



B-284629

February 23, 2000

The Honorable Robert C. Smith
Chairman
The Honorable Max Baucus
Ranking Minority Member
Committee on Environment and Public Works
United States Senate

The Honorable Thomas J. Bliley, Jr.
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

Subject: Environmental Protection Agency: Control of Air Pollution From New Motor Vehicles: Tier 2 Motor Vehicle Emissions Standards and Gasoline Sulfur Control Requirements

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), entitled "Control of Air Pollution From New Motor Vehicles: Tier 2 Motor Vehicle Emissions Standards and Gasoline Sulfur Control Requirements" (RIN: 2060-AI23). We received the rule on December 22, 1999. It was published in the Federal Register as a final rule on February 10, 2000. 65 Fed. Reg. 6698.

The final rule is designed to reduce the emissions from new passenger cars and light trucks, including pickup trucks, vans, minivans, and sport utility vehicles. It finalizes a single set of tailpipe emission standards (Tier 2) that will, for the first time, apply to all passenger cars, light trucks, and larger passenger vehicles operated on any fuel. In addition, the rule requires reduced gasoline sulfur levels nationwide.

Enclosed is our assessment of the EPA's 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 indicates that the EPA complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO

evaluation work relating to the subject matter of the rule is Peter Guerrero, Director, Environmental Protection Issues. Mr. Guerrero can be reached at (202) 512-6111.

Sincerely yours,

Robert P. Murphy
General Counsel

Enclosure

cc: Mr. Thomas E. Kelly
Director, Office of Regulatory
Management and Information
Environmental Protection Agency

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY THE
ENVIRONMENTAL PROTECTION AGENCY
ENTITLED
"CONTROL OF AIR POLLUTION FROM NEW MOTOR VEHICLES:
TIER 2 MOTOR VEHICLE EMISSIONS STANDARDS
AND GASOLINE SULFUR CONTROL REQUIREMENTS"
(RIN: 2060-AI23)

(i) Cost-benefit analysis

EPA performed a cost-benefit analysis of the final rule. For the final Tier 2/Gasoline Sulfur rule, the adjusted annual cost of implementing the rule is \$5.3 billion.

Using EPA's preferred approach for monetizing reductions in particulate matter-related premature mortality, the Value of a Statistical Life (VSL) approach, the estimate of monetized benefits is \$25.2 billion. Monetized net benefits using the VSL approach for valuing avoided incidences of premature mortality are approximately \$19.9 billion.

Using the alternative, age-adjusted approach, the Value of a Statistical Life Year, total monetized benefits are projected to be around \$13.8 billion, resulting in monetized net benefits of approximately \$8.5 billion.

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

EPA prepared a Final Regulatory Flexibility Analysis in connection with the final rule. The Analysis is part of the Regulatory Impact Analysis and is summarized in the preamble. The Analysis complies with the informational requirements of the Act.

The small entities affected by the rule include about 15 small petroleum refiners, several hundred petroleum marketers, and about 15 independent commercial importers of vehicles and small volume manufacturers.

EPA convened a Small Business Advocacy Review Panel, which submitted a report containing numerous recommendations concerning alternatives to mitigate the impacts of the rule on small entities, including relief periods for refiners and longer phase-in periods. EPA's final rule adopts the major recommendations of the panel.

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

EPA has determined that the final rule contains a federal mandate that may result in the expenditure of \$100 million or more in any one year for the private sector. Therefore, EPA has prepared the written statement required under section 202.

The statement contains both qualitative and quantitative assessments of the costs of the rule and the benefits of the rule. In the statement, EPA discusses the alternatives considered and that it considers the alternatives selected to be the least costly, most cost-effective approach to achieve the air quality goals of the rule.

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

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

Instead of the notice and comment procedures in the Administrative Procedure Act, EPA promulgated the rule using the procedures, which have similar notice and comment requirements, contained in section 307(d) of the Clean Air Act, as amended. 42 U.S.C. § 7607(d). The use of these procedures regarding this rule is mandated by sections 307(d)(1)(C) and (E) of the Clean Air Act. 42 U.S.C. §§ 7607(d)(1)(c) and (E).

EPA published a Notice of Proposed Rulemaking on May 13, 1999, in the Federal Register. 64 Fed. Reg. 26004. In addition to the comments received in response to the notice, EPA also held four public meetings in June 1999 with interested parties. EPA summarizes and responds to the comments in the preamble to the final rule.

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

The final rule contains information collections regarding both the Tier 2 program and the control of gasoline sulfur content which are subject to review and approval by the Office of Management and Budget (OMB).

EPA estimates the total annual burden of the two collections to be less than 51,350 hours and \$2,742,000 for the first 3 years of the requirements.

Statutory authorization for the rule

The authority for the vehicle controls in the final rule is found in sections 202, 206, 207, 208, and 301 of the Clean Air Act (CAA), as amended, 42 U.S.C. 7521, 7525, 7541, 7542, and 7601. The authority for the fuel controls comes from section 211(c) of the CAA, 42 U.S.C. 7545(c).

Executive Order No. 12866

The final rule was determined to be a “significant regulatory action” by the Office of Management and Budget and, following OMB review, was found to comply with the requirements of the Order.

Executive Order No. 13132 (Federalism)

EPA has determined that the final rule does not have federalism implications. Notwithstanding this determination and the fact that the final rule was proposed before the November 2, 1999, effective date of the Order, in the preamble to the final rule EPA outlines the steps it took to provide state and local officials opportunities to comment on the rule.