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May 12, 2020

The Honorable Roger Wicker
Chairman
The Honorable Maria Cantwell
Ranking Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Frank Pallone, Jr.
Chairman
The Honorable Greg Walden
Ranking Member
Committee on Energy and Commerce
House of Representatives

Subject: *Environmental Protection Agency, Department of Transportation, National Highway Traffic Safety Administration: The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Environmental Protection Agency (EPA), Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (collectively, the agencies) entitled “The Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021–2026 Passenger Cars and Light Trucks” (RINs: 2127–AL76, 2060–AU09). We received the rule on March 31, 2020. It was published in the *Federal Register* as a final rule on April 30, 2020. 85 Fed. Reg. 24174. The effective date of the rule is June 29, 2020.

According to the agencies, the final rule amends and establishes carbon dioxide and fuel economy standards. Specifically, the agencies stated that EPA is amending carbon dioxide standards for model years 2021 and later, and NHTSA is amending fuel economy standards for model year 2021 and setting new fuel economy standards for model years 2022–2026. The agencies stated the standards set by this action apply to passenger cars and light trucks.

Enclosed is our assessment of the agencies’ compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you

have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in cursive script that reads "Shirley A. Jones". The signature is written in black ink and is positioned above the typed name and title.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Milt Cooper
Program Analyst
Associate Administrator for Rulemaking
National Highway Traffic Safety Administration
Department of Transportation

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
ENVIRONMENTAL PROTECTION AGENCY,
DEPARTMENT OF TRANSPORTATION,
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
ENTITLED
“THE SAFER AFFORDABLE FUEL-EFFICIENT (SAFE)
VEHICLES RULE FOR MODEL YEARS 2021–2026
PASSENGER CARS AND LIGHT TRUCKS”
(RINs: 2127–AL76, 2060–AU09)

(i) Cost-benefit analysis

The Environmental Protection Agency and the National Highway Traffic Safety Administration (collectively, the agencies) estimated the costs and benefits of the final rule for both Corporate Average Fuel Economy (CAFE) and carbon dioxide emission standards at varying alternatives. For example, at the 0 percent level of the CAFE standards for both passenger cars and light trucks, the agencies estimated a cost reduction of \$330.5 billion and a benefit reduction of \$346.8 billion, creating a net benefit reduction of \$16.3 billion at the 3 percent discount rate. The agencies further estimated a cost reduction of \$234 billion and a benefit reduction of \$215.6 billion, creating a net benefit of \$18.4 billion at the 7 percent discount rate. Also, at the 0 percent level of the carbon dioxide standards for both passenger cars and light trucks, the agencies estimated a cost reduction of \$314.7 billion and a benefit reduction of \$345.8 billion, creating a net benefit reduction of \$31.1 billion at the 3 percent discount rate. The agencies further estimated a cost reduction of \$219.3 billion and a benefit reduction of \$214.8 billion, creating a net benefit of \$4.6 billion at the 7 percent discount rate. The agencies provided further estimates at other levels in the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The agencies certified the final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

According to the agencies, this rule will not result in the expenditure by state, local, or tribal governments, in the aggregate, of more than \$148 million annually, but it will result in the expenditure of that magnitude by vehicle manufacturers and/or their suppliers. In developing this rule, the agencies stated they considered a variety of alternative average fuel economy standards lower and higher than those previously proposed. The agencies determined the fuel economy standards for model years 2021–2026 are the least costly, most cost effective, and least burdensome alternative that achieve the objectives of the rule.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On August 24, 2018, the agencies published a proposed rule. 83 Fed. Reg. 42986. The agencies received 792,006 comments to the proposed rule, in addition to comments submitted as part of the public hearings. Specifically, the agencies held three public hearings: one in Fresno, California, on September 24, 2018; one in Dearborn, Michigan, on September 25, 2018; and one in Pittsburgh, Pennsylvania, on September 26, 2018. The agencies responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The agencies determined the final rule contains information collection requirements (ICRs) subject to the Act and submitted them to the Office of Management and Budget (OMB) for approval. The agencies stated they were reinstating the previously approved ICR for CAFE reports. These reports are associated with OMB Control Number 2127-0019 entitled Corporate Average Fuel Economy. The agencies estimated the ICR would have a burden of 4,018.73 hours at a cost of \$198,885.02 for manufacturers and a burden of 3,038 hours at a cost of \$141,246.78 for the government.

Statutory authorization for the rule

The agencies promulgated the rule pursuant to sections 7401—7671q of title 42, and sections 32901—23919q of title 49, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

The agencies stated the final rule is an economically significant regulatory action and that they submitted the final rule to OMB for review.

Executive Order No. 13,132 (Federalism)

The agencies stated they complied with Order's requirements in the final rule.