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Chairman Whitfield, Ranking Member Rush, and Members of the Committee, I appreciate the opportunity to appear before you today regarding the Gasoline Regulations Act of 2012.

I understand how hard hit many families are by today's high gas prices. They deserve and need real solutions. That is why President Obama has issued a plan for action on energy that includes an all-of-the-above energy strategy to reduce our dependence on oil, save businesses and consumers money, and position the United States as the global leader in clean energy.

Unfortunately, this legislation appears to use high gas prices as the reason to rollback fundamental public health protections that have nothing to do with gasoline prices. For instance, this bill would fundamentally change the cornerstone of the Clean Air Act – the requirement that EPA set air quality standards for smog at the level that is necessary to protect public health based on a vigorous review of the science and without consideration of costs. Let me be clear – programs to reduce smog and protect public health are not the cause of high fuel prices.

This legislation also delays – indefinitely – rules that EPA has not even proposed. In short, this legislation does not address the reasons for the recent increase in the price of gasoline, while rolling back core aspects of the Clean Air Act – which was passed on a bipartisan basis and signed by a Republican President. On the other hand, the Administration has taken specific steps to increase the supply of oil and EPA has taken

steps, in conjunction with our Federal partners, to ensure that we travel further on each gallon of gasoline that we consume.

Specifically, EPA, in concert with the National Highway and Traffic Safety Administration (NHTSA), is playing a significant role in that plan, establishing new fuel economy and greenhouse gas (GHG) standards that are making cars and trucks rolling off assembly lines today more efficient, saving American families and businesses money at the pump. EPA and NHTSA have issued a set of proposed and final greenhouse gas pollution and fuel economy standards for model year 2011-2025 vehicles that are estimated to save approximately 12 billion barrels of oil over the life of the vehicles, equivalent to the past 6 years of imported oil from OPEC countries.[1]

Current EPA Actions To Reduce the Amount Americans Spend on Gasoline

In the last few years, EPA has issued several regulations that will save consumers money at the pump and keep more of the money we spend on fuel in the United States. New car and light truck owners are already saving money at the pump as a result of EPA's and NHTSA's first ever joint standards to cut greenhouse gas pollution and increase the fuel efficiency of cars and light trucks for model years 2012-2016. Over the lifetime of MY 2012-2016 vehicles, the combined EPA and NHTSA standards are projected to reduce U.S. greenhouse gas emissions by about 960 million metric tons and save 1.8 billion barrels of oil,[2] more oil than we imported from OPEC countries last year.[3]

These standards will save consumers and small businesses money by reducing their gasoline usage. 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. After only three years of use, U.S. consumers who purchase

[1] [1] EIA data on U.S. Imports by Country of Origin 3/19/2012 http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_EPP0_im0_mbbl_a.htm
[2] See 75 Fed. Reg. 25328 (May 7, 2010).
[3] EIA data on U.S. Imports by Country of Origin 3/19/2012 http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_EPP0_im0_mbbl_a.htm

MY 2012-2016 vehicles outright are projected to save enough in lower fuel costs to offset the increase in vehicle costs. U.S. consumers who use a 5-year loan 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, which means that consumers start saving in their very first month of ownership. [4]

Even greater savings are in store for consumers in the future. On November 16, 2011, at the direction of the President, and with the support of auto manufacturers,[5] and the State of California, EPA and NHTSA issued their joint proposal to extend this National Program of greenhouse gas and fuel economy standards to MY 2017-2025 cars and light trucks. The proposal would require vehicle manufacturers to meet an estimated CO2 standard of 163 grams of CO2 per mile on an average fleet-wide basis in 2025, equivalent to 54.5 miles per gallon if all of those improvements are made with fuel economy-improving technologies. Over the lifetime of the MY 2017-2025 vehicles, the proposed standards would reduce greenhouse gas emissions by an estimated 2 billion metric tons and save 4 billion barrels of oil (above the billions of barrels in additional savings from the 2016 standards that carry into these model years as well). This is approximately the same amount of oil imported by the United States from all foreign sources last year alone.[6] Net lifetime savings for vehicle owners of a MY 2025 vehicle are estimated to be $3,000 - $4,400.

Further, starting with MY 2014, new medium and large truck and bus owners will also begin saving on fuel costs. In August, 2011, EPA and NHTSA announced the first ever joint greenhouse gas and fuel efficiency standards for trucks and buses. 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. In addition to improving energy and national security, this program will benefit consumers and businesses, reduce harmful air

[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
[6] EIA data on U.S. Imports by Country of Origin 3/19/2012 http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_EPP0_im0_mbbl_a.htm

pollution, lower costs for transporting goods, and spur job growth and innovation in the clean energy technology sector.

