The Trump Administration today issued new fuel economy standards that require average fuel economy that will be LOWER by 2031 than what Congress mandated for 2020. While consumers are paying an average of $4.49 a gallon of gas, the Department of Transportation is setting standards that require only 34.9 miles per gallon (MPG) by 2031 even though Congress required standards of at least 35 MPG for vehicles manufactured six years ago. In other words, we are backsliding in fuel economy at a time when gas prices have increased more than 40 percent since the war in Iran began. By contrast, the rules set by the Biden Administration (which I helped set as the Acting Administration of the National Highway Traffic Safety Administration, NHTSA) would have achieved fuel economy of 50.4 MPG by 2031.

DOT acknowledges in its rule making that the new standards are so weak that manufacturers have to do nothing to achieve them. In fact, auto manufacturers will easily be able to over-comply with the standards for the entire period the new standards are in place (page 27 of the final rule). For Model Year 2030, the standards will actually decline compared to the previous year, by more than 14 percent for light duty trucks and by .3 percent for passenger cars (page 23). And yet these are the standards NHTSA concluded are the "maximum feasible" under the statute.

The final rule also deals a blow to companies like Tesla, Rivian, and Lucid, which manufacture entirely electric vehicles. DOT's new rule eliminates credit trading, so that manufacturers can no longer use credits from other manufacturers to comply with the standards. Tesla has relied on these and other credit programs like the Environmental Protection Agency's and California's to reap more than $10 billion, almost a third of its profits. The elimination of credit trading is largely symbolic, though, because the new standards are so weak that manufacturers would likely not need to purchase credits from other companies. Even if manufacturers fail to comply with the standards, Congress has rolled back CAFE penalties to zero.

In the final rule, DOT also refused to quantify the benefits that accrue from cutting greenhouse gases. The agency does admit that replacing the Biden standards with the new standards will increase global emissions of greenhouse gases. Of course the refusal to include the quantifiable costs from increasing climate pollution jiggers the cost-benefit analysis to make the rule making appear to be cost-beneficial. The new rule also increases emissions of fine particulate matter, nitrogen oxides and sulfur dioxide. The cost-benefit analysis makes other changes to make the benefits appear to outweigh the costs — including assuming that consumers value fuel economy savings up front (an assumption belied by numerous studies) and

adopting a new “rebound effect,” which estimates that drivers will drive more when they get better fuel economy. I suspect that when credible economists evaluate the new cost-benefit analysis they will uncover many more ways in which the analysis rigs the outcome to justify weak standards.

I previously outlined all the additional changes the proposed rule, issued last December, changes that the final rule largely leaves untouched. You can read my analyses here and here. As I said then, the proposed standards were ‘audaciously, aggressively awful.” The final standards are too. Expect a legal challenge on many of the grounds I outlined previously. But any challenge will be centered around the absurd claim by DOT that these standards — lower in 2031 than what Congress required for 2020 — are the “maximum feasible” the agency could adopt.