Cut the Crude
Consumer Benefits of Fuel Economy Standards

EESI Briefing
February 29, 2012

Shannon Baker-Branstetter
Policy Counsel, Consumers Union
Audience Poll

- How many of you drive to work?
- Do you know the current price of gasoline?
- Do you know the current price of milk?
Who We Are

- Consumers Union is the advocacy division of Consumer Reports.
- Our auto test track conducts comprehensive tests of approximately 80 new vehicles every year, which we buy anonymously at retail.
- We do not accept outside advertising.
- Consumer Reports has more than 8 million subscribers to our magazine, web site, and other publications.
- Since our inception in 1936, auto safety and value have been paramount for us.
Why Fuel Economy Standards?

- Reach national security, economic, and environmental goals
- Achieve outstanding consumer benefits
- Drive innovation and investment in cleaner and more efficient technologies
- Erode the price premium often charged for superior fuel economy
Cost-Benefit Analysis

• Benefits >>> costs of compliance
• Consumer benefits: fuel savings
• Costs: investments in deploying and developing more efficient and alternative fuel technologies
Consumer Savings

- Even with NHTSA’s generous cost estimate and conservative fuel prices, consumers will more than recover upfront investments through savings at the pump
- Net savings: $4,000
  - In 2025, NHTSA estimates average cost will be $2,000/vehicle
  - Estimated fuel savings about $6,000 over life of the vehicle
- For car buyers who finance (2/3), the standards will save money in the very first month of ownership
  - Average monthly fuel savings > additional monthly payment
- For car buyers who pay cash for a new vehicle, the payback period < 4 years
Examples of Savings

<table>
<thead>
<tr>
<th>Old mpg</th>
<th>New mpg</th>
<th>Annual Savings ($3/gallon)</th>
<th>Annual Savings ($4/gallon)</th>
<th>Annual Savings ($5/gallon)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>25</td>
<td>$960</td>
<td>$1,280</td>
<td>$1,600</td>
</tr>
<tr>
<td>20</td>
<td>30</td>
<td>$600</td>
<td>$800</td>
<td>$1,000</td>
</tr>
<tr>
<td>30</td>
<td>40</td>
<td>$300</td>
<td>$400</td>
<td>$500</td>
</tr>
<tr>
<td>40</td>
<td>50</td>
<td>$180</td>
<td>$240</td>
<td>$300</td>
</tr>
</tbody>
</table>

Assuming 12,000 miles driven per year
Broad Support

• Automakers
• Labor
• Consumer Groups
• Environmental Groups
• Public
Survey Results

• According to our nationally representative survey conducted in October 2011:
  – 93% believe that fuel efficiency standards for all vehicles should be improved
  
  – 80% support at least 55 mpg as a target fleet average for 2025

  – As availability improves, 72% of consumers who plan to buy a vehicle would consider an alternative power train, such as hybrid, electric, flex-fuel or natural gas

  – 83% are willing to pay extra for more fuel efficient vehicle if the payback from lower fuel costs is less than five years
Common question: Safety

- Cars have been getting safer as fuel economy has improved.
- Safety of future vehicles dominated by vehicle design, not size or weight.
- Advanced materials can decouple size from mass (weight), improving both fuel economy and safety without compromising functionality.
Common question: Affordability

- Additional cost likely to be very modest
- Net savings are substantial
  - For people who finance their new vehicle, savings begin immediately
- Operating costs are a significant portion of vehicle ownership
  - Lower operating costs reduce default risk
  - Money saved on gas can be used to purchase other needed goods and services
- Greater deployment of efficient technologies will make efficient vehicles more affordable
Common question: Consumer Choice

- Higher fuel economy standards likely to improve the vehicle choices available to consumers
- Targets for each manufacturer are “footprint-based”
  - no incentive for automakers to downsize vehicles
  - each class of car will likely see efficiency gains
  - consumers will have more efficient options across vehicle classes
- Likely to see more partially and fully electrified options from many or all automakers
Summary

Improved fuel economy standards will:
– Save consumers thousands of dollars
– Improve selection of fuel efficient and alternative fuel vehicles
– Maintain a range of options across vehicle class
– Reduce oil consumption
– Provide other important public benefits
Questions

Shannon Baker-Branstetter, Policy Counsel

bakesh@consumer.org

202-462-6262