

production. This imbalance, if allowed to continue, will inevitably undermine our economy, our standard of living, and our national security. (May 2001 National Energy Policy (NEP) Overview, p. viii)

As was made clear in the first chapter of the NEP, efficient energy use and conservation are important elements of a comprehensive program to address the nation's current energy challenges:

America's current energy challenges can be met with rapidly improving technology, dedicated leadership, and a comprehensive approach to our energy needs. Our challenge is clear—we must use technology to reduce demand for energy, repair and maintain our energy infrastructure, and increase energy supply. Today, the United States remains the world's undisputed technological leader: but recent events have demonstrated that we have yet to integrate 21st-century technology into an energy plan that is focused on wise energy use, production, efficiency, and conservation.

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Conserving energy, especially reducing the nation's dependence on imported petroleum, benefits the nation's efforts to address the energy challenges in several ways. Reducing total petroleum use and reducing petroleum imports decrease our economy's vulnerability to oil price shocks and improves our national security.

Over the long term, the development of advanced fuel cell technology, and an infrastructure to support it, will help achieve significant reductions in foreign oil dependence and stability in the world oil market. For the short term, the continued infusion of hybrid propulsion and advanced diesel vehicles into the U.S. light truck fleet may also contribute to reduced dependence on petroleum. Since the NPRM was issued, companies have announced enhanced efforts in this area. We believe it is possible, with substantial marketing and public policy support, to create a vibrant and efficient market for vehicles with advanced technologies by MY 2007.

The importance of improving the fuel economy of light trucks is evident from the effect that those vehicles are having on the overall fuel economy of light vehicles. As was noted in the NEP:

Despite the adoption of more efficient transportation technologies, average fuel economy for passenger vehicles has remained relatively flat for ten years and is, in fact, at a twenty year low, in large part due to the growth and popularity of low fuel economy pickup trucks, van and sport utility vehicles.

(p. 4–9)

We have concluded that the increases to the light truck CAFE standards adopted in this final rule will contribute

appropriately to energy conservation and the comprehensive energy program set forth in NEP. In assessing the impact of the standards, we accounted for the increased vehicle mileage that accompanies reduced costs to consumers associated with greater fuel efficiency and have concluded that the final rule will lead to considerable fuel savings. While increasing fuel economy without increasing the cost of fuel will lead to some additional vehicle travel, the overall impact on fuel conservation remains positive.

We acknowledge that, despite the CAFE program, the United States' dependence on foreign oil and petroleum consumption has increased in recent years. Nonetheless, data suggest that past fuel economy increases have had a major impact on U.S. petroleum use. The NAS determined that if the fuel efficiency of the vehicle fleet had not improved since the 1970s, the U.S. gasoline consumption and oil imports would be about 2.8 million barrels per day higher than they are today. Increasing fuel economy by 10 percent will produce an estimated 8 percent reduction in fuel consumption. Increases in the fuel economy of new vehicles eventually raise the fuel efficiency of all vehicles as older cars and trucks are scrapped.

Further, we do not believe that the increases in the light truck CAFE standards applicable to the 2005–2007 MYs will unduly lead to so-called “energy waste.” This theory, presented in comments responding to our Request for Comments and NPRM, rests on the notion that efforts to reduce energy use can result in negative economic effects from losses in product values, profits and worker incomes. As discussed above, the agency has determined that the CAFE standards can be achieved without significant adverse economic or safety consequences. Within the bounds of technological feasibility and economic practicability, the final rule will, in fact, enhance “energy efficiency” without adverse ancillary effects.

## X. Balancing of Statutory Factors

In determining the maximum feasible average fuel economy levels for the MY 2005–07 standards, we have specifically considered all four of the factors specified by the statute—technological feasibility, economic practicability, the effect of other motor vehicle standards of the Government on fuel economy, and the need of the United States to conserve energy. We have also specifically weighed the benefits to the nation of higher average fuel economy

standards against the difficulties of individual manufacturers.

We have determined that the established CAFE standards are the maximum feasible levels for each of the model years. Although the MY 2007 standard is a challenging one, the additional lead time available and the likelihood of continuing technological advancement makes a CAFE standard of 22.2 mpg technologically feasible and economically practicable in light of the nation's need to conserve energy and to reduce our dependence on foreign oil. The Volpe analysis confirms that these standards are cost-beneficial and technologically feasible. CAFE standards above those established in this rule tip the balance and render it unlikely that the standards could be achieved without significantly negative economic consequences.

## XI. Rulemaking Analyses and Notices

### A. Executive Order 12866 and DOT Regulatory Policies and Procedures

Executive Order 12866, “Regulatory Planning and Review” (58 FR 51735, October 4, 1993), provides for making determinations whether a regulatory action is “significant” and therefore subject to OMB review and to the requirements of the Executive Order. The Order defines a “significant regulatory action” as one that is likely to result in a rule that may:

(1) Have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local or Tribal governments or communities;

(2) Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles set forth in the Executive Order.

This final rule is economically significant as adopted. Accordingly, OMB reviewed it under Executive Order 12866. The rule is also significant within the meaning of the Department of Transportation's Regulatory Policies and Procedures.

Because the rule is economically significant, the agency has prepared an FEA and placed it in the docket and on the agency's Web site.

**Costs:** We estimated costs based on the specific technologies that were