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**Policy Integrity**  
NEW YORK UNIVERSITY SCHOOL OF LAW

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## **NEW REPORT HIGHLIGHTS ENVIRONMENTAL AND CONSUMER-SAVINGS BENEFITS OF IMPROVED CAR AND TRUCK STANDARDS**

As the Biden administration works to bolster the United States' climate commitment, efforts to reduce greenhouse gas pollution from the transportation sector—the country's largest source of emissions—will be pivotal.

A [new report from the Institute for Policy Integrity at NYU School of Law](#) analyzes a key issue in U.S. transportation policy: the energy efficiency gap. Economists have long observed that while more fuel-efficient cars and trucks save consumers the most money over time, many instead purchase slightly cheaper vehicles that cost more in the long run due to greater fuel usage. The report shows that well-designed fuel economy and vehicle emissions standards would help address market failures that cause the energy efficiency gap—and, as a result, save Americans money at the pump while reducing climate and air pollution.

Opponents of strong federal car and truck standards, such as certain industry groups and auto manufacturers, often argue that the energy efficiency gap reflects actual consumer preferences for less-efficient vehicles. Under their theories, stronger standards could not produce real, net cost savings for individual Americans. But there is considerable economic research demonstrating that multiple market failures—including loss aversion, information costs and asymmetries, and manufacturer market power—contribute significantly to the energy efficiency gap. Our report discusses these market failures and recommends that the Biden administration continue the longstanding practice of incorporating private fuel savings in any evaluation of the costs and benefits of stronger standards for cars and trucks.

The new report, ***Tune Up: Fixing Market Failures to Cut Fuel Costs and Pollution from Cars and Trucks***, is available at: <https://policyintegrity.org/publications/detail/tune-up>

The authors are available for interviews on these issues.

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