

TRANSPORTATION: STATE AND FEDERAL OPTIONS FOR REDUCING GHG

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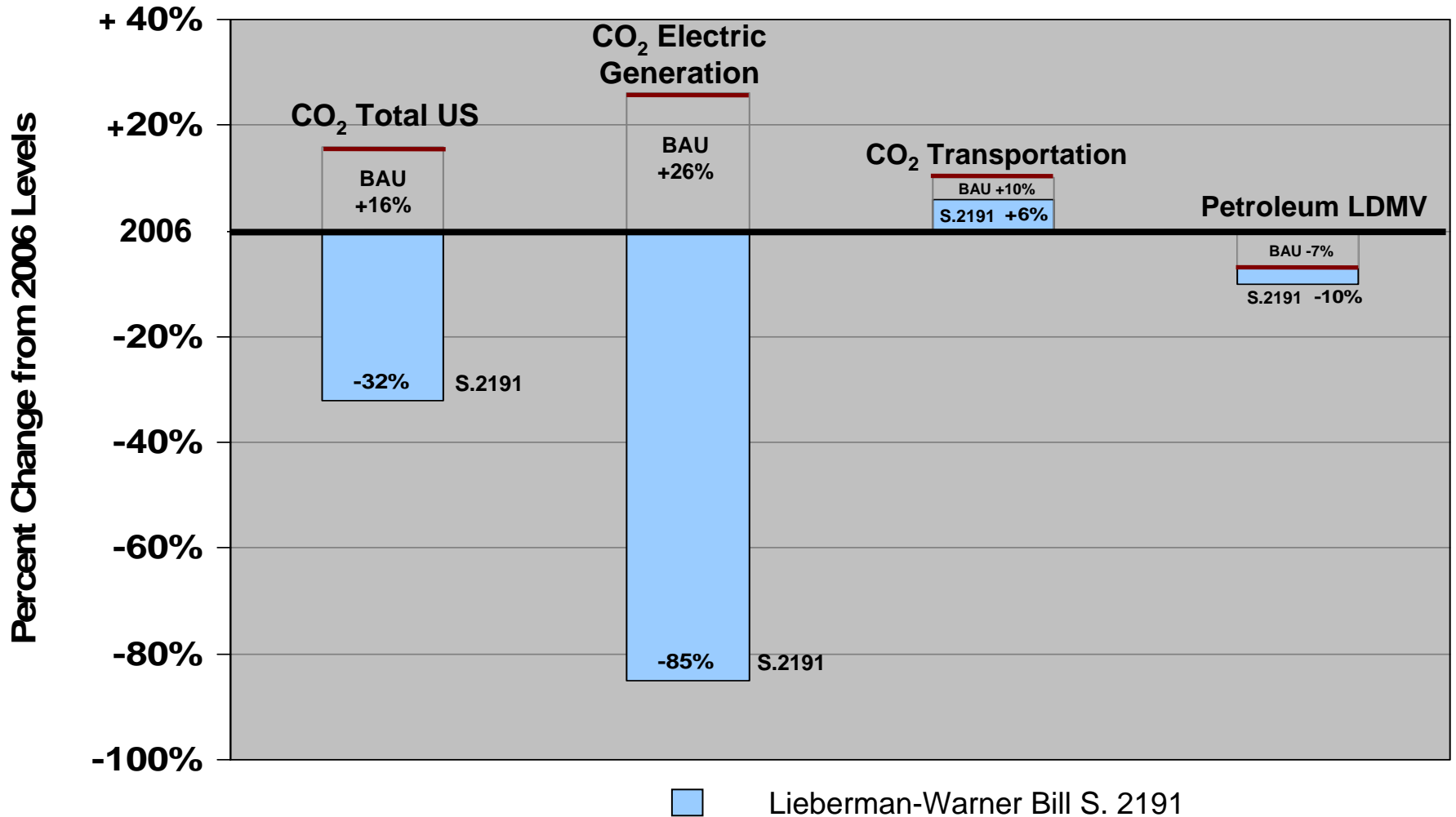
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KEY CONSIDERATIONS

- Reducing transportation sector GHG emission and petroleum use
- Avoiding overlapping Federal agency GHG and CAFE regulation and multi-state GHG regulation
- Curtailing litigation in order to avoid prolonged uncertainty respecting regulatory requirements

Impact of S.2191 (Lieberman/Warner) in 2030

Percent increase/decrease of energy-related CO₂ emissions and petroleum use from 2006 level



OPTIONS GOING FORWARD

- EPA affirms CA waiver denial (unlikely)
 - CA, NGO, States continue to litigate
- EPA grants CA waiver on reconsideration
 - Manufacturers litigate EPA grant of waiver
 - Manufacturers continue EPCA preemption litigation

OPTIONS GOING FORWARD (Cont'd.)

- Parties seek negotiated outcome:

Option A: Comply with CAFE and submit GHG allowances to States adopting CA standards to cover difference between CAFE and CA standards

Option B: Boost CAFE requirement high enough to reduce nationwide GHG emissions to level that would occur if CA standards took effect in States adopting those standards and CAFE applied elsewhere

OPTIONS GOING FORWARD (Cont'd.)

- Negotiated outcome continued:

Option C: Adopt CAA or CAFE rule that applies the CA standards nationally

Option D: Compliance with CA standards determined on the basis of vehicles sold in States adopting CA standards, rather than on State-by-State basis. Meet CAFE nationally