



Statement of
the Investor Network on Climate Risk (INCR) and Ceres
October 23, 2009

Re. Proposed Rulemaking: Light-Duty Vehicle Greenhouse Gas Emissions Standards and Corporate Average Fuel Economy Standards; Docket ID No. EPA-HQ-OAR-2009-0472

My name is Carol Lee Rawn, and I am here on behalf of the Investor Network on Climate Risk (INCR), which represents over \$8 trillion in combined assets, and Ceres, a national network of investors, environmental organizations and other public interest groups, working with companies and investors to address sustainability challenges such as global climate change.

We would like to express our strong support for the National Program. In particular, I would like to bring your attention to the findings of the Citi report, published on October 13, 2009. This report was produced in partnership with INCR and the University of Michigan Transportation Research Institute (UMTRI), and addresses the impacts of the National Program (the new fuel economy/GHG emissions standards) on automakers.

Key findings of the Citi report include the following:

- Automakers' variable profits would be greater (as compared to the case under no new regulation) under the National Program.
- The National Program is likely to increase Detroit's competitiveness:
 - The Detroit 3 will be able to mitigate market share erosion by producing more competitive fuel-efficient fleets in the coming years.
 - The Detroit 3 would do better than the Japanese 3 under the National Program under most scenarios. According to the report, Detroit's gross profits are likely to increase by roughly \$3 billion per year, compared to a \$.8 billion increase for the Japanese 3.
 - Sales by the Detroit 3 are expected to increase by the equivalent of two large assembly plants, thereby saving U.S. autoworker jobs.
- Consumers will benefit as well, since fuel savings from more efficient cars – even at the present gas price of \$2.50 a gallon – will more than offset slightly higher prices for vehicles incorporating new fuel-saving technologies. To quote the Citi report, “Under the National Program, the present value of the fuel saved will be greater than the increase in purchase price associated with the new fuel saving technology. “



In short, in addition to its significant environmental benefits, the National Program will bring tangible economic benefits to our domestic auto industry. It is critical that American auto companies significantly change their business models to ensure that they are able to compete successfully in the 21st century. As shown by the Citi report, the implementation of the National Program is integral to ensuring that success.

Attachments:

Citi October 2009 Report, “CAFE and the U.S. Auto Industry Revisited.”

Full report: <https://www.citigroupgeo.com/pdf/SNA41155.pdf>