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Subcommittee on Consumer Protection and Commerce

And

Subcommittee on Environment and Climate Change

Driving in Reverse: The Administration's Rollback of Fuel Economy and Clean Car Standards

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Good morning Chairwoman Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, Ranking Member Shimkus and to all of the members on the committee.

My name is Shoshana Lew and I am the Executive Director of the Colorado Department of Transportation.

Thank you for inviting me here to address the State of Colorado's opposition to the Administration's proposed "Safer Affordable Fuel Efficient Vehicles" proposal – which would freeze fuel economy and greenhouse gas emissions standards that require year-over-year improvements to efficiency of cars and light duty trucks.

With the transportation sector on track to become the leading source of emissions in our state, it is of the utmost importance that we act boldly and aggressively to reduce congestion in the air and on the road – both through a cleaner fleet of vehicles and through providing more sustainable and efficient transportation choices for Coloradoans that help stem currently projected increases in vehicle miles traveled. Achieving a cleaner, and increasingly electrified, fleet is a key component of Governor Polis' Roadmap to achieving 100% Renewable Energy by 2040, which is motivated by the moral imperative to fight climate change and curb pollution of our natural resources – which are key to both our economy and quality of life in Colorado – as well as the opportunity to drive innovation and harness the consumer savings and economic benefits of leading the transition to a clean energy economy.

At the state level, we are making tremendous progress with respect to driving a cleaner vehicle fleet, and taking an “all of the above” approach to increasing the penetration of Zero Emissions Vehicles (ZEVs), especially. With respect to ZEVs, we are seeing a unique alignment of increasing supply, growing consumer acceptance, and state incentives and policies that are further easing the transition for consumers as these vehicles permeate the mainstream. Colorado ZEV and PZEV sales in 2018 were over 2.5 times what they were in 2016¹, and those numbers continue to grow. We see local communities cutting ribbons at charging facilities, and we have efforts underway to build fast charging stations every 50 miles along 5 major highways in Colorado by 2020. Our legislature passed, and Governor Polis signed, new legislation that will stimulate utility investment in EV charging, extend ZEV tax credits through 2025, and develop incentives for Transportation Network Companies to electrify their fleets. We are also investing public funds in electric vehicle (EV) charging, allocating all VW Settlement funds to transportation electrification, expanding use of ZEVs and hybrids in our own state fleet, and launching a program designed to stimulate EV adoption by local governments.

We believe it is the right time for bold, aggressive, and pragmatic action to achieve a cleaner transportation sector. Indeed, we are encouraged to see bipartisan collaboration in our own legislature, and cooperation between state and local government partners across Colorado. We are also encouraged by the commitment that both automakers and dealers are showing to the expansion of ZEVs in Colorado, and particularly appreciate the ongoing commitment of the auto industry to work constructively with us as we continue through our ongoing rulemaking process to adopt ZEV standards under Section 177 of the Clean Air Act.² This is an important moment, with great promise for cleaner cars if we work together to move the ball forward.

Unfortunately, the Trump Administration’s proposed rule, and the contentious tone that it has perpetuated nationwide, threatens just the opposite. If finalized, this proposal would unravel an effective, consensus-based program that has historically brought together federal agencies, states, automakers, and partners from the environmental and labor communities to advance a critical and common-sense priority that improves our air quality and energy security, provides better options for drivers, and creates regulatory certainty for manufacturers and suppliers. The proposal would also seek to undermine the ability of states like Colorado to retain strong standards in the absence of federal leadership, an effort that cuts against both longstanding precedent and the spirit of cooperative federalism, which EPA Administrator Wheeler has described as “a cornerstone of the Administration’s approach.”³

The imperative to improve the fuel efficiency of cars and trucks has historically transcended federal administrations and party lines. Fuel standards, which both the Bush⁴ and

¹ <https://autoalliance.org/energy-environment/advanced-technology-vehicle-sales-dashboard/>

² <https://autoalliance.org/2019/06/04/automakers-statement-on-colorado-adopting-california-vehicle-mandate/>;
<https://www.globalautomakers.org/posts/press-release/automakers-statement-on-colorado-adopting-california-vehicle-mandate>.

