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U.S. Department of Transportation Sets Aggressive New Fuel Economy Targets

In an ambitious policy move, the U.S. Department of Transportation has announced a new set of rules aimed at substantially raising fuel economy standards by 2015.

U.S. Transportation Secretary Mary E. Peters announced April 22 that the auto industry will be expected to reach a fuel efficiency standard of 35.7 mpg for cars and 28.6 mpg for light trucks by 2015. The current Corporate Average Fuel Economy (CAFE) regulations require an average of 25 mpg, and the new rules would exceed limits set by Congress last year by 3.3 percent, for an overall improvement of 25 percent over existing standards.

Secretary Peters noted the proposed new standard would save 55 billion gallons of fuel over the lifetime of the vehicles affected, and save American drivers \$100 billion in fuel costs. The plan would also keep 521 million metric tons of carbon dioxide emissions out of the environment.

Automakers who exceed the standards, said Secretary Peters, will earn credits to

offset any economic impact. She indicated the goal is to save fuel and not to endanger jobs. Environmentalists and some in Congress have long urged the Bush Administration to set much higher limits, while others fear such requirements will further weaken domestic manufacturers.

This is the second time in six years that the Bush Administration has made changes to CAFE standards. Last year, the President also called for more aggressive attribute-based fuel efficiency standards for passenger vehicles as oil prices continue to set new records.

The lesson for the automotive and transportation industry is clear: Companies that stand to be affected by the proposed Department of Transportation CAFE regulations would be prudent to weigh in with federal regulators at the earliest opportunity in order to protect their vital business interests.

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