

**A COMPARISON OF CAFE STANDARDS AND
ACTUAL CAFE PERFORMANCE OF
NEW LIGHT-DUTY VEHICLES:
AN UPDATE THROUGH MODEL YEAR 2014**

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Report No. UMTRI-2014-29
October 2014

Technical Report Documentation Page

1. Report No. UMTRI-2014-29		2. Government Accession No.		3. Recipient's Catalog No.	
4. Title and Subtitle A Comparison of CAFE Standards and Actual CAFE Performance of New Light-Duty Vehicles: An Update through Model Year 2014				5. Report Date October 2014	
				6. Performing Organization Code 383818	
7. Author(s) Brandon Schoettle and Michael Sivak				8. Performing Organization Report No. UMTRI-2014-29	
9. Performing Organization Name and Address The University of Michigan Transportation Research Institute 2901 Baxter Road Ann Arbor, Michigan 48109-2150 U.S.A.				10. Work Unit no. (TRAIS)	
				11. Contract or Grant No.	
12. Sponsoring Agency Name and Address The University of Michigan Sustainable Worldwide Transportation				13. Type of Report and Period Covered	
				14. Sponsoring Agency Code	
15. Supplementary Notes Information about Sustainable Worldwide Transportation is available at http://www.umich.edu/~umtriswt .					
16. Abstract <p>In August 2012, the U.S. Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) announced the final standard governing new-vehicle fuel economy for model years 2017 through 2025. The new standard continues the current system of incremental increases in Corporate Average Fuel Economy (CAFE) requirements for new light-duty vehicles each model year, based on targeted decreases averaging approximately 5% per year in CO₂ output per mile. This report compares the recent improvements in fuel economy with the projected CAFE performance levels anticipated by NHTSA. This report updates the analysis in a previous report (Schoettle and Sivak, 2013) by including model year 2014 vehicles.</p> <p>Recent trends in CAFE performance, when compared with the performance levels projected to be achieved by NHTSA under the current standards, indicate that achieved CAFE performance has exceeded these anticipated levels for each of the 2012, 2013, and 2014 model years—the first three years that the current standard has been in effect. Additionally, achieved CAFE performance has consistently increased annually from model year 2008 through model year 2014. If the current trends in annual improvements continue, future achieved CAFE performance is expected to continue meeting or exceeding the projected performance levels (and desired GHG reductions) contained in the latest CAFE standards.</p>					
17. Key Words fuel economy, Corporate Average Fuel Economy, CAFE, GHG, greenhouse gas, emissions, light-duty vehicles, achieved CAFE, projected CAFE				18. Distribution Statement Unlimited	
19. Security Classification (of this report) None		20. Security Classification (of this page) None		21. No. of Pages 11	22. Price

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Introduction

In August 2012, the U.S. Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) announced the final standard governing new-vehicle fuel economy for model years 2017 through 2025 (EPA/NHTSA, 2012). The new standard continues the current system of incremental increases in Corporate Average Fuel Economy (CAFE) requirements for new light-duty vehicles (cars, vans, SUVs, and pickup trucks) for each model year (MY), based on targeted decreases averaging approximately 5% per year in CO₂ output per mile. The strategy of simultaneously regulating fuel economy and greenhouse gas (GHG) emissions of new vehicles was introduced in the current standard, in effect for model years 2012 through 2016 (EPA/NHTSA, 2010). These standards are projected to require average fleet-wide performance levels of 35.5 mpg (250 grams/mile of CO₂) by model year 2016 and 54.5 mpg (163 grams/mile of CO₂) by 2025.

These performance levels assume that CAFE targets will be met purely through fuel-economy improvements. However, it is likely that manufacturers will also use alternative credits not related to improvements in fuel economy to assist in reaching these goals. As a result, NHTSA estimates that the actual CAFE performance levels achieved (without credits) will be lower than the final target values published in the standards (EPA/NHTSA, 2010; 2012). NHTSA refers to this anticipated actual performance (without credits) as *projected achieved*. Figure 1 shows the current CAFE targets along with the projected achieved CAFE performance levels. (Under these standards, the final target and the anticipated actual performance are both projected values due to uncertainty regarding the final composition of vehicle types in the new-vehicle fleets for future model years.)

