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Written Statement

Chairman Jordan, Ranking Member Kucinich, and Members of the Committee, thank you for inviting me to testify today to discuss recent and planned vehicle greenhouse gas (GHG) and fuel economy standards, jointly developed by the Environmental Protection Agency (EPA) and the Department of Transportation (DOT).

On March 30th the President released the Blueprint for a Secure Energy Future, which recognizes the importance of producing domestic oil safely and responsibly, while also taking steps to reduce our dependence on oil, wherever it comes from, by leveraging cleaner, alternative fuels and greater energy efficiency. We have already made progress towards these objectives. Last year, America produced more oil than we had since 2003, and the Administration announced ground-breaking greenhouse gas and fuel economy standards for cars and light-duty trucks covering model years (MY) 2012-2016. These standards, combined with the standards EPA and NHTSA will soon propose for MY 2017- 2025 cars and light-duty trucks and MY 2011 NHTSA fuel economy standards, are estimated to dramatically cut the oil we consume, saving billions of barrels of oil and saving American families well over a trillion dollars in fuel costs

over the life of the vehicle model years covered.[1] This is a clear benefit to consumers, and will reduce operating cost for small businesses by providing substantial savings in fuel costs. In addition small businesses in the regulated industry are exempt from the greenhouse gas standards.

The MY 2012-16 Light Duty Vehicle Standards

Last year, EPA set MY 2012-16 Light Duty Vehicle Greenhouse Gas standards under the Clean Air Act in a joint rulemaking with the National Highway and Traffic Safety Administration (NHTSA), which set MY 2012-16 fuel economy (CAFE) standards. California has agreed to accept compliance with the EPA standards as compliance with its own standards. This suite of federal standards forms a National Program that is a common-sense approach to facilitate auto manufacturers' compliance with several government programs. Manufacturers can build a single light-duty national fleet that satisfies NHTSA's fuel economy program, EPA's greenhouse gas program, and the State of California's greenhouse gas emissions standards.

The National Program has garnered wide-spread support as a model for how government can work effectively with a wide range of stakeholders to develop thoughtful, data-driven regulations that benefit consumers, improve the environment and energy security, and are supported by the regulated industry. I am proud of how EPA and NHTSA have successfully worked together to create common-sense regulations that benefit all Americans.

EPA's standards for MY 2016 light duty vehicles are projected to achieve an average tailpipe CO2 compliance level of 250 grams of carbon dioxide (CO_2) per mile for cars and trucks combined. This is equivalent to a fuel economy level of 35.5 miles per gallon (mpg) if the automotive industry were to meet this CO_2 level all through fuel economy improvements.

[1] "Driving Efficiency: Cutting Costs for Families at the Pump and Slashing Dependence on Oil," July 2011, available at http://www.whitehouse.gov/sites/default/files/fuel_economy_report.pdf

The National Program is projected to provide numerous benefits. Over the lifetime of the vehicles sold during MY 2012-2016, the combined EPA and NHTSA standards are projected to save 1.8 billion barrels of oil and reduce U.S. greenhouse gas emissions by about 960 million metric tons. [2] As a result of these standards, greenhouse gas emissions from the U.S. light-duty fleet in 2030 are projected to be approximately 21 percent lower than they would have been in the absence of the National Program.[3]

Reducing gasoline usage will save consumers and small businesses money. Consumers buying MY 2016 vehicles would have average net savings of $3,000 over the life of the vehicle – the $4,000 in projected fuel savings over the lifetime of the vehicle more than offset the projected $950 increase in the initial cost of a new MY 2016 vehicle. U.S. consumers who purchase their vehicle outright will save enough in lower fuel costs over the first three years to offset the increases in vehicle costs. U.S. consumers who use a 5-year loan to borrow money to purchase a vehicle will also save. The projected monthly fuel savings exceed the projected increased loan payments necessary to cover the increased cost of the vehicle. [4]

The MY 2017-25 Light Duty Vehicle Standards

Soon after the completion of the successful MY 2012-2016 rulemaking, in May 2010, the President, with support from the auto manufacturers,[5] requested that EPA and NHTSA work to extend the National Program to MY 2017-2025 light duty vehicles. The agencies were requested to develop "a coordinated national program under the Clean Air Act (CAA) and the Energy Independence and Security Act of 2007 (EISA) to improve fuel efficiency and to reduce

