

## CAFE STANDARDS - CONSUMER CHOICE FOR CARS



ADVANCING AMERICAN  
FREEDOM FOUNDATION

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**TOPLINE:** The One Big Beautiful Bill (OB3) eliminated civil penalties for noncompliance with the Corporate Average Fuel Economy (CAFE) standards.

**BACKGROUND:** The CAFE standards are [federal regulations](#) on how far vehicles must be able to travel on a gallon of fuel. Congress created these standards in 1975 to reduce dependence on foreign oil when the United States was a major [importer](#) of petroleum. That justification is much weaker today because the United States is now a [net exporter](#) of petroleum. At the same time, fuel economy standards [raise](#) the cost of producing new vehicles, which increases car prices and pushes many Americans out of the new car market. The 2024 noncompliance penalties (after inflation adjustments) were [\\$17 per vehicle](#) for each tenth of a mile per gallon that a manufacturer's average fuel economy fell below the government standard.

### What OB3 Did:

- [Set](#) the civil penalty to \$0 for noncompliance with the CAFE standards.

### Why It Matters?

- Car manufacturers paid over [\\$1 billion](#) in civil penalties for CAFE noncompliance from model year 2010 to 2020 (the latest year available in data).
  - Companies should not be penalized for making vehicles that don't meet Washington's political preferences.
- Defanging the CAFE standards will lead to greater choice in the vehicles Americans drive. Instead of conforming their fleets to the preferences of federal regulators, automakers will have more freedom to design and produce vehicles that meet consumers' [preferences](#), which consider price, reliability, performance, fuel efficiency, design, size, brand, and color.
- This reform may alleviate the pressure on new vehicle prices, which currently average [\\$49,000](#).

**Where Can I Find the Changes?** OB3 Section [40006](#); 49 U.S.C § [32912](#).

**BOTTOMLINE:** American consumers and producers have limited resources and therefore face tradeoffs. When the federal government requires that consumers buy cars with specific features (like meeting fleetwide mileage standards), that comes at the cost of other features or simply higher prices. Consumers should be free to choose and drive the vehicles that best suit their needs and preferences. Congress was therefore right to eliminate the CAFE noncompliance penalty, which largely [defangs](#) the requirement, but it should go further by repealing the CAFE program altogether.