The joint EPA and NHTSA standards are estimated to save about 530 million barrels of oil and reduce CO2 emissions by about 270 million metric tons over the life of MY 2014-2018 vehicles, providing $49 billion in net program benefits. The reduced fuel use will provide an estimated $50 billion in fuel savings to vehicle owners, or $42 billion in net savings when considering technology costs.[7] A long haul trucker is projected to save a net of $73,000 over the life of a MY 2018 truck. Using technologies commercially available today, the majority of vehicles will see a payback period of about one year; others will see payback periods of up to two years.

EPA's renewable fuels program, established by Congress, helps keep money spent on fuel in the United States. On March 26, 2010, EPA completed regulations to implement the RFS program required under EISA in 2007. We estimate the RFS program, when fully implemented in 2022, would displace about 13.6 billion gallons of petroleum-based gasoline and diesel fuel, which represents about 7 percent of expected annual gasoline and diesel consumption in 2022. We also estimate that the fully implemented program would decrease oil import expenditures by $41.5 billion dollars, result in additional energy security benefits of $2.6 billion, and reduce greenhouse gas emissions by 138 million metric tons of CO2 equivalent per year.

The Gasoline Regulations Act of 2012 and Gas Prices

The Gas Regulations Act of 2012 would not reduce gas prices, but it would waste government resources and taxpayer dollars. It would indefinitely delay a handful of EPA rules. It would require a new, interagency committee comprised of seven different agencies to conduct extensive analyses of the health protective standards that are being held hostage. As an initial matter, it is unclear how the new committee would analyze rules that have not yet been proposed, or how the public could comment on that analysis

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

in an informed way. This additional process is not needed to ensure that EPA analyzes the effect of these rules on gas production costs – this is already part of the economic analysis that EPA already does for rules applicable to refiners or fuel. This additional process is not needed to ensure that other agencies have the opportunity to comment on EPA's analysis – they already do so under the inter-agency review process conducted by OMB. This additional process is not needed to ensure that the public can review and comment on EPA's gas price analysis – this is already required as part of the required notice-and-comment rulemaking process.

I am severely constrained in explaining the benefits of the fuel and refinery rules that would be blocked by this draft bill because we have not yet proposed them. I can, however, discuss why EPA is developing them. The so-called Tier 3 vehicle and fuel standards, which would reduce pollution from cars and light trucks, would respond to the critical need to improve air quality in those areas not in attainment of the health-based standard. These standards would reduce motor vehicle emissions and help state and local areas attain and maintain the existing health-based air quality standards in a cost-effective and timely way. The only fuel requirement we are considering for Tier 3 is one that would lower the amount of sulfur in gasoline, which is necessary to operate the pollution control equipment to achieve new Tier 3 vehicle standards. To be clear, the Agency is not considering addressing issues associated with Reid vapor pressure in any Tier 3 proposal that eventually is released. As with lead, sulfur in fuel impairs the functioning of emission control equipment. By focusing only on sulfur requirements in Tier 3, we estimate the impact on fuel costs to be less than one penny per gallon when the program goes into effect in 2017 or later, an estimate that is consistent with a recent study by Mathpro.[8] The auto industry has told us that lower sulfur in gasoline will help them reduce the cost of fuel-saving technologies that will improve fuel efficiency, which saves consumers money on gasoline.[9]

[8] Refinery Economics of a National Low Sulfur, Low RVP Gasoline Standard, MathPro, Inc. (October 25, 2011), available at http://www.theicct.org

[10] National Health Statistics Reports, "Asthma Prevalence, Health Care Use, and Mortality: United States, 2005-2009," January 12, 2011. http://www.cdc.gov/nchs/data/nhsr/nhsr032.pdf

The petroleum refinery sector rules respond to serious health concerns for millions of Americans. Refineries emit toxic air pollutants, and they are often located in densely populated areas, which risks exposing those populations to air toxic emissions. Common sense, cost-effective emission reductions can be achieved with no refinery closures and no change in the price of gasoline. In addition to proposing measures to improve public health, EPA is planning rule revisions in response to petitions from industry stakeholders who have asked us to make changes that will create clarity and consistency for industry.

The Tier 3 and refinery standards that would be blocked by this draft bill would help states achieve the health-based national ambient air quality standards that are in effect now. National rules such as these often allow states to avoid adopting local and state-wide control measures that may place a greater compliance burden and be more costly to small businesses and individual citizens in the non-attainment areas than the national regulations.

The Gasoline Regulations Act of 2012 and the Ozone NAAQS

The most significant provision of the Gasoline Regulations Act of 2012, section 6, does not affect rules regulating fuels or gas prices. Instead, section 6 would roll back one of the key public health protections in the Clean Air Act. It would fundamentally alter the way that the EPA would set the National Ambient Air Quality Standards (NAAQS) for ozone (also known as smog). Since 1970, the Clean Air Act has required EPA to set the ambient standards for six air pollutants - including ozone- at the level requisite to protect public health with an adequate margin of safety based on a rigorous review of the science, without consideration of cost. Section 6 would change that for ozone.