[2] See 75 Fed. Reg. 25328 (May 7, 2010).
[3] See 75 Fed. Reg. 25488, (May 7, 2010).
[4] See 75 Fed. Reg. 25519-25520 (May 7, 2010).
[5] The letters of support from these organizations can be found at www.epa.gov/otaq/climate/regulations.htm

greenhouse gas emissions of passenger cars and light-duty trucks of model years 2017-2025."[6] The President requested that the two federal agencies work with the State of California to develop and publish a joint technical assessment that would provide technical input to the rulemaking effort. EPA and NHTSA have taken a number of steps to develop a joint rulemaking for the MY 2017-25 standards, and intend to issue a joint proposal this fall.

In September 2010, following extensive dialog with a wide range of stakeholders, EPA and NHTSA published a Joint Interim Technical Assessment Report (TAR) with the California Air Resources Board (CARB). The TAR included a preliminary assessment of the costs and benefits of achieving a range of 3 to 6 percent per year improvement in greenhouse gas emissions from MY 2017 to 2025 light duty vehicles. At that time, EPA and NHTSA also issued a Joint Notice of Intent (NOI) discussing their intention to propose MY 2017-2025 GHG and CAFE standards. The agencies requested public comment on all aspects of the NOI and the TAR.[7]

Engaging in technical discussions with a wide range of stakeholders was critical to ensure this data-intensive review was done to the highest scientific standards. With this in mind, EPA, NHTSA, and CARB held numerous meetings with a wide variety of stakeholders to gather input to consider in developing the TAR, and to ensure that the agencies had available to them the most recent technical information. These stakeholders included the automobile original equipment manufacturers (OEMs), automotive suppliers, non-governmental organizations, states and state organizations, infrastructure providers, and labor unions.

In December 2010, EPA and NHTSA published a supplemental NOI, which summarized the public comments received on the September NOI and TAR, as well as other information

[6] The Presidential Memorandum is found at: http://www.whitehouse.gov/the-press-office/presidential-memorandum-regarding-fuel-efficiency-standards.
[7] 75 Fed. Reg. 62739 (October 13, 2010).

provided by the ongoing extensive outreach to stakeholders.[8] The supplemental NOI provided the public with the agencies' plans to continue gathering stakeholder input as well as a range of technical data and analysis that was underway to continue developing a proposal for extending the National Program to MY 2017-2025 light duty vehicles.

This past July, EPA and NHTSA issued a second supplemental NOI (SNOI), which provided a framework for standards and regulatory incentives and flexibilities the agencies intend to propose for public comment; including standards which could lead to a projected EPA fleet-wide MY 2025 compliance level of 163 g/mile CO2. The elements of this supplemental NOI were informed by yet additional input from a wide range of stakeholders, and are supported by letters from CEOs of 13 auto companies as well as the California Air Resources Board, which intends to model its future program on the elements outlined in the SNOI, and to defer to the federal program as it is doing for Model Years 2012-2016. This SNOI was published on August 9, 2011. [9]

The SNOI provides a detailed framework for a proposal of GHG and CAFE standards for MY2017-2025. It makes clear that the federal agencies will be issuing a joint Notice of Proposed Rulemaking, and will hold hearings and seek additional public comments, before making any final decisions on the GHG and CAFE rules. The agencies project that the framework for standards under consideration for MY 2017- 2025 vehicles would further reduce America's dependence on foreign oil and result in significant savings at the pump for American families. Importantly, under the new standards, agencies believe that consumers will continue to have access to the same full range of vehicle choices that they have today.

[8] 75 Fed. Reg. 76337 (December 6, 2010).
[9] 76 Fed. Reg. 48758 (August 9, 2011).

The standards under consideration are projected to reduce greenhouse gas emissions by approximately 2 billion metric tons and save approximately 4 billion barrels of oil over the lifetime of MY 2017-2025 vehicles. These standards would provide significant benefits to American consumers by reducing the costs they would pay to fuel these more efficient vehicles.

