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## The president's plan to reduce dependence on foreign oil spells trouble

By Jonathan Michaels

Last month, President Barack Obama announced his ambitious overhaul to the Corporate Average Fuel Economy, or the CAFE standards, for consumer cars and trucks — a move that will dramatically change the landscape of the automobile industry for decades to come. With as much fanfare as could be generated from a political event, President Obama declared this undertaking “the single most important step we’ve ever taken as a nation to reduce our dependence on foreign oil.”

The proposed new CAFE regulations fly past the 18 mile per gallon standard set by Congress when the bill was enacted in 1975, setting a high watermark of 54.5 miles per gallon by 2025. Under President Obama’s new plan, stringent increases would be phased in beginning with 2017 and steadily increasing through 2025. But, tethered to an array of incentives and credits, the touted 54.5 mpg standard actually results in an average of closer to 40 mpg. And, that’s where the math starts to get fuzzy.

Under its current architecture, electric vehicles would count as having “0 emissions” (even though their use of the electrical grid makes them far from emission free), and each electric vehicle sold by the automakers in 2017 would count as two vehicles, with the multiple reducing to 1.5 in 2021. Similarly, each hybrid vehicle sold in 2017 would count as 1.6 vehicles sold, phasing out to 1.3 vehicles in 2021, with hybrid trucks having eligibility for credits during the entire 2017-2025 program. All of this means, of course, that automakers can get credit for meeting the CAFE standards without actually doing so.

While the program is not as advertised, what’s most troubling about the proposed standard is its early endorsement on a technology yet to be proven. By incentivizing early introduction and adoption of electric and hybrid vehicles, the plan forces manufacturers to invest billions of dollars in a technology that is still in its infancy stages, and which may not be the best method of achieving a goal that is still some 14 years off. To put this into perspective, consider how the iPhone, introduced in 2007, has revolutionized the world, and how inconceivable that technology would have been in 1993.

The strength of America has always been its diversity, its curiosity and, most importantly, its ability to innovate. Yet, with the forced adaptation of a particular technology, market forces and natural selection fall away, leaving an unfortunate wake of unexplored ideas.

President Obama’s plan will also bring to bear Adam Smith’s “law of unintended conse-



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Rep. John Dingell, D-Mich.

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quences,” as manufacturers exploit the regulation every way imaginable. We witnessed this with the first enactment of the CAFE regulations in 1975, which, in its attempt to squeeze consumer transportation, resulted in the death of the station wagon and the birth of the gas-guzzling SUV — a “truck-based” vehicle that fell outside the stringent CAFE standard, and which now represents nearly 20 percent of the vehicles on road. Ironically, the initial CAFE regulations created the very thing they were designed to quash.

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So what is the unintended consequence that will result from the new onslaught of legislation? The answer is actually not all that difficult to see, which makes the proposed standard all the more vexing. A short lesson in physics will show that one of the easiest ways to increase fuel economy is a reduction in weight, and it is natural to expect that the first, and least expensive, place that manufacturers will turn is weight trimming.

This seems innocent enough, but it is not the entire story, as the proposed regulation does not treat all passenger vehicles equal. In an effort to curry favor with the Detroit 3, President Obama exempted the large truck market from the brunt of the fuel saving standards, giving them until 2020 to begin their phase-in, and even then at lower levels. The result of all of this? A widening disparity in the size of passenger car and trucks.

The consequence of big trucks and small cars on the road is obvious, but we need not rely on pure logic, as several studies have been con-

ducted on the danger this creates. A report by the National Highway Traffic and Safety Administration, or NHTSA, found that a reduction of a car’s weight by 100 pounds has an increase in the occupant fatality rate by as much as 5 percent. As the report stated, “When two vehicles collide, the laws of physics favor the occupants of the heavier vehicle...heavy vehicles were in most cases longer, wider and less fragile than light vehicles.” A study by the Harvard Center for Risk Analysis found that CAFE standards resulted in 2,200 to 3,900 additional motorist fatalities per year. The National Academy of Sciences reached similar results, concluding CAFE regulations to be responsible for 2,600 highway deaths per year.

The disparity between passenger cars and light trucks was duly noted by Volkswagen in its harsh criticism of the proposed regulation: “Volkswagen does not endorse the proposal under discussion. It places an unfairly high burden on passenger cars, while allowing special compliance flexibility for heavier light trucks.... The proposal encourages manufacturers and customers to shift toward larger, less efficient vehicles, defeating the goal of reduced greenhouse gas emissions.”

If the Obama administration sought to reduce our dependence on foreign oil — an important goal to be sure — a higher gasoline tax would have been the way to do it. Such a tax would have the natural result of altering the demand curve for fuel inefficient vehicles, and market forces would have responded with innovation, the likes of which we have never seen. Yet, as Congressman John Dingell noted, gas taxes are a smart and sound policy, but it is one that “kills you with the voters.” President Obama avoided a run-in with voters over an unpopular gas tax, and instead took a hero’s welcome with the 54.5 mpg standard. Perhaps not that curious of a move, considering that the race for the White House has entered its unofficial beginning.