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SOCIETY**

October 4, 2007

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
Washington, DC 20510

Dear Speaker Pelosi and Majority Leader Reid:

This summer, Congress passed strong energy legislation that sets a new direction for the country. On behalf of our millions of members nationwide, we applaud your efforts and pledge our support for completing this task. As you bring members of the U.S. House and Senate together to finalize this 21<sup>st</sup> Century energy bill that promises to enhance our national security, save consumers money, create new supplies of clean, renewable energy, and make progress on curbing global warming pollution, we wish to draw your attention to key provisions of the Senate-passed fuel economy compromise that ensure that the provision is effective, achievable, and fair to both domestic and foreign manufacturers.

The Senate fuel economy compromise, contained in H.R. 6, provides automakers with the flexibility and lead-time the industry has been asking for in an energy bill. If fully implemented, the Senate CAFE compromise would save 1.2 million barrels of oil per day by raising fleetwide fuel economy to an *average* of 35 miles per gallon by 2020, while providing both domestic and foreign manufacturers tremendous flexibility. Even this initial oil savings represents nearly half of what the United States currently imports from the entire Persian Gulf, and that number will grow after 2020 as more vehicles meeting the new standards are put on the road. In addition, it would save consumers nearly \$25 billion, even after paying for the additional fuel-saving technology, and create as many as 170,800 jobs in the year 2020, including 22,300 directly in the auto industry.

Specifically, the Senate-passed compromise on fuel economy addresses key industry concerns through the following provisions:

**Senate Fuel Economy Compromise Reforms CAFE Structure:** One of the most important aspects of the Senate fuel economy compromise is that it reforms the existing CAFE approach. Unlike existing law, the Senate fuel economy compromise allows the Department of Transportation (DOT) to create a new series of “attribute” based standards for all vehicle types. Under this system, DOT would base fuel economy standards on a set of vehicle attributes, such as vehicle footprint. Larger vehicles would be held to much lower standards than smaller cars.

The Alliance of Automobile Manufacturers, the United Auto Workers, the National Automobile Dealers Association, individual manufacturers, and the Bush administration have all supported an attribute-based standard in testimony before Congress. They have argued that such a system does not impact vehicle safety, reduce consumer choice, or negatively impact an individual manufacturer's ability to compete in the marketplace.

**Senate Fuel Economy Compromise Allows Different Treatment of Cars and Light Trucks – and Even Exempts Work Trucks:** The Senate fuel economy compromise allows DOT to set different requirements for cars and trucks. If DOT decides the difference between cars and trucks is important, they can use attributes to establish separate standards for each. In addition, the Senate compromise exempts the heaviest work trucks (such as the Ford F-250 and the Chevrolet Silverado 2500) and cargo vans (such as the Ford E-350 and the Chevrolet Express 3500) from the 35 mile-per-gallon fleetwide average. Opponents of the Senate compromise have raised concerns regarding the elimination of separate CAFE standards for cars and light trucks. They claim that passenger cars and light trucks that have the same “footprint” would be treated the same, regardless of use or type of vehicle. This is an unfounded claim based upon a misleading analysis by the automakers of the proposed attribute-based system.

**Senate Fuel Economy Compromise Sets Standards Based Upon Product Mix:** The Senate legislation requires that the entire fleet of passenger vehicles sold in the U.S. must meet a fleet-wide average of 35 mpg. However, the fuel economy standard for each manufacturer would fluctuate based upon that company's product mix and the attributes of their models. *This provision is critical to understanding how the reformed structure would work.* Not every car sold in the U.S. would have to reach 35 mpg, nor would every truck; nor would every manufacturer, since the new system would no longer require each company to meet the new average of 35 mpg. The Senate compromise would allow the Detroit 3 to fall well below the 35-mpg *average* requirement. Under an attribute-based system, each manufacturer must meet an individual fuel economy standard based upon its product mix. Automakers that sell more large vehicles would be required to meet lower fuel economy requirements than automakers that sell smaller vehicles. A recent University of Michigan Transportation Research Institute analysis estimated that under the Senate plan, the Detroit 3 would have to reach only about 33 mpg, while Honda, Toyota, Nissan and other manufacturers that rely more on cars would have to reach between 36 and 39 mpg in 2020.