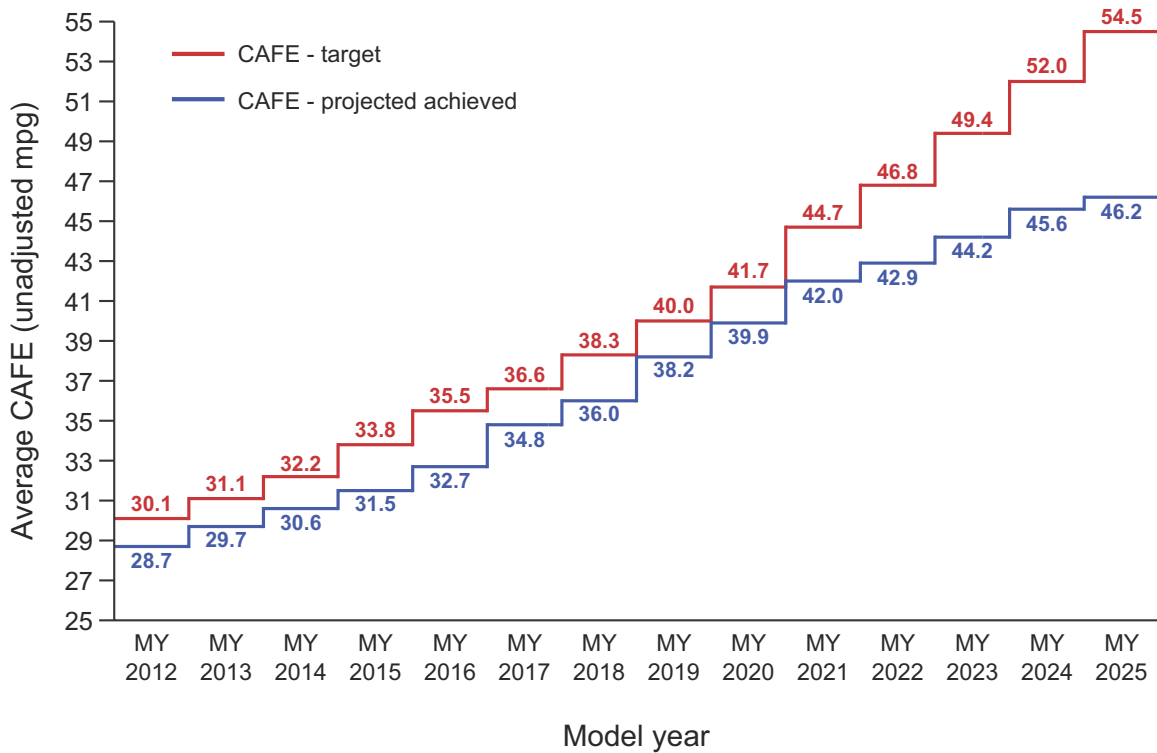


Figure 1. Average fleet-wide CAFE performance targets and the corresponding projected achieved performance levels (without credits) for model years 2012 through 2025 (EPA/NHTSA, 2010; 2012).

A rapid increase in new light-duty vehicle fuel economy has occurred since late 2007. This is the case for both the unregulated average window-sticker value (Sivak and Schoettle, 2014a) as well as the regulated CAFE performance measure (Sivak and Schoettle, 2014b).

In a previous report (Schoettle and Sivak, 2013), we documented the recent improvements in fuel economy and compared them with the projected achieved CAFE performance levels anticipated by NHTSA. That report showed that recent CAFE performance had exceeded the projected achieved levels for the first two years (2012 and 2013) of the current standard (applicable for model years 2012 to 2016).

This report updates the analysis in Schoettle and Sivak (2013) by including model year 2014 vehicles.

Method

Fuel economy data

The sales-weighted, unadjusted CAFE performance was calculated from the monthly and annual sales of individual models of light-duty vehicles and the unadjusted combined city/highway fuel-economy ratings for the respective models. Data files containing summaries of test data for individual models, including unadjusted fuel-economy ratings, were downloaded from the EPA for each model year (EPA, 2014). (Unadjusted fuel-economy ratings are not directly comparable to the "window sticker" ratings published in the EPA Fuel Economy Guide. The former values are adjusted by the EPA to derive the estimated on-road fuel-economy ratings that are published in the EPA guide and on window stickers.)

CAFE performance calculations

Our ongoing monitoring involves calculating monthly and annual sales-weighted harmonic means. Vehicles purchased from October 2007 through September 2008 were assumed to be model year 2008. Analogous assumptions were made for vehicles purchased in each following model year. Model years 2008 through 2014 were included in the analysis. The unadjusted fuel-economy information was available for 99.8% of vehicles purchased during the period examined.