Although we have dramatically reduced ozone pollution (also known as smog) over the last 40 years, it still causes serious health problems for millions of Americans. Decades of scientific research link ozone to asthma attacks, respiratory illnesses, and the risk of premature death. Breathing air containing ozone can reduce lung function, inflame airways and increase respiratory symptoms. Ozone exposure is associated with

increased susceptibility to respiratory infections, and aggravation of asthma and other lung diseases, leading to increased medication use, doctor visits, and emergency department visits and hospital admissions.

Elevated ozone levels can make it harder for healthy adults to breathe, but it poses particular problems for people with asthma because it aggravates asthma attacks. One of every ten school-aged children is affected with asthma and approximately 13 million people have reported having an asthma attack in the past year. Unfortunately, asthma prevalence in the U.S. has increased by 1.2 percent annually from 2001 to 2009, affecting 24.6 million Americans in 2009.[10] It is important to provide accurate information about what levels of ozone pose risks for asthmatics, the elderly, children and other people who are susceptible to adverse health effects from ozone because people adjust their behavior on high ozone days to avoid asthma attacks and other problems.

The ozone national ambient air quality standards program has two distinct components. The first component is setting the standard, which establishes the health-based goal for the program. The second component is comprised of state, tribal and federal programs that require reductions in emissions of ozone-forming pollution. Cost and feasibility are taken into account in the second part of the program, but not in setting the standard.

Section 6 would change this and require that cost and feasibility be taken into account when EPA sets the standard which is used to tell American families whether their communities' air is healthy. It is important to have an air quality standard that conveys accurate information about the health effects of ozone levels in the community. People who are sensitive to ozone pollution, such as children, the elderly and asthmatics, need to know whether they should adjust their activity levels. A health-based standard based on science enables us to provide this information to communities. The Clean Air Act has protected public health for over 40 years by ensuring that the standards are based on

[10] National Health Statistics Reports, "Asthma Prevalence, Health Care Use, and Mortality: United States, 2005-2009," January 12, 2011. http://www.cdc.gov/nchs/data/nhsr/nhsr032.pdf

science, and EPA strongly supports maintaining the health-based approach to standard-setting, while considering cost and feasibility during the implementation stage.

The Clean Air Act

The national ambient air quality standards are the cornerstone of the Clean Air Act and have played a major role in its 40-year success story. For more than 40 years, the Clean Air Act has fostered steady progress in reducing the threats posed by pollution and allowing us all to breathe easier. In 2010, 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 attacks.[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. 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] 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.

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[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 5-6. 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.

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

Some may find it surprising that the Clean Air Act also has been a good economic investment for our country. A study led by Harvard economist Dale Jorgenson found that implementing the Clean Air Act has boosted US economy because the health benefits of the Clean Air Act lead to a lower demand for health care and a healthier, more productive workforce. According to that study, by 2030 the Clean Air Act will have prevented 3.3 million lost work days and avoided the cost of 20,000 hospitalizations every year.[14] Another 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."[15]

The EPA's updated public health safeguards under the Clean Air Act will encourage investments in labor-intensive upgrades that can help put current unemployed or under-employed Americans back to work. Environmental spending creates jobs in engineering, manufacturing, 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.[16] Likewise, in 2008, the United States' environmental technologies and services industry of 1.7 million workers generated approximately $300 billion in revenues and led to exports of $44 billion of goods and services,[17] larger than exports of sectors such as plastics and

[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/epa/eerm.nsf/vwAN/EE-0565-01.pdf/$file/EE-0565-01.pdf

[15] 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.

[16] Manufacturers of Emissions Control Technology (http://www.meca.org/cs/root/organization_info/who_we_are)

[17] 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)

rubber products.[18] 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.[19]

Jobs also come from building and installing pollution control equipment. For example, the U.S. boilermaker workforce 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.[20] 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.[21]

Conclusion

The Gasoline Regulations Act of 2012 will do nothing to address today's high gas prices. It is not needed to ensure that EPA takes gas prices into account when regulating fuel or refinery emissions or that other agencies or the public can bring their expertise to bear on EPA's analysis – those things already happen under the normal rulemaking process.

By changing the way that EPA would set the ozone ambient air quality standard, the Gasoline Regulations Act of 2012 rolls back one of the key public health protections in the Clean Air Act.

Again, I appreciate the opportunity to provide the Agency's views as you develop this legislation. I look forward to your questions.

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[18] U.S. Census Bureau, Censtats Database, International Trade Data--NAICS, http://censtats.census.gov/naic3_6/naics3_6.shtml (accessed September 6, 2011)

[19] 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).

[20] International Brotherhood of Boilermakers, *Boilermaker Labor Analysis and Installation Timing*, March 2005, EPA Docket OAR-2003-0053 (docket of the Clean Air Interstate Rule).

[21] 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).