³ https://www.epw.senate.gov/public/?a=Files.Serve&File_id=EFD4608D-CCCE-424C-8B69-C0028762F82E

⁴ Following a period of regulatory freeze that ended in Model Year 2004, President Bush began to raise standards for light trucks, which became effective in MY2005. At the State of the Union in 2007, President George W. Bush implored Congress to make the fuel economy of cars and trucks a national priority and, less than a year later, he

Obama Administrations increased, have resulted in fuel efficiency for light duty vehicles steadily increasing to an all-time-high. Since Model Year 2004, real world light-duty fuel economy has improved by 29 percent, and real world CO2 emissions have decreased by 23 percent, according to EPA's most recent Automotive Trends report.⁵

Following on bipartisan work to shepherd the passage of the Energy Independence and Security Act in 2007, and President Bush's proposal to further increase fuel economy standards for both cars and light trucks, the Obama Administration negotiated an historic program that brought together two federal agencies, automakers, environmental and labor partners, and the state of California, whose unique authority under Section 209 of the Clean Air Act enables them to set regulatory standards that other states may subsequently adopt, pursuant to Section 177 of the Clean Air Act. This partnership established a streamlined national program that provided coordinated, long range regulatory certainty, and a path towards consistent improvement in vehicle efficiency through Model Year 2025.

Both the requirements and the predictability of these standards enable industry to focus their effort on improvements that benefit the environment, create jobs, and keep the American auto industry at the forefront of manufacturing innovation. For example, one recent Indiana University report on the impact of fuel efficiency standards estimated that investment in innovation could increase jobs by between 200,000-375,000 in the year 2025, and add between \$138 billion to \$240 billion in GDP between 2017 and 2025.⁶ By contrast, if the current Administration finalizes its proposal, it will be rightly challenged, creating needless uncertainty for an industry that directly and indirectly employs 7 million Americans – **including over 3 percent of Colorado's workforce**.⁷ Indeed, the Trump Administration's own analysis shows that their proposal will result in fewer job years than the current program.⁸

In contrast to the Administration's proposal, calls to achieve a compromise for a continued program of strong, national standards – keeping states at the negotiating table with federal agencies – have been widespread and, notably, broadly inclusive of states as well as industry stakeholders including carmakers, suppliers, and utilities. The Alliance of Automobile Manufacturers has repeatedly encouraged working together to retain a program of standards that “continue increasing fuel economy – year after year”⁹, because “climate change is real, and we have a responsibility to reduce greenhouse gases.”¹⁰ Just this month, 17 automakers reiterated

welcomed Speaker Pelosi and others to thank them for their partnership in bringing to fruition the Energy Independence Security Act of 2007 (EISA), which delivered on his call to establish “the first statutory increase in fuel economy standards for automobiles since they were enacted in 1975” (<https://georgewbush-whitehouse.archives.gov/news/releases/2007/01/20070123-2.html>). The Bush Administration then proposed further increases to fuel standards for both cars and light trucks, ultimately deferring the finalization of those rules to the next Administration in 2009. (<https://www.ccjdigital.com/bush-administration-wont-finalize-cape-rulemaking/>).

⁵ <https://nepis.epa.gov/Exe/ZyPDF.cgi/P100W5C2.PDF?Dockey=P100W5C2.PDF>, p. 6.

⁶ <https://spea.indiana.edu/doc/research/working-groups/auto-report-032017.pdf>

⁷ <https://autoalliance.org/in-your-state/CO/>

⁸ Table 7-5 of the RIA shows that the proposed freeze would result in the loss of 50-60 thousand job years, relative to current EPA standards.

⁹ <https://autoalliance.org/>

¹⁰ <https://morningconsult.com/opinions/automakers-addressing-climate-change/>

that call in letters to President Trump and Governor Newsom – asking for “a unified standard that both achieves year-over-year improvements in fuel economy and facilitates the adoption of vehicles with alternative powertrains”¹¹ with consensus that includes states – a sharp contrast to the Administration’s proposed rule. Their message resonates with calls last year by Chairwoman Nichols, who articulated willingness to compromise and hopes that “reason could prevail.”¹²

Even President Trump at one point directed his team to negotiate a deal with California, though that directive was followed by the current proposal from the U.S. Department of Transportation and the Environmental Protection Agency to freeze standards, a move that expectedly provoked opposition from our state as well as many others.