When EPA and NHTSA issue the proposed standards, we will make available for public comment the same type of analyses of the effects of the rule on vehicle sales and consumers that we did when we proposed the MY 2012-16 standards. During the public comment period, consumers, small businesses and others are invited to submit comments regarding the effect of the proposed standards. EPA and NHTSA will carefully consider any such comments before making any final decisions on the standards.

Heavy Duty Vehicles and Engines

EPA and NHTSA also worked together on a joint rulemaking to establish fuel efficiency and GHG standards for MY 2014-18 medium and heavy duty trucks and engines. This program has support from the trucking industry, including engine and truck manufacturers, the American Trucking Association, the State of California, and leaders from the environmental community. This groundbreaking national program will improve energy and national security, benefit consumers and businesses, reduce harmful air pollution, and lower costs for transporting goods while spurring job growth and innovation in the clean energy technology sector.

We estimate that these combined standards will save about 530 million barrels of oil over the lifetime of these vehicles, reduce CO2 emissions by about 270 million metric tons, and help vehicle owners achieve $50 billion in total fuel savings over the lifetimes of these vehicles. [10] These standards will reduce fuel consumption and GHGs, and provide fuel cost savings for drivers in a range of trucks, including large pick-up trucks and vans, long-haul trucks, and

[10] See 76 Fed. Reg. 57106 (September 15, 2011).

vocational trucks such as buses and refuse haulers. A semi-truck operator could pay for the technology upgrades in under a year and realize net savings of $73,000 through reduced fuel costs over the truck's useful life. In addition, EPA estimates the standards will improve air quality by reducing particulate matter and ozone, resulting in societal benefits ranging from about $1.3 billion to $4.2 billion in 2030.

The Clean Air Act

These mobile source regulations are a continuation of the 40-year Clean Air Act success story. For 40 years, the Clean Air Act has allowed steady progress to be made in reducing the threats posed by pollution and allowing us all to breathe easier. In the last year alone, programs implemented pursuant to the Clean Air Act Amendments of 1990 are estimated to have reduced premature mortality risks equivalent to saving over 160,000 lives; spared Americans more than 100,000 hospital visits; and prevented millions of cases of respiratory problems, including bronchitis and asthma.[11] They also enhanced productivity by preventing 13 million lost workdays; and kept kids healthy and in school, avoiding 3.2 million lost school days due to respiratory illness and other diseases caused or exacerbated by air pollution.[12]

However, few of the emission control standards that gave us these huge gains in public health were uncontroversial at the time they were developed and promulgated. Most major rules have been adopted amidst claims that that they would be bad for the economy and bad for employment.

[11] USEPA (2011). The Benefits and Costs of the Clean Air Act from 1990 to 2020. Final Report. Prepared by the USEPA Office of Air and Radiation. February 2011. Table 5-5. This study is the third in a series of studies originally mandated by Congress in the Clean Air Act Amendments of 1990. It received extensive peer review and input from the Advisory Council on Clean Air Compliance Analysis, an independent panel of distinguished economists, scientists and public health experts.

[12] Ibid.

Some may find it surprising that the Clean Air Act also has been a good economic investment for our country. In contrast to doomsday predictions, history has shown, again and again, that we can clean up pollution, create jobs, and grow our economy all at the same time. Over that same 40 years since the Act was passed, the Gross Domestic Product of the United States grew by more than 200 percent.[13]

Some would have us believe that "job-killing" describes EPA's regulations. It is misleading to say that enforcement of the Clean Air Act is bad for the economy and employment. It isn't. Families should never have to choose between a job and healthy air. They are entitled to both.

