

the recreational vehicle industry. The agency has determined that the average fuel economy standards established in this final rule will not significantly impact product offerings or the utility available to consumers.

#### 5. Dual Fuel Credits

General Motors and the Alliance expressed concern that the agency had not yet finalized the proposed regulation extending the Alternative Motor Fuels Act of 1988 (AMFA) credits. They argued that, while NHTSA is not permitted to incorporate those credits into the CAFE standards (and thereby potentially eliminate the pure incentive Congress intended), the agency should consider the practical impact of the credits.

On March 11, 2002, the agency published a proposal to extend the dual fuel vehicle credits that vehicle manufacturers can earn by producing vehicles capable of operating on gasoline and other types of fuel. (67 FR 10873). Since then, both the Senate and

the House of Representatives passed bills that would statutorily extend the credits. The extension was also included in the conference energy bill (H.R. 4) in the last Congress.

We will separately issue a final rule addressing the proposed extension of the AMFA credits. In the meanwhile, Congress has made clear that we may not take the existence or use of those credits into consideration when determining maximum feasible fuel economy levels. We have reviewed the legislative history surrounding the establishment of those credits to determine whether Congress would nonetheless expect the agency to acknowledge the existence of those credits when analyzing the costs and benefits associated with any proposed CAFE standard. We are skeptical that Congress would have expected the agency to assume technological costs, potential job losses or adverse safety consequences that, as a practical matter, are improbable in light of the AMFA

credits. The legislative history, however, indicates that Congress expected these credits to be a pure incentive. Because consideration of costs and benefits is a critical component to determining the economic practicability of the proposed standard, we have concluded that the statute does not permit us to consider the impact of the AMFA credits when assessing the costs and benefits of proposed CAFE standards.

### VII. Consideration of the Maximum Feasible Fuel Economy Levels

#### A. Technological Feasibility

##### 1. General Motors

Our December 2002 NPRM estimated that General Motors would be able to achieve a light truck CAFE of 20.97 mpg in 2005, 21.63 mpg in 2006, and 22.29 mpg in 2007. This estimate was based on the "Stage" analysis described above. Use of the "Stage" analysis yielded the following potential improvements to the General Motors light truck fleet:

POTENTIAL GENERAL MOTORS CAFE IMPROVEMENTS, MPG <sup>1</sup>

Model year	Stage I improvements	Stage II improvements	Stage III improvements	Total	Potential CAFE, mpg.
2005 .....	.439	.466	.1065	1.012	20.97
2006 .....	.936	.502	.0616	1.500	21.63
2007 .....	.921	.496	.0825	1.499	22.29

<sup>1</sup> Due to rounding, the individual improvements may not equal the potential CAFE for General Motors.

As we indicated in the NPRM, NHTSA relied, in part, on information provided by General Motors to determine which Stage I technologies General Motors could employ in MYs 2005–2007 to enhance its fuel economy performance. Our analysis indicated that General Motors could employ five technologies by MY 2005 in certain parts of its light truck fleet and an additional three technologies in certain parts of its light truck fleet by MY 2006. In NHTSA's view, all of these technologies would continue to be used in future model years. We also used the numbers provided by General Motors for percentage increases in fuel economy in calculating the possible fuel economy increase attributable to each of these technologies.

To determine how and when General Motors could employ Stage II technologies for MYs 2005–2007, NHTSA relied on General Motors' comments, the agency's own engineering judgment, and the submissions from other manufacturers. Our analysis indicated that General Motors could employ two technologies by MY 2005, and an additional

technology by MY 2006. To determine possible fuel economy increases, NHTSA examined manufacturer-provided estimates for the percentage increases in fuel economy for each technology. We placed more credence on a value if a manufacturer had already introduced that specific technology, if it was in the NAS range of estimates, and if at least one other manufacturer provided a similar value for the fuel economy potential of that technology.

In the Stage III analysis for the NPRM, the agency tentatively concluded that the bulk of General Motors models equipped with the 6.0L engines could be equipped instead with 5.3L engines without notably degrading their utility. We determined that, standing alone, this change to General Motors' MYs 2005–2007 light truck fleet would increase General Motors' CAFE by 0.1 mpg.

As we indicated in our summary of the comments provided above, General Motors disagreed with NHTSA's projections and provided new and revised data to support its assertions. The company's February 2003 submission indicates that General Motors believes it can achieve a CAFE

of 20.4 mpg in MYs 2005 and 2006, and 20.6 mpg in MY 2007.

General Motors pointed out clerical mistakes in the NPRM, such as double counting certain vehicles and technologies that were already being used by General Motors to meet the company's projected CAFE. General Motors stated that correcting for these clerical errors would lower NHTSA's assessment of General Motors CAFE by 0.08 mpg in MY 2005, 0.18 mpg in MY 2006, and 0.16 mpg in MY 2007. Additionally, General Motors argued that NHTSA's technological assessment is too optimistic about the degree to which General Motors can improve its CAFE, particularly since NHTSA made no allowance for deterioration or "risk" in its forecasts. General Motors also stated that NHTSA's projections of the company's capability to improve its CAFE ignored how little lead time General Motors had to implement changes to its MY 2005 trucks "which would begin production in July 2004."

Compared to its May 2002 CAFE forecasts, General Motors' February 2003 CAFE forecasts are higher for MYs 2005 and 2006, but lower for MY 2007.