This proposal, notably, was based on deeply flawed modeling and conclusions that defy both the spirit of their underlying statutes, common sense, and the real world imperatives that we face today. Let me give you just a few examples of the problems with this rule and the analysis supporting its flawed conclusion:

First, while conserving energy is the premise of USDOT’s corporate average fuel economy program, established first in the 1970s (under the Energy Policy and Conservation Act) in the wake of the oil embargo, the Administration is arguing that cutting oil consumption is now a lesser priority. That’s evident in this rule, which would increase U.S. fuel consumption “by about **half a million** barrels per day (2-3 percent of total daily consumption, according to the Energy Information Administration.)”¹³ It’s no surprise that the oil industry supports the proposed flatline.

Second, they include new modeling of consumer behavior – an area that’s a good idea to analyze further, but the conclusions of the model don’t make sense and are clearly not ready for prime time. For example, they predict that stronger fuel economy standards would result in **692** billion extra miles driven, if standards stay high.¹⁴ This is an artifact of a flawed model that projects that continued owners of existing vehicles, which are unaffected by new vehicle standards, will drive more miles if new vehicles have greater fuel economy. It’s clear from the administrative record that even many federal experts know that the results of this modeling are flawed.

Third, they claim that freezing the emissions standards would reduce roadway fatalities, breaking from a long literature on the relationship between safety and fuel economy.

Safety is the first priority in transportation, and so it has been a part of decision-making throughout the history of the fuel economy standards, to ensure that standards protect driver

¹¹ <https://assets.documentcloud.org/documents/6140607/Trump-GHG-CAFE-Letter-June-6-2019.pdf>; <https://assets.documentcloud.org/documents/6140606/Newsom-GHG-CAFE-Letter-June-6-2019.pdf>

¹² <https://www.bloomberg.com/news/articles/2018-04-10/california-says-a-car-emissions-deal-with-trump-could-be-doable>

¹³ <https://www.federalregister.gov/documents/2018/08/24/2018-16820/the-safer-affordable-fuel-efficient-safe-vehicles-rule-for-model-years-2021-2026-passenger-cars-and>, p. 42986

¹⁴ NPRM, Table VII-88. This figure represents the sum of the two lines on the table that represent Vehicle Miles Traveled, excluding rebound.

safety and improve fuel economy at the same time. But, relying heavily on their untested modeling techniques for analyzing elasticity of consumer demand and fleet turnover – and illogical assumptions about increased driving – they claim that the freeze would reduce fatalities by 12,700.¹⁵ Vehicle weight, the best researched area in the literature on safety and fuel economy, accounts for just 160 (1.2%) of that total.

Moreover, for those of us in the field, managing the reality of rapidly changing transportation systems, the proposed rule’s claims about safety paint an antiquated picture of mobility, in which consumers make binary choices between cars and trucks, and between buying a new car and nurturing the last years of an aging one. Consumers in metropolitan areas in particular have ever-evolving choices that range from ride-sharing to car-sharing to motor scooters—and these changing mobility patterns carry varying safety risks. Between 2005 and 2016, combined traffic fatalities for motorcyclists, bicyclists, pedestrians, and other non-motorists increased¹⁶ from a quarter to a third of total roadway fatalities. A truly dynamic approach to the fleet and the safety of travelers would question how sales and fleet composition evolve as consumers make different mobility choices than prior generations.¹⁷

Those are just a few examples of the many problems with this analysis. There’s a lot that needs to be fixed here, and serious and substantive dialogue between all parties could still yield a thoughtful resolution if the Administration were willing to come to the table, rather than force to conclusion a deeply flawed and ideologically driven proposal that lacks the backing of stakeholders across the country. If the Administration finalizes what it has proposed, our state will fight it in the courts, in partnership with California and many other states.

¹⁵ <https://www.federalregister.gov/documents/2018/08/24/2018-16820/the-safer-affordable-fuel-efficient-safe-vehicles-rule-for-model-years-2021-2026-passenger-cars-and>, Table 11-27

¹⁶ <https://www.nhtsa.gov/research-data/fatality-analysis-reporting-system-fars>

¹⁷ Note: the content in the three paragraphs above, as well as material related to job impacts and other analysis of the regulation, is also found in a piece that I co-authored with Jason Miller, and that was published by Brookings: <https://www.brookings.edu/blog/the-avenue/2018/08/03/the-trump-administrations-fuel-efficiency-proposal-is-unnecessary-and-harmful/>