Studies led by Harvard economist Dale Jorgenson in 2001 to 2002 found that implementing the Clean Air Act actually increased the size of the US economy because of lower demand for health care and a healthier, more productive workforce.[14] By 2030 the Clean Air Act will have prevented 3.3 million work days lost and avoided the cost of 20,000 hospitalizations every year, based on recent EPA estimates.[15] A study that examined four regulated industries (pulp and paper, refining, iron and steel, and plastic) concluded that, "We find that increased environmental spending generally does not cause a significant change in employment."[16]

The EPA's updated public health safeguards under the Clean Air Act will encourage investments in labor-intensive upgrades that can put current unemployed or under-employed Americans back to work. Environmental spending creates jobs in engineering, manufacturing,

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[13] Bureau of Economic Analysis, National Economic Accounts, "Table 1.1.5. Gross Domestic Product," http://bea.gov/national/index.htm#gdp

[14] Dale W. Jorgenson Associates (2002a). *An Economic Analysis of the Benefits and Costs of the Clean Air Act 1970-1990. Revised Report of Results and Findings.* Prepared for EPA. http://yosemite.epa.gov/ee/eerm.nsf/vwAN/EE-0565-01.pdf/$file/EE-0565-01.pdf.

[15] Jorgenson (2002a)

[16] Morgenstern, R. D., W. A. Pizer, and J. S. Shih. 2002. "Jobs versus the Environment: An Industry-Level Perspective." *Journal of Environmental Economics and Management* 43(3):412-436.

construction, materials, operation and maintenance. For example, EPA vehicle emissions standards directly sparked the development and application of a huge range of automotive technologies that are now found throughout the global automobile market. The vehicle emissions control industry employs approximately 65,000 Americans with domestic annual sales of $26 billion.[17] Likewise, in 2008, the United States' environmental technologies and services industry 1.7 million workers generated approximately $300 billion in revenues and led to exports of $44 billion of goods and services[18], larger than exports of sectors such as plastics and rubber products.[19] The size of the world market for environmental goods and services is comparable to the aerospace and pharmaceutical industries and presents important opportunities for U.S. Industry.[20]

Jobs also come from building and installing pollution control equipment. For example, the U.S. boilermaker work force grew by approximately 35 percent, or 6,700 boilermakers, between 1999 and 2001 during the installation of controls to comply with EPA's regional nitrogen oxide reduction program.[21] Over the past seven years, the Institute for Clean Air Companies (ICAC) estimates that implementation of just one rule – the Clean Air Interstate Rule Phase 1 – resulted in 200,000 jobs in the air pollution control industry.[22] Similar effects have been recognized by the electric power industry as well. In a letter to the editor in the Wall Street

[17] Manufacturers of Emissions Control Technology (http://www.meca.org/cs/root/organization_info/who_we_are)
[18] DOC International Trade Administration. "Environmental Technologies Industries: FY2010 Industry Assessment. http://web.ita.doc.gov/ete/eteinfo.nsf/068f3801d047f26e85256883006ffa54/4878b7e2fc08ac6d85256883006c452c/$FILE/Full%20Environmental%20Industries%20Assessment%202010.pdf (accessed February 8, 2011)
[19] U.S. Census Bureau, Censtats Database, International Trade Data--NAICS, http://censtats.census.gov/naic3_6/naics3_6.shtml (accessed September 6, 2011)
[20] Network of Heads of the European Environment Protection Agencies, 2005. "The Contribution of Good Environmental Regulation to Competitiveness." http://www.eea.europa.eu/about-us/documents/prague_statement/prague_statement-en.pdf (accessed February 8, 2011).
[21] International Brotherhood of Boilermakers, *Boilermaker Labor Analysis and Installation Timing,* March 2005, EPA Docket OAR-2003-0053 (docket of the Clean Air Interstate Rule).
[22] November 3, 2010 letter from David C. Foerter, Executive Director of the Institute of Clean Air Companies, to Senator Thomas R. Carper (http://www.icac.com/files/public/ICAC_Carper_Response_110310.pdf (accessed February 8, 2011).

Journal, eight major utilities that will be affected by our greenhouse gas pollution standards said, "Contrary to claims that EPA's agenda will have negative economic consequences, our companies' experience complying with air quality regulations demonstrates that regulations can yield important economic benefits, including job creation, while maintaining reliability."[23]

Efforts, like the National Program represent monumental achievements for America. History has shown that we can clean up pollution, improve the health of Americans, achieve a healthier and more productive American workforce, protect our environment, and grow the economy all at the same time. Again, I appreciate the opportunity to provide the Agency's views on this matter.

[23] December 8, 2010 WSJ "We're OK With the EPA's New Air Quality Regulations"