

Feebates: Complement or replacement for standards?

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*Reducing Greenhouse Gas Emissions from Passenger
Vehicles "What's Next?"*
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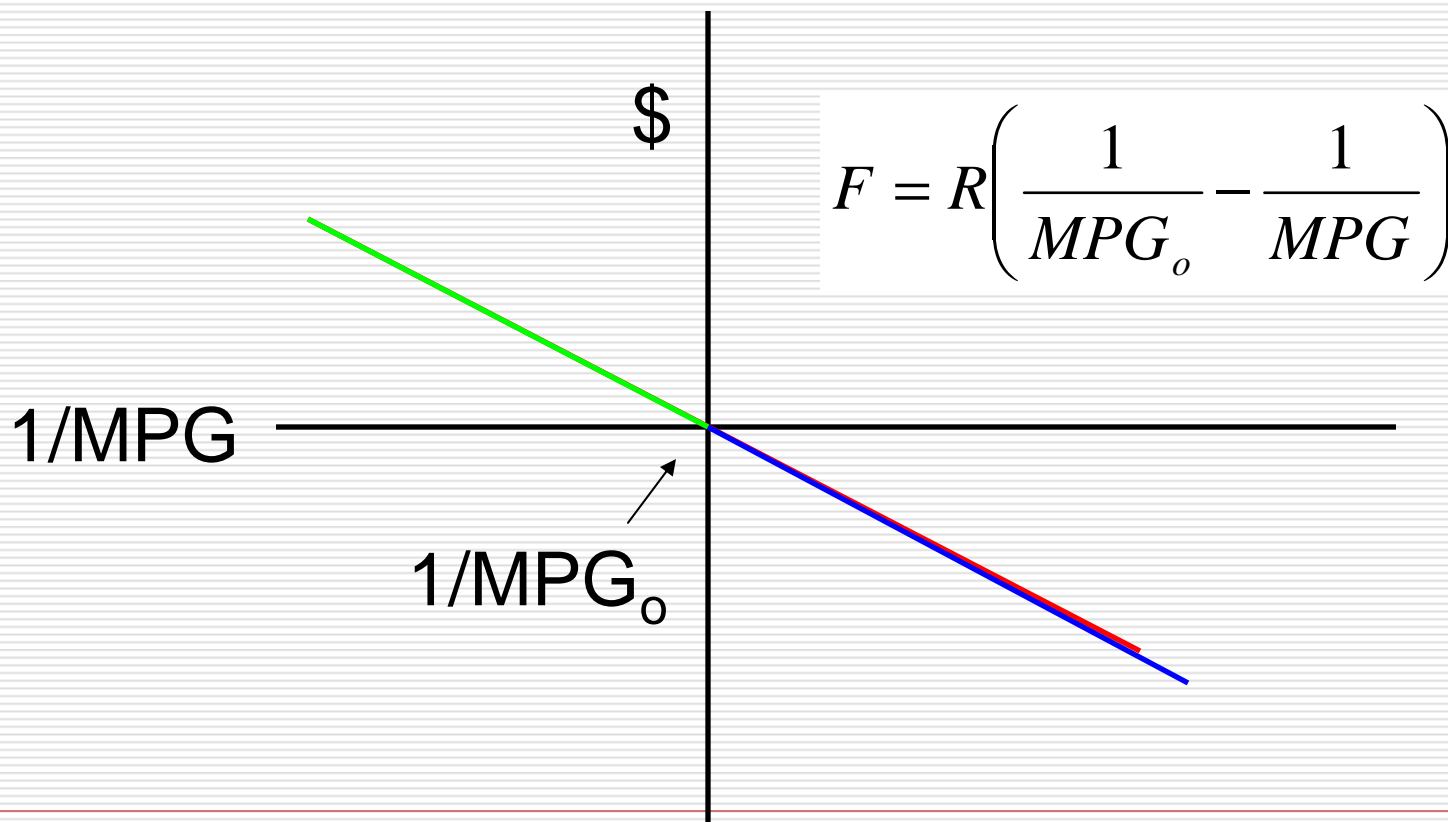
What is a “feebate”?

- A fiscal policy combining
 - A **FEE** on inefficient vehicles
 - A re**BATE** on efficient vehicles.
 - A “**pivot point**” defines who pays and who receives. (distribution)
 - A “**rate**” determines the marginal costs and benefits. Essentially an extra marginal cost of fuel or emissions capitalized at vehicle purchase.
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Feebates can take many forms.

**The simplest feebate is based on gallons per mile,
GPM = 1/MPG. (25 MPG = 0.04 GPM)**

The pivot point is the origin, the rate, R , is the slope of the line.



Our format will be 5 minutes presentation, 10 minutes discussion.

- How do feebates work?: John German
 - Alternative forms: Spencer Quong
 - Complement or alternative to standards?: Walter McManus
 - Impacts on consumers, dealers and manufacturers: Brian Maas
 - Political dynamics: All
 - What do we still need to know?: All
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THANK YOU.

Encouraging Technology Spread Across the Fleet

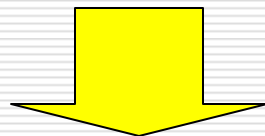
Direct and Indirect Influences on Transportation Sector GHG Emissions

Factor/Entity		Vehicle Miles Traveled	Vehicle Efficiency			Carbon content
Strategy	Primarily affects		Leap-Forward Technology	Technology spread	Smaller vehicles	Alternative fuels
Fuel price (taxes)	Consumers	+			+	+(if fuel price difference)
Land Use & Infrastructure	Consumers	+				
Technology mandates/incentives	Manuf.		+			+(w/ enough dollars)
CAFE or Feebates	Manuf.			++	(possible but small impact)	+

CAFE and Feebates fill the same gap between societal and consumer value of fuel savings

Fix FE or Cost?

- CAFE fixes the **amount** of FE improvement, but
 - If standard is set too high, incremental costs skyrocket and market may not accept technology or vehicles
 - If level is too low, cost-effective technology is not used
 - No incentive to do more than the absolute minimum
 - Is not responsive to market or technology changes
- Manufacturer revenue-neutral incentive programs fix the **cost** of fuel economy improvements
 - Economically sound
 - **Continuous incentive to improve FE**
 - Automatically adjusts to technology changes
 - Fuel economy, however, is not fixed



CAFE provides certainty of fuel economy increases

Feebates provide certainty of cost-effectiveness

France's feebate step function is approximately equivalent to \$1,500 per 0.01 gallons per mile, a significant rate.

