

Better Fuel Economy, Better Cars

September 2016

BACKGROUND

Federal agencies are moving forward with plans to significantly boost the fuel efficiency of cars and trucks by 2025. Through the Corporate Average Fuel Economy (CAFE) program, automakers will be required to raise their fleet-wide fuel economy average by about 10 miles per gallon. For consumers, this means that the average efficiency for a vehicle purchased in 2025 will be about 36 miles per gallon.

As part of the process for finalizing the 2022-2025 CAFE standards, the government will conduct a mid-term review next year to assess if the upcoming standards are still achievable in a cost-effective manner.

BENEFITS OF FUEL ECONOMY STANDARDS

SAVES CONSUMERS MONEY

Even with low gas prices, fuel economy standards save thousands of dollars per car, and even more for light-duty trucks. Most new car buyers who finance their vehicles will start saving in the very first month of ownership, even after accounting for the added cost of fuel-efficient technology.

Source: Consumer Savings from 2025 Corporate Average Fuel Economy Standards (CAFE)



INCREASES CONSUMER CHOICES

Consumers want more efficient vehicles in all segments, and modern fuel economy standards preserve and enhance consumer choice. Fuel economy standards encourage improvement across vehicle classes so each segment is likely to see improved models.

Source: Consumers Union Survey on Consumer Attitudes Toward Fuel Economy – June 2016

IMPROVES OWNER SATISFACTION

Higher fuel efficiency is linked to higher owner satisfaction, according to new research by Consumers Union. The positive correlation was identified for owners of both cars and trucks and controlled for other vehicle characteristics like horsepower, reliability and price.

Source: Consumers Union Owner Satisfaction Analysis – June 2016



SETTING THE RECORD STRAIGHT

Fuel economy standards can be met even if consumers buy more SUVs and trucks. Auto industry representatives mislead the public when they claim that recent consumer preferences for larger vehicles mean the standards can't be met. The standards are actually "footprint-based" meaning that the fuel economy targets adjust depending on the types of vehicles actually sold. Large vehicles have lower targets, making it possible for automakers to comply even if they sell more SUVs and trucks. And automakers have been overcomplying despite the shift to larger vehicles.

Consumers benefit from higher fuel economy even when gas prices remain low. Consumers Union research found that even in an era of low gas prices, new vehicle buyers can expect thousands of dollars in savings over the life of a vehicle. If prices do go back up, consumers can expect even more savings.

Fuel efficiency technology pays for itself in short order. While vehicle costs may initially rise due to new fuel saving technologies, the costs are recouped quickly. For consumers who finance their vehicles, cost savings from lower gas consumption occurs in the first month of ownership. Low-income consumers spend a disproportionately high share of their income on fuel costs, so fuel savings are even more valuable to them. Used car buyers also benefit from improving fuel economy.

Meeting the 2025 fuel economy will come primarily from improvements to traditional gas engines. Contrary to automakers claims, a recent federal report forecasted that only minor adoption of hybrid electric vehicles would be required to comply with fuel



economy standards. There are many new technologies that will drive the next wave of more fuel efficient vehicles. Improvements to internal combustion engines are expected to be the main compliance pathway for most automakers. But, while electric vehicles aren't necessary for compliance, they do offer additional consumer fuel savings, more vehicle options and other benefits.

Ownership satisfaction increases with better fuel economy when comparing similar vehicles. Automakers claim the consumer shift to large vehicles indicates they don't care about fuel economy. However, according to a recent Consumers Union analysis of one million vehicle owners, fuel economy was just second to vehicle reliability in factors that influence owner satisfaction, regardless of vehicle size. Safety, fuel economy, performance and reliability have all been improving, and strong fuel economy standards build on that progress.

LIGHT-DUTY VEHICLE STANDARDS TIMELINE

