



NHTSA proposes MY2024-2026 Corporate Average Fuel Economy standards

August 13, 2021

On August 10, 2021, the National Highway Traffic Safety Administration (NHTSA) issued a [Notice of Proposed Rulemaking](#) (NPRM) to revise the federal corporate average fuel economy (CAFE) emissions standards in model years (MY) 2024-2026. This NPRM was released in coordination with the Environmental Protection Agency's (EPA) [greenhouse gas \(GHG\) emissions standards NPRM](#) and the Biden Administration's [Executive Order](#) (EO) that set a nationwide target for zero-emission vehicle (ZEV) sales, which were both released on August 5, 2021.

NHTSA proposed CAFE standards

[NHTSA is seeking public comment](#) on the proposed development of new, more stringent CAFE standards for passenger cars and light trucks for MY2024 to MY2026.

The proposed standards would begin in MY2024 and would increase in stringency by 8 percent year over year (YoY) through MY2026. The proposed standards would increase the estimated fleetwide average by 12 miles per gallon (mpg) for model year 2026, relative to model year 2021, and would cut GHG emissions by 1.8 billion tons over the next three decades. NHTSA tentatively concludes that this level is the maximum feasible for these model years. The proposed standards would result in the following estimated industry-wide average fuel economy:

- [MY2024](#): 41 mpg (8 percent decrease from MY2023)
- [MY2025](#): 44 mpg (8 percent decrease from MY2024)
- [MY2026](#): 48 mpg (8 percent decrease from MY2025)

NHTSA is also proposing to amend the minimum domestic passenger car standards as follows:

- [MY2024](#): 44.4 mpg
- [MY2025](#): 48.2 mpg
- [MY2026](#): 52.4 mpg

In conjunction with publication of the proposed rule, NHTSA also announced that, consistent with President Biden's EO, it will begin work to develop fuel economy standards for passenger cars and light duty trucks for model years 2027-2030, as well as medium and heavy-duty fuel efficiency standards beginning as early as model year 2027.

The proposed rule largely maintains the existing flexibilities and structure of the CAFE program, with some additions and changes. The standards would still be based on vehicle footprint. The compliance and enforcement structure would not change. Manufacturers will still be able to carry credits forward for up to three model years or back for up to five model years, which are statutory

requirements. The fuel economy calculation methods for electric vehicles (EVs) and plug-in hybrid electric vehicles (PHEVs) would also remain the same. The following changes are proposed:

- **Off-cycle non-menu credit requests:** Manufacturers will be required to request technology credits by a deadline during the applicable model year to avoid administrative backlog
- **Off-cycle credit rescission:** If an off-cycle technology causes a safety issue (including a defect, negative impact on FMVSS, or other issue) or does not provide fuel savings as intended, manufacturers may lose credits that had been awarded for that technology
- **Off-cycle technology menu credits:** Consistent with proposed revisions in the EPA GHG NPRM, the cap on menu credits will be increased beginning in MY2020 and certain off-cycle menu technology definitions/qualifications will be revised
- **Incentives for hybrid and electric full-size pickup trucks:** For MY2022-MY2025, strong hybrid full-size pickup trucks or those that out-perform their target fuel economy can earn fuel consumption improvement values (FCIVs) which increase the reported fuel economy of a manufacturer's fleet
- **Credit trading cost reporting:** NHTSA is introducing a new CAFE Credit Reporting Template that will capture both monetary and non-monetary terms of credit trading contracts
- **Reporting template revisions:** In addition to wording and formatting changes, the CAFE Reporting Template will now also collect vehicle classification and off-cycle information, and will ease reporting on different subconfigurations

NHTSA estimates that the proposed standards would result in total lifetime fuel savings from vehicles produced during MY2021-MY2029 that would be similar to the total lifetime fuel savings that would occur if the fuel economy standards harmonized with California [Framework Agreements](#) had applied to *all* manufacturers during MY2021-MY2026. Three other alternatives are also included in the NPRM: a no-action alternative; a 10 percent increase in stringency each year; and the application of an equivalent average stringency of the California Framework Agreement to all manufacturers (9.14 percent increase for passenger cars and 11.02 percent for light trucks in MY2024 and increased stringency in MYs 2025 and 2026 by 3.26 percent per year).