For cases in which the EPA data file contained multiple unadjusted fuel-economy ratings for a vehicle model, the average of these ratings was used (without regard to sales figures for each specific engine or vehicle-model variant). Additionally, when a vehicle model was sold during a particular model year but it was not listed in that year's EPA data file, the fuel-economy rating from the most recently available year was used. Finally, for very low sales-volume manufacturers (e.g., Ferrari, Rolls-Royce, etc.), all vehicle models for that manufacturer were aggregated and one average, unadjusted fuel-economy rating was calculated. Analogously, the sales figures for each such manufacturer's models were also aggregated each month.

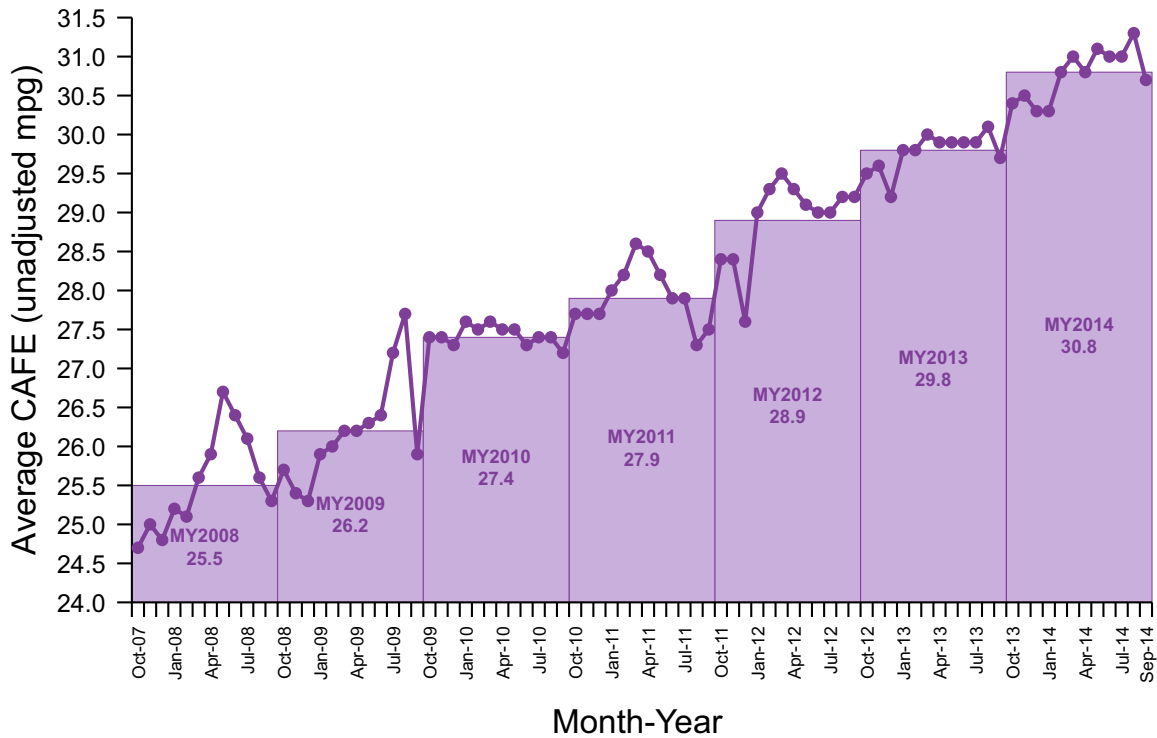
Our calculations do not take into account the various credits and adjustments available to manufacturers when determining final CAFE performance values (Schoettle and Sivak, 2014). Consequently, these values cannot be directly used for assessing

compliance with final CAFE standards because the results may underestimate the final CAFE values. The calculations in this report represent the *actual achieved* CAFE performance for the new-vehicle fleet. Consequently, the results will be compared with the *projected achieved* fleet-wide CAFE performance published by NHTSA (EPA/NHTSA, 2010; 2012).

