

**Statement of The Honorable Tyler Duvall
Acting Under Secretary for Policy
U.S. Department of Transportation
before the
Select Committee on Energy Independence and Global Warming
U.S. House of Representatives
Hearing on Improving Automobile Fuel Economy**

June 26, 2008

Mr. Chairman, I am Tyler Duvall, Acting Under Secretary for Policy for the Department of Transportation. I appreciate the opportunity to appear before the Committee to discuss our most recent proposal for substantial increases in the fuel economy standards. These increases are needed more than ever to achieve energy independence and security and reduce carbon dioxide emissions.

The demand for petroleum is steadily increasing around the world and here in the U.S. Altogether, the U.S. consumes about 25 percent of the total amount of petroleum consumed worldwide. Much of that petroleum goes to providing us the mobility on which our economy depends. Sixty percent of the petroleum needed to meet that demand is imported.

The U.S. produces an estimated 23 percent of the world's greenhouse gas (GHG) emissions. Carbon dioxide is the predominant GHG emitted by human sources. As EPA has said, carbon dioxide is responsible for about 95 percent of transportation GHG emissions, with all of the other emissions combined accounting for the remaining 5 percent of GHG emissions. The transportation sector is the largest and fastest growing source of domestic carbon dioxide emissions, producing approximately 30 percent of the nation's total.

The problems posed by light vehicle fuel consumption and carbon dioxide emissions have a common solution. Carbon dioxide is a natural by-product of the combustion of fuel in light vehicles. Given that tailpipe emissions of carbon dioxide cannot be destroyed or feasibly captured by control technologies in light vehicles, the feasible way to make the most substantial reductions in their tailpipe emissions of carbon dioxide now and for the foreseeable future is to reduce fuel consumption.

This fundamental scientific reality was the basis for the President's "Twenty in Ten" proposal to reduce domestic gasoline consumption by 20 percent in 2017. A key component of his proposal was a significant increase in fuel economy standards for cars and light trucks. By increasing standards beginning in model year 2010 for cars and in model year 2012 for light trucks, the President's aggressive proposal was projected to save up to 8.5 billion gallons of gasoline in 2017 alone and reduce consumption by 5 percent. These amounts were based on an assumption that, on average, fuel economy standards for both light trucks and passenger cars would increase 4 percent per year.

To enable us to increase the car standards responsibly, the President asked Congress to give us the authority to set attribute-based car standards just as we had set attribute-based light truck standards. We took that step in response to the safety concerns expressed by the National Academy of Science in a congressionally mandated report. NAS said that significantly and quickly increasing the fuel economy standards without first reforming the standards by making them attribute-based would likely lead to the further downsizing of vehicles and thus to additional deaths and injuries on our highways.

In December of last year, Congress opened the way to substantial increases in the car standards when it enacted the Energy Information and Security Act (EISA). EISA mandated that the car standards and light truck standards be set high enough to ensure that the combined industry-wide average reaches at least 35 mpg in model year 2020. It not only gave us the authority to set attribute-based car standards, but also mandated that both car and light truck standards must be attribute-based.

Using the guidance and new tools provided by EISA, we have proposed standards for model years 2011 to 2015. Those standards are based in large measure on the joint work of the technical staffs of our agency and the Environmental Protection Agency. Our staffs met nearly daily for seven months and completely revamped the foundations of CAFE rulemaking. For example, they reviewed and revised the list of technologies that will be available during those years and updated the estimated costs and effectiveness figures for those technologies. In addition, they updated and refined assumptions, methodologies and models.

Our proposed fuel economy standards were developed with the aid of cost-benefit analysis. We updated our benefit estimates as well as our cost estimates. The benefits consist primarily of three things: the fuel saved, the contribution that fuel savings makes to energy security and independence, and the reduction in carbon dioxide emissions resulting from that fuel savings. We updated the dollar values of the first two and for the first time placed a value on the third. We recognize that there are uncertainties regarding each of these values and have requested public comments on all of them. We then conducted a balancing that ensured every dollar we ask companies to spend for better fuel economy returns at least one dollar's worth of benefits.

The proposed standards would increase fuel economy 4.5 percent per year over the 5-year period ending in 2015. This rate substantially exceeds not only the 3.3 percent per year needed on average to meet the 35 mpg minimum established by Congress last year, but also the 4 percent per year increase called for in the President's Twenty-in-Ten proposal. An average annual increase of only 2.1% for combined fleet from 2016 onward would be needed to reach the required level of 35 mpg by model year 2020.

For passenger cars, the proposal would increase fuel economy from the current 27.5 miles per gallon to an industry average of 35.7 miles per gallon by 2015. For light trucks, the proposal calls for increases from 23.5 miles per gallon in 2010 to an industry average of 28.6 miles per gallon in 2015. We estimate achieving these levels of fuel

economy would require nearly \$50 billion of investments in fuel saving technologies through 2015.

These standards are tough, but achievable and necessary. All told, the proposal will save nearly 55 billion gallons of fuel and a reduction in carbon dioxide emissions estimated at 521 million metric tons over the life of the affected vehicles.

To provide manufacturers with added flexibility, we have proposed regulations permitting them to transfer and trade compliance credits.

We will soon be receiving public comments on our proposal. Our decisions about the final rule will be reached after careful analysis of the comments and with the benefit of full analysis of the environmental impacts of the alternatives before the agency.

We expect to make a final decision this year, less than one year after the enactment of EISA. This will be an accomplishment in which we can all take credit and pride.

I would be pleased to answer any questions.