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November 10, 2016

The Honorable James M. Inhofe
Chairman
The Honorable Barbara Boxer
Ranking Member
Committee on Environment and Public Works
United States Senate

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

Subject: *Environmental Protection Agency and Department of Transportation, National Highway Traffic Safety Administration: Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles—Phase 2*

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) and Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (collectively, the agencies) entitled “Greenhouse Gas Emissions and Fuel Efficiency Standards for Medium- and Heavy-Duty Engines and Vehicles—Phase 2” (RINs: 2060-AS16; 2127-AL52). We received the rule on September 6, 2016. It was published in the *Federal Register* as a final rule on October 25, 2016. 81 Fed. Reg. 73,478.

The final rule establishes a comprehensive Phase 2 Heavy-Duty (HD) National Program to reduce greenhouse gas (GHG) emissions and fuel consumption from new on-road medium- and heavy-duty vehicles and engines. NHTSA's fuel consumption standards and EPA's carbon dioxide (CO₂) emission standards apply to each of four regulatory categories of heavy-duty vehicles: combination tractors; trailers used in combination with those tractors; heavy-duty pickup trucks and vans; and vocational vehicles. The rule also includes separate standards for the engines that power combination tractors and vocational vehicles. EPA states in the rule that certain requirements for control of GHG emissions are exclusive to the EPA program. These include EPA's hydrofluorocarbon standards to control leakage from air conditioning systems in vocational vehicles and EPA's nitrous oxide (N₂O) and methane (CH₄) standards for heavy-duty engines. Additionally, NHTSA is addressing misalignment between the Phase 1 EPA GHG standards and the NHTSA fuel efficiency standards to virtually eliminate the differences. This rule also includes certain EPA-specific provisions relating to control of emissions of pollutants other than GHGs. EPA is finalizing non-GHG emission standards relating to the use of diesel auxiliary power units installed in new tractors. In addition, EPA is clarifying the classification of natural gas engines and other gaseous-fueled heavy-duty engines. EPA is also finalizing

technical amendments to EPA rules that apply to emissions of non-GHG pollutants from light-duty motor vehicles, marine diesel engines, and other non-road engines and equipment. Finally, EPA is requiring that engines from donor vehicles installed in new glider vehicles meet the emission standards applicable in the year of assembly of the new glider vehicle, including all applicable standards for criteria pollutants, with limited exceptions for small businesses and for other special circumstances.

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. Our review of the procedural steps taken indicates that the agencies complied with the applicable requirements.

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 Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Nicole Owens
Director, Regulatory Management Division
Environmental Protection Agency

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
“GREENHOUSE GAS EMISSIONS AND FUEL EFFICIENCY STANDARDS
FOR MEDIUM- AND HEAVY-DUTY ENGINES AND VEHICLES—PHASE 2”
(RINs: 2060-AS16; 2127-AL52)

(i) Cost-benefit analysis

The Environmental Protection Agency (EPA) and Department of Transportation, National Highway Traffic Safety Administration (NHTSA) (collectively, the agencies) analyzed the costs and benefits of this final rule. The agencies used two methods, one with a flat baseline and one with a dynamic baseline, to generate a range of effects. Over the lifetime of vehicles with model years between 2018 and 2029, the agencies estimate this rule will reduce fuel consumption by 71 billion to 82 billion gallons and reduce greenhouse gas emission by 959 million metric tons to 1098 million metric tons. At a 3 percent discount rate, the agencies estimate this rule will have total costs of \$29 billion to \$31 billion, total benefits of \$225 billion to \$260 billion, resulting in net benefits of \$197 billion to \$229 billion over the lifetime of model years 2018-2029. At a 7 percent discount rate, the agencies estimate this rule will have total costs of \$19 billion to \$20 billion, total benefits of \$136 billion to \$151 billion, resulting in net benefits of \$117 billion to \$131 billion over the lifetime of model years 2018-2029. The agencies also estimated the net benefits in calendar years 2040 and 2050 to be \$71.4 billion and \$87.6 billion, respectively.

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

The agencies certified that this 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

The agencies determined that this final rule contains a federal mandate under the Act as it may result in expenditures of \$100 million or more for state, local, and tribal governments, in the aggregate, or the private sector in any one year. In response to the Act's requirements, the agencies prepared a statement on the cost-benefit analysis.

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

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

On July 13, 2015, the agencies published a proposed rule. 80 Fed. Reg. 40,137. The agencies also published a Notice of Data Availability on March 2, 2016. 81 Fed. Reg. 10,824. The agencies stated that they revised the proposed standards and related requirements to address issues raised in public comments.

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

The agencies determined that this final rule contains information collection activities under the Act that will be reviewed by the Office of Management and Budget (OMB) under OMB Control Number 2060-0678. The agencies estimate the total annual information collection burden will be 61,800 hours. The agencies also estimate the average annual cost associated with the first three implementation years will be approximately \$8 million.

Statutory authorization for the rule

EPA promulgated this final rule under the authority of sections 202(a), 202(d), 203–209, 216, and 301 of the Clean Air Act. 42 U.S.C. §§ 7521(a), 7521(d), 7522–7543, 7550, 7601. NHTSA promulgated this final rule under the authority of section 103 of the Energy Independence and Security Act of 2007 and the National Traffic and Motor Vehicle Safety Act. 49 U.S.C. §§ 32902(k), 30101–30183.

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

The agencies determined that this final rule is an economically significant regulatory action under the Order and submitted it to OMB for review.

Executive Order No. 13,132 (Federalism)

The agencies determined that this final rule does not have federalism implications and that it will not have substantial direct effects on the states, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.