

The Trump Administration has begun a review of the second phase of fuel efficiency standards adopted by the Obama Administration. Ann Carlson has already blogged about the harmful effects of such a rollback. A new [paper](#) by researchers at Resources for the Future sheds some additional light on the situation. Although the study does not support a rollback, it does suggest how the Administration *might* conceivably be able to cobble together a good enough explanation to hold up in court.

The RFF paper has two major takeaways. The first is actually a bit reassuring. The study suggests that even a complete rollback of Phase II would have less dramatic consequences than some observers predicted. According to the paper, “[d]ue to the gradual turnover of the onroad vehicle fleet, eliminating the tighter fuel economy standards for 2022–2025 would have small effects on gasoline consumption, greenhouse gas emissions, and oil imports during those years and even out to 2030.” That doesn’t mean the issue lacks significance, because the impact would grow after 2030 and could be amplified in several ways such as other countries following suite.

The other major take-away is that the most obvious arguments for a rollback would be insufficient standing alone:

“Changes in the social cost of carbon, fuel prices, miles traveled, and market shares of light trucks since the 2016 analysis are unlikely to cause the benefits of rolling back the standards to exceed the costs. If the agencies conclude that the benefits of rolling back the standards exceed the costs, the reasoning will likely be based on other factors, such as consumer willingness to pay for fuel-saving technologies or the cost and effectiveness of those technologies.”

Thus, to justify a rollback, the Administration would need to adopt these arguments and then add some additional factors. What other factors? Much of the benefit of tighter standards comes from cost-savings for consumers. The Econ 101 view is that if consumers valued future cost-savings, they would be willing to pay more for fuel-efficient cars. Many economists and psychologists believe, however, that car buyers fail to properly price the benefits of future fuel savings. There is considerable evidence to support this view, but there is also some respectable dissent. For instance, consumers may find more fuel-efficient cars to have other features they dislike, such as slower acceleration. If the government reconsidered its views on this issue, that could have a significant impact on the policy evaluation.

Safety is another issue. Fuel-efficient vehicles may be lighter. A 2013 [review](#) of the literature by Australian researchers confirms that heavy vehicles do better than lighter ones in car-to-car collisions. Vehicle size is also an important factor. Bigger vehicles may be prone to single-car accidents such as rollovers. In addition, for the same reason they are safer, heavier vehicles also increase risks for the many lighter vehicles that are already on the road. Finally, improving vehicle safety features may diminish the importance of this factor anyway. The literature review found wide disparities in the literature regarding safety estimates. It concluded that “[a] cost-benefit study of the likely effects of down-sizing (and up-sizing) would be difficult at this time, requiring many assumptions and different scenarios of likely fleet changes and the effects on the community.”

All of this makes clear that EPA would have to engage in some complex, sophisticated analysis if it wants to provide a rationale for a rollback. Not only does it have to find sufficient evidence to support its case, but also find ways to rebut a mountain of opposing evidence. This is a heavy lift at best. So far, the Administration has shown no capacity for complexity or sophisticated analysis. Even if it’s theoretically possible to make the case, it may be hard to avoid leaving gaps that could trigger a judicial remand. There’s also the problem of what to do about the California standards. Given the bitter opposition to the rollback and the certainty of protracted litigation, it’s not clear to me that the Administration can get the job done by 2020. That’s going to put pressure on the Administration to move quickly, but doing so could also lead to sloppy work leading to judicial reversal.

For those of us who care about climate change (unlike Trump and Pruitt), it seems pretty clear that we need the existing standards. But it also seems clear that reducing vehicle emissions is going to take a lot more than tighter CAFE standards. We need other measures to speed the transition to electric vehicles, and we need to reduce vehicle-miles-traveled for existing cars.

Car companies are now faced with a lot of uncertainties: Just what will the Administration propose about the CAFE standards and how long will it take to finalize new rules? Will the Administration try to end California’s waiver? How will courts respond, will there be any judicial stays, and how long will the litigation take? And what happens after the 2020 presidential election to all this? If a Democrat wins, the whole process would probably start over, with even tighter standards on the table. When they were attacking Obama, Republicans spoke passionately about the regulatory uncertainty created by the Obama Administration. It seems that the shoe is on the other foot.

