Some Unintended Consequences of Raising CAF Again

> Thanks to the standards, consumers will save an estimated $1.7 trillion dollars in real fuel costs of the life of their vehicles.
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> By 2025, the standards are projected to save families an estimated $8,200 in fuel savings [sic] over the lifetime of a new vehicle, [compared to] the Model Year 2010.
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> We will need to use less oil. [The standards] will reduce oil consumption by an estimated 2.2 million barrels a day.
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> The [new] standards will reduce carbon dioxide pollution by over 6 billion metric tons [and] will protect public health by cutting air pollutants such as air toxics, smog, and soot.

The National Wildlife Federation (NWF) was ecstatic over the announcement. Zoe Lipman, senior manager for Transportation and Global Warming Solutions, called it "big news for consumers and big news for health and the environment. It cuts oil use by the equivalent of all our imports from Saudi Arabia and Iraq, puts $80 billion a year back in our pockets to spend on better things than foreign oil, and cuts carbon pollution the equivalent amount as closing 72 coal-fired power plants."

When asked about how owners of the new vehicles could justify the higher prices that will have to be charged to pay for the new technology to obtain such improvements in mileage, Miles Grant of the NWF answered, "Under the [new] standard, heavy duty pickup and van owners [will] save over $6,000 over the life of the vehicle – even after accounting for the cost of the new technology. The added upfront costs are paid back in less than two years."

Not according to the Center for Automotive Research (CAR) which released the results of an 11-month effort to determine how much those "added upfront costs" would actually be: $11,290. Specifically, in order to achieve an average fuel economy standard of 37.6 mpg a vehicle's cost would increase $5,244, while a standard of 44.8 mpg would increase its cost by $8,214. Taking into account an inflation rate of just two percent per year, the average cost of a vehicle (today: $28,400) in 2025 would substantially exceed $50,000 in today's dollars. And that price only includes the cost of the new mandated improvement in mileage and does not include any additional safety or environmental mandates that will likely be added by the government along the way.

The first of the unintended consequences (giving the Obama administration the benefit of the doubt that they are only interested in improving the mileage and are not interested in reducing people's freedom of travel) is that because "the cost to the consumer of purchasing a motor vehicle would rise by nearly 40 percent and the net cost by 27.7 percent over five years," sales of new vehicles would drop by 5.4 million units and production by 3.3 million units, resulting in an estimated loss of 1.7 million jobs in the industry.

The second effect would be that by forcing the auto industry to double the CAFÉ it will require an

immense investment in that new technology by the industry which may not be able to be amortized if expected sales targets aren't achieved. As noted in the CAR study:

> The U.S. economy … will be placed at serious economic risk if the industry is committed by law to the use of technologies that are too expensive or inefficient or to the production of vehicles that consumers do not want or need.
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> That is why the potential cost of a rush by regulatory authorities to mandate permanent, long-run fuel economy standards could be very high in both economic and social terms….
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> This risk includes the potential of a second automotive crisis threatening the very existence of the U.S. motor industry.

The third unintended consequence could even be worse — the lowering of Americans' standard of living. The increased cost of new vehicles will likely mean that older vehicles will be kept in service beyond their expected life spans and consequently require more repairs over time. By reducing their usage, such vehicles may last longer, but will reduce their owners' freedom of travel. As noted by CAR:

> This freedom, based on the unparalleled mobility provided by modern vehicles, currently allows Americans the greatest possible range and efficiency to search for and obtain employment and to maximize the value of their purchasing, the value of their leisure time and the value of their social and family connections. All of these freedoms are under threat by extreme mandates and, if restricted, will lower the standard of living in the United States for years to come.

Another unintended consequence would be higher traffic fatalities as a result of lighter and less impact-resistant automobiles. As noted by Thomas Pyle, president of the Institute for Energy Research, "One of the most efficient ways to increase the amount of miles a vehicle can travel per gallon of gasoline is to reduce the weight of the vehicle. Therefore, auto manufacturers will be forced to make cars that are smaller and lighter in order to meet President Obama's new CAFÉ standards. Far from a win for consumers, this type of government-knows-best policy is the exact opposite of how a market economy functions." A Brookings Institute study showed that a 500-pound weight reduction of the average automobile increased annual highway fatalities by between 2,200 and 3,900, and serious injuries by 11,000 to 19,500.

There are additional unintended consequences, including the reasonable conclusion that by lowering the cost of driving a new car, its owners will drive more rather than less, thus increasing the use of gasoline. It may be a bit of a stretch, but Gary Galles, writing for Mises.org, suggests that cheaper driving costs "would facilitate housing development farther from workplaces, further progressively eating into gas savings over time, while worsening congestion and all its adverse consequences." What is more likely is that owners of older vehicles would keep them in service longer, thus increasing pollutants into the atmosphere that the mandates are supposed to reduce. A study by Andrew Kleit of Pennsylvania State University showed that a 50-percent increase in CAFE (Corporate Average Fuel Economy) standards would *increase* total emissions by 2.3 percent, nitrogen oxide by 3.8 percent, and carbon monoxide emissions by 5 percent.

Keeping in mind that world crude oil production by the year 2020 would exceed 100 million barrels a day, according to estimates by the Energy Information Agency, even if the Obama mandates do save the claimed 2.2 million barrels a day, that's 2 percent. Talk about straining at a gnat!

A blogger at CNSNews.com summed up the administration's new mandate nicely:

This is the argument of Obama's administration that ticks me off the most. Yes, I'd like to buy a new car with great gas mileage. Yes, I'd like to replace my a/c unit in my house with one that works better and costs less to run. Yes, I'd like to do the same with my furnace. Yes, I'd like to eat healthy food that isn't drenched in preservatives, and to join a gym so I can exercise even when it's 115 degrees outside. All of these things would result in enormous cost savings to me over time. The problem is that [I] cannot afford all this stuff!