse gas emissions reductions for automobiles.

As I've written about extensively elsewhere, the interesting regulatory arrangement contained in the Clean Air Act — giving only the federal government and California the authority to regulate auto emissions standards while preempting all other states from doing so — produces terrific regulatory outcomes. California can use its status to experiment with tough standards and the federal government can use the California experience to follow suit if the experiment succeeds. I'd like to see this regulatory structure expanded beyond auto emissions standards to include other regulatory areas like appliance efficiency standards (for a more extensive explication of this point click here).