Results

Recent achieved CAFE performance

Figure 2 presents the recent achieved CAFE performance, showing both monthly and model year new-vehicle fleet averages, for model years 2008 through 2014. The three most recent model years (2012, 2013, and 2014) experienced a year-to-year increase in average fleet-wide achieved CAFE performance of 1.0 mpg, 0.9 mpg, and 1.0 mpg, respectively. Overall, achieved CAFE performance improved by 5.3 mpg over the seven model years examined, from 25.5 mpg to 30.8 mpg.

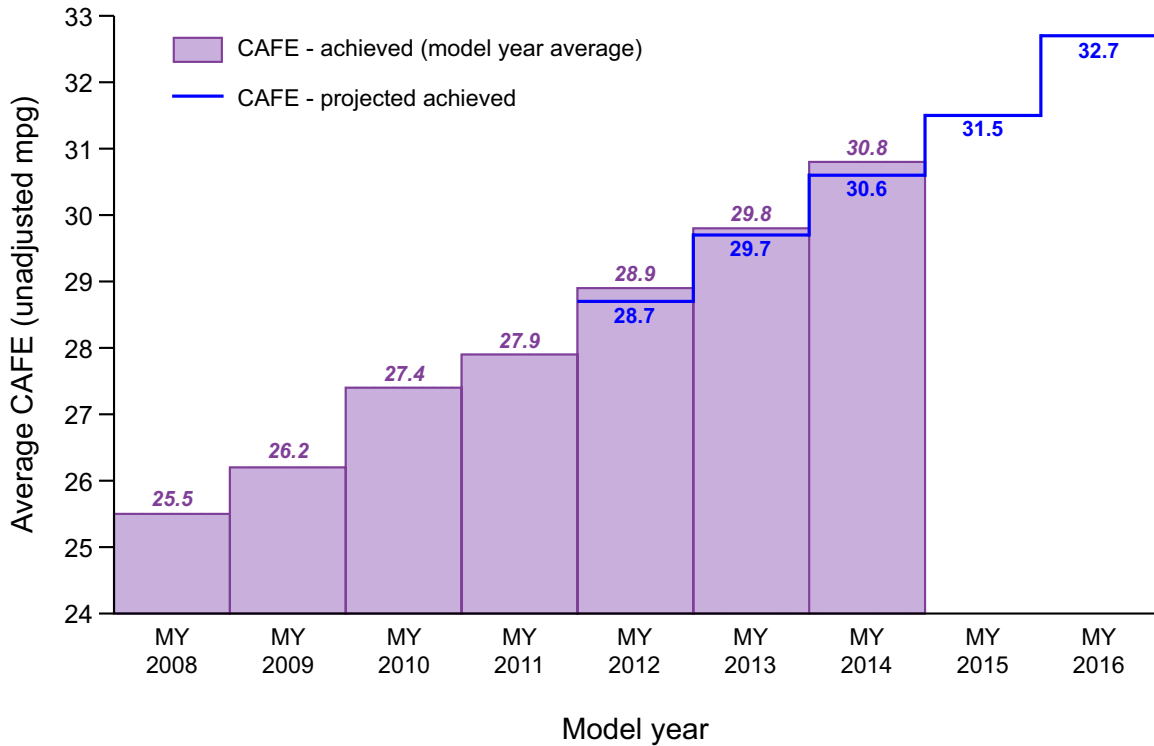


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Figure 2. Average monthly and model year fleet-wide achieved CAFE performance levels for model years 2008 through 2014. (The value displayed in the center of each bar represents the model year average.)

Achieved CAFE performance versus projected achieved performance

Figure 3 presents a comparison of recent achieved CAFE performance and the projected achieved performance levels under the current CAFE standard (applicable for model years 2012 through 2016). For the three model years completed under the current standard (2012, 2013, and 2014), the achieved performance levels exceeded the anticipated levels by 0.2 mpg, 0.1 mpg, and 0.2 mpg, respectively.



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Figure 3. Average monthly and model year fleet-wide achieved CAFE performance levels versus NHTSA projected achieved CAFE levels for model years 2008 through 2016.

Conclusions

Recent trends in CAFE performance, when compared with the performance levels projected to be achieved by NHTSA under the current standards, indicate that achieved CAFE performance has exceeded these anticipated levels for each of the 2012, 2013, and 2014 model years—the first three years that the current standard has been in effect. Additionally, achieved CAFE performance has consistently increased annually from model year 2008 through model year 2014. If the current trends in annual improvements continue, future achieved CAFE performance is expected to continue meeting or exceeding the projected performance levels (and desired GHG reductions) contained in the latest CAFE standards.

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