**Senate Fuel Economy Compromise and the Two-Fleet Rule:** As passed, the Senate fuel economy provisions do not eliminate the domestic-foreign, or ‘two-fleet,’ rule, but the attribute-based system supported by the auto industry changes the impact of the rule. This rule was part of the original CAFE law and requires that a manufacturer's domestic and foreign-made passenger car fleets separately meet the CAFE standard. Opponents of the Senate bill are seeking inclusion of an ‘anti-backsliding’ provision, which they believe is necessary to ensure that automakers maintain small car production and jobs in the U.S. We share the goal of preserving domestic production and good-paying U.S. jobs.

In today's marketplace the domestic-foreign distinction is blurred by the reality that foreign manufacturers have moved significant production to the U.S. and the enactment of NAFTA has allowed manufacturers to include vehicles made in Mexico and Canada in their “domestic” fleet.

As a result, the National Academy of Sciences stated in its 2002 study of the fuel economy program, that it could not find any evidence that the foreign-domestic distinction has protected U.S. jobs. The unfortunate reality is that, despite the two-fleet rule, U.S. automakers have downsized or closed U.S. plants, and are importing foreign made automobiles, resulting in the loss of tens of thousands of domestic jobs. We need a more effective tool to protect American jobs.

**Senate Fuel Economy Compromise Protects Domestic Manufacturing and Jobs:** Poor management decisions, including the Detroit 3's miscalculation of consumer demand, are largely to blame for their sinking market share, the resulting loss of tens of thousands of jobs, and closure of manufacturing plants around the country. By requiring all automakers to increase the number of fuel efficient choices in a marketplace that is increasingly concerned with high gas prices, U.S. oil addiction, and global warming pollution, the fuel economy provisions in the Senate bill will ensure that Detroit's 3 will remain competitive through the next decade. In addition to the higher fuel economy standards, loan guarantees and other financial incentives for automakers are already in the Senate bill and are critical to making automakers more competitive while saving consumers money.

We strongly support maintaining and expanding domestic production of all vehicles, from trucks to small cars, and the important jobs that accompany that production. To further enhance the competitiveness of the U.S. auto industry, we support additional financial incentives to retool existing U.S. manufacturing facilities to produce more fuel-efficient vehicles or help the domestic auto industry address its large health care costs. However, if taxpayer dollars are used to bring the domestic auto industry back to financial health, taxpayers must be assured of the public benefit of oil savings. Therefore, the industry must commit to meeting the 35 mpg fuel economy standard by 2020, staying in the U.S. small-car market, and engaging constructively in the legislative process. Ultimately, protecting American autoworker jobs would be best accomplished by a competitive U.S. auto industry that increases the fuel economy of its vehicles by investing in better technology, smarter design, and a set of vehicles that respond to the demands of the American consumer.

Under your leadership, Congress is on the verge of enacting sweeping 21<sup>st</sup> Century energy policy reform that would bring our country out of its dependence on oil, save working families \$25 billion in net savings in 2020, and set U.S. automakers on a course to greater global competitiveness. While the Senate compromise could have guaranteed even more consumer savings by setting a higher standard without an offramp, the Senate provision is an important step forward and we fully support it. Combined with the House-passed Renewable Electricity Standard, this legislation truly represents a new direction that will invigorate our economy, protect the environment, and create hundreds of thousands of new, good-paying jobs. We urge you to pass this legislation quickly, and look forward to working with you in this effort.

Sincerely,

Kristen Miller  
Legislative Director  
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cc: Members, U.S. Senate  
Members, U.S. House of Representatives