

Landmark Fuel Policy Passes The Senate

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FEATURE OF THE MONTH

The Capitol Energy Crisis

American auto manufacturers knew they were in serious trouble.

For years, they had argued that legislation to increase fuel economy standards would drastically cut profits, force them to layoff workers, and deprive customers of the seemingly popular SUV.

For years, union-backed Democrats, lawmakers of both parties from auto-producing states and business-minded Republicans pulled together to hold off fuel economy standard increases, also called the Corporate Average Fuel Economy (CAFE) standards. They traditionally argued that the technology for higher mileage cars was not available, would drive up the cost of a car, and make cars smaller, lighter and more dangerous.

But with angry consumers around the country complaining about the soaring price of gasoline, Detroit blinked. They retreated from their longstanding position and, in the hope of staving off tough fuel economy standards, suggested a modest increase.

It was clear that the political climate had shifted. Presidential candidates from both parties are pushing for increases in the standards. President Bush wants higher standards too and, in fact, introduced the idea during his State of the Union Address in January.

Consumers, meanwhile, no longer clamor for gas-guzzling SUVs and trucks. Environmentalists have aggressively stepped up their calls for tough rules limiting emissions from vehicles. Longtime auto industry backers in Washington, who helped defeat previous pushes to raise fuel economy standards, acquiesced and bluntly told auto companies that there is no way of escaping an increase.

In late June, the Senate passed a fuel economy bill that could have sweeping implications. The fuel economy standard for cars, 27.5 miles a gallon, has not changed since 1983. Light trucks, including SUVs, pickups and minivans, average 21.3 miles a gallon.

The Senate originally called for sharply higher fuel economy standards to reach 35 miles per gallon by 2020.

Under a slightly compromised bill with automakers, the Senate voted 65-27 to increase the standard to 36 miles per gallon by 2022. Trucks would have to reach 30 miles per gallon by 2025.

Carmakers say the plan will probably cost the industry tens of billion of dollar in development costs for newer vehicle and technology over the next ten years. The United Automobile Workers Union is pushing Congress for tax breaks and job protections, while automakers retool their factories to make higher-efficiency vehicles.

Supporters estimate that by 2025 the new standards could save 2.5 million barrels of oil per day, almost the amount the United States imports each day from the Persian Gulf. The bill would cut greenhouse gas emissions by 18%.



Once the Senate bill passed, the legislation moved to the House, which is expected to act on it in September. The House did, on the other hand, approve legislation that increases energy efficiency of home appliances and promotes plug-in hybrid vehicles.