Despite NHTSA and EPA issuing separate NPRMs for a different set of model years, the NPRM indicates that NHTSA and EPA coordinated during the development of each agency's independent proposal to revise both the GHG and fuel economy standards set in the Trump Administration's 2020 final rule. NHTSA acknowledges that the standards are now not equivalent or harmonized, and concludes that automotive "manufacturers are extremely sophisticated companies, well-able to manage complex compliance strategies that account for multiple regulatory programs concurrently." Specifically, NHTSA suggests that the different regulations do not mean that manufacturers must build multiple fleets but rather that they will have to be more strategic on *how* they build their fleets. The agency also projects that the differences in the proposed standards would decrease each year and then converge in MY2026. According to the NPRM, the NHTSA-proposed CAFE and EPA-proposed GHG standards for MY2026 represent roughly equivalent levels of stringency. If finalized, the MY2026 standards would then serve as a coordinated starting point for subsequent standards.

NHTSA also indicates that it considered and accounted for both California's ZEV mandate and its adoption by a number of other states, as well as the California Framework Agreements, in developing this proposal. NHTSA concluded that it was reasonable to account for the California ZEV mandate in the baseline analysis for the proposal despite the Trump Administration's revocation of California's Clean Air Act waiver. NHTSA reasoned that manufacturers have over-complied with ZEV requirements, indicating that many companies intend to produce ZEVs in volumes comparable to those required by the ZEV mandate even if the waiver is not reinstated. Additionally, NHTSA views the California Framework Agreements as "contractually binding" agreements that were entered into voluntarily and are therefore likely to be met during the rulemaking timeframe. NHTSA also cited the California Framework Agreements (as well as recent public commitments by many manufacturers) as evidence of the practicability of more

stringent CAFE standards. Importantly, however, NHTSA has not expressly accounted for California GHG standards in the baseline analysis for the proposal due to the pending waiver decision and because of the inability to model a sub-national fleet. NHTSA is seeking comment on whether and how to account for California's GHG standards in the final rule.

Although NHTSA is prohibited from considering electric vehicles in determining maximum feasible CAFE levels, the agency acknowledged the importance of electric vehicles in achieving emissions reductions and contributing to the decarbonization of the transportation sector, among other benefits. Nonetheless, in describing the various factors that led to the proposed standards, NHTSA described a perceived shift in manufacturer's confidence in selling electric vehicles, due to the number of manufacturers announcing more and more vehicle models with advanced engines and varying levels of electrification. In particular, NHTSA noted that manufacturers are "more sanguine about consumer demand for fuel efficiency and the market for fully electric vehicles going forward than they have been previously." The agency also noted potential suggestions for how to consider electrification in its process, including by accounting for the fuel economy benefits of ZEVs by setting the standard as a function of a second attribute in addition to footprint, for example the expected market share of ZEVs, such that the standards increase as the share of ZEVs in the total U.S. fleet increases. NHTSA is seeking comment on this issue.

In addition to feedback on the technical basis for the proposal, NHTSA requests comments on, among other things:

- Whether to adopt a more stringent increase (10 percent rather than 8 percent) from MY2025 to MY2026
- Whether to retain non-statutory flexibilities for the final rule
- Whether and how NHTSA might consider adding electrification as an attribute on which to base CAFE standards
- Whether to account for the reinstatement of California GHG standards, which may occur if California's Clean Air Act waiver is reinstated by EPA, in the baseline analysis for the final rule

NHTSA will hold a virtual public hearing on the proposed rule on a date yet to be announced in a supplemental notice and requests written comments 60 days after the NPRM is published in the Federal Register.

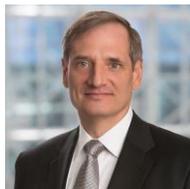
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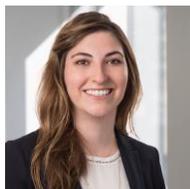
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