

Trump's Proposed Roll-Back of Fuel Efficiency Standards Remains Incomplete

By Cindy Jiang, J.D. Candidate 2021 | March 10, 2020

As part of his presidential campaign in 2016, President Trump promised Michigan autoworkers a jumpstart on the U.S. auto industry through a roll-back of Obama-era fuel efficiency standards. Since the start of his administration, Trump has eliminated or impaired roughly [100 environmental protections](#) on climate change, clean air, clean water, and endangered species. That being said, the largest federal climate change regulation -- Obama's 2012 fuel economy rules to cut vehicle tailpipe emissions -- remains in place.

The Obama-era fuel efficiency standards require automakers to sell vehicles averaging 54 miles per gallon by 2025, which is a 5% increase in vehicle fuel efficiency per year. Trump's proposed roll-back would decrease the annual increase to 1.5%, which falls below the average 2% increase that auto companies achieve absent regulation. While the Trump administration cites economic benefit as justification for the roll-back, evidence from the draft rule and outside sources point to an economic deficit caused by the new regulation.

The proposed regulation, called the Safe Affordable Fuel-Efficient Vehicles Rule, actually [increases the amount individual consumers spend per vehicle](#) according to Consumer Reports. While the lower fuel efficiency standards may decrease the initial vehicle cost in the short-term, consumers will be forced to pay, on average, \$3,200 more per vehicle in fuel. Cumulatively, American consumers stand to lose approximately \$300 billion. While decreasing the manufacturing costs for large auto-manufacturers, Trump's proposed regulation shifts those costs onto consumers, creating a net deficit in the American economy. This research is reflected in the draft rule itself. The rule indicates that the Trump fuel economy target would lower the prices of new vehicles by \$1,000 but would simultaneously increase the amount consumers pay for fuel by \$1,400, creating a \$400 net deficit per consumer.

Not only does the proposed regulation fail to achieve the economic benefit promised by Trump, it faces serious legal issues. According to Mr. Lazarus, who specializes in environmental law at Harvard, "[i]f the costs to the economy exceed the benefits, and there are no environmental benefits, the courts would classically look at this as an arbitrary and capricious policy," making it especially "vulnerable to being overturned." Furthermore, the draft rule lacks two substantive components that are essential to its defense in court -- the environmental-impact statement and the regulatory impact analysis. The former is required by law to accompany any new major policy affecting the environment and the latter details at length the legal, scientific, health, and economic impacts of a major new rule. For example, when proposing the original Obama rule, the accompanying analysis was 1,217 pages long, with supporting research by the National Academies of Science. However, the newly submitted draft by the Trump administration failed to include either of these two components, bringing the legal status of the rule into serious question.



Finally, five large players in the auto-industry have publicly declared opposition to Trump's new rule, joining California in agreeing to maintain stricter standards. [Honda, Ford, Volkswagen, BMW, and Mercedes-Benz](#) have made a pact with California to adhere to stricter fuel efficiency standards, making the Trump administration's proposed rule moot. Automakers fear that the aggressive roll-back will initiate a drawn-out legal battle between California and the federal government, essentially splitting the market into two, one with stricter emission standards than the other. This result would only add to the economic cost of the proposed draft rule without creating any kind of social, economic, or environmental benefit. Moreover, if enough automakers join California, the proposed draft would be rendered irrelevant. Already, the five automakers listed above account for more than 40% of all cars sold in the U.S. Likewise, 13 other states plan to continue enforcing their current, stricter fuel emission standards and sue the Trump administration if the proposed rule passes.

With the substantive and technical deficiencies in the proposed rule and the public opposition by both state governments and automakers, the probability that Trump's promised roll-back of Obama-era fuel efficiency standards appears to be declining steadily. Even if passed into law, the inevitable judicial review will likely result in a repeal. In the meantime, the auto industry remains suspended. Without a definite standard, carmakers cannot begin the manufacturing process. Therefore, they have turned their attention to Asian and European markets, further delaying any purported economic benefit for the U.S.