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NEW STUDY: Strong Fuel Economy Standards & Vehicle Emissions Standards Will Drive Economic Growth—The Stronger the Standard, the Greater the Growth

San Francisco- Policies that put cleaner, more fuel-efficient cars, trucks and SUVs on California's roads will drive consumer savings, spark job creation, and spur economic growth in the Golden State, according to a new study. The study, *Driving California's Economy: How Fuel Economy and Emissions Standards Will Impact Economic Growth and Job Creation* (http://next10.org/next10/publications/vehicle_efficiency.html), finds that the highest passenger vehicle fuel economy and vehicle emissions standards produce the most positive results in terms of job creation, household savings, Gross State Product, and emissions reductions.

“Our study indicates that when it comes to fuel economy and emissions standards, Californians don't have to choose between a robust economy and a cleaner vehicle fleet -- they can enjoy both,” said Professor David Roland-Holst, author of the report.

Driving California's Economy, released by the nonpartisan, nonprofit research organization Next 10, uses a state-of-the-art economic forecasting model to project the effects of the range of possible fuel economy and emissions standards now being considered by the state and federal government. When compared to California's economic performance without any vehicle fuel economy or emissions standards, if fuel economy improved by 4-6 percent per year starting in 2017, California would see the following impacts by the year 2025:

- The addition of 38,000 to 236,000 jobs.
- An increase in GSP of .82 percent to 1.31 percent.
- A reduction of 8 percent to 19 percent of state GHG emissions.

“For more than three decades, California's investments in energy efficiency -- through groundbreaking building, appliance, and utility regulatory standards -- have reaped substantial economic returns for consumers in our state. These returns have in turn supported the creation of new jobs and businesses. Californians will see similar benefits when it comes to clean cars,” said F. Noel Perry, businessman and founder of Next 10.

Key findings of the study include:



- **A cleaner, more efficient passenger vehicle fleet creates significant consumer savings that, when reinvested into local economies, offer a potent catalyst for economic growth.** By reducing fuel use, cleaner, more efficient vehicles save families and businesses money. These savings are likely to be spent on goods and services that are less import-dependent and more job-intensive; therefore, they have stronger “multiplier” effects within California, and create many more jobs than they displace.
- **Increasing fuel economy and reducing emissions from passenger vehicles creates jobs across the economy, far beyond what are thought of as “green” sector and “green collar” jobs.** An added benefit: the majority of jobs created by fuel economy savings are in-state service jobs that cannot be outsourced.
- **Clean car technologies that act to reduce GHG emission intensity and increase fuel economy are a source of economic growth, job creation, and lower energy costs.** As standards at the federal and state levels steer California’s vehicle fleet toward ever-greater fuel efficiency and lower emissions, pressure on long-term California energy prices will be reduced, cutting future household energy costs and boosting energy security for all—even for Californians who hold onto their gas guzzlers.
- **The observed “rebound” effect, more driving in response to lower fuel cost, is very modest in California.** Our results show that the rebound effect amounts to less than ten percent of net fuel savings from federal fuel economy standards, leaving the bulk of efficiency driven growth benefits to California’s economy intact.

The California Air Resources Board (CARB) is in the midst of a rulemaking process to set vehicle emission standards for passenger vehicles sold in California for model years 2017-2025. The federal Clean Air Act (CAA) allows California to set its own vehicle emissions standards (no state, only the federal government is permitted to set fuel economy standards), and other states can choose to follow California’s emissions standards or the federal standards. To date, 14 jurisdictions have elected to follow California’s existing standards.

CARB is also working closely with the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) as those agencies craft rules governing passenger vehicle fuel economy standards for model years 2017-2025. The agencies will announce the new proposed 2017-2025 fuel economy standards in the fall.

Next 10 (www.next10.org) is an independent, nonpartisan organization focused on innovation and the intersection between the economy, the environment, and quality of life issues for all Californians. Next 10



funds research by leading experts on complex state issues.