



A New Road Ahead: NHTSA Eases Fuel Economy Standards and Reshapes Compliance Options

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On September 30, 2026, the National Highway Traffic Safety Administration (NHTSA or Agency) published in the *Federal Register* a [final rule](#), “Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule III for Model Years 2022 to 2031 Passenger Cars and Light Trucks,” that changes the Corporate Average Fuel Economy (CAFE) program and will significantly affect manufacturers’ compliance planning. The final rule is effective November 30, 2026, and any legal challenges must be filed no later than that date.

Among other modifications, the final rule:

- Revises the CAFE standards for passenger automobiles and non-passenger automobiles for model years (MYs) 2022–2031;
- Modifies the criteria used to classify vehicles as non-passenger automobiles, beginning in MY 2030; and
- Eliminates inter-manufacturer trading of CAFE credits earned beginning in MY 2028.

NHTSA estimates that the final rule will reduce average up-front vehicle costs by approximately \$1,290, cutting by more than half what consumers might expect to pay as a result of the 2024 standards.

Revised Fuel Economy Standards

The final rule revises the CAFE standards for passenger automobiles and non-passenger automobiles manufactured for sale in the United States for MYs 2022–2031.

For passenger automobiles, NHTSA set fuel economy standards that increase from the newly finalized MY 2022 standards at a rate of 0.90 percent annually through MY 2029. For MY 2030, the standard decreases by 0.3 percent before increasing by one percent for MY 2031. For non-passenger automobiles, NHTSA set fuel economy standards that increase from the newly finalized MY 2022 standards at a rate of 0.51 percent annually through MY 2029, followed by a 14.4 percent decrease in MY 2030 and a one percent increase in MY 2031.

The reduced standards for MY 2030 reflect the interaction between the revised fuel economy standards and the vehicle classification changes discussed below. NHTSA expects vehicle reclassifications to shift a substantial portion of vehicles currently classified as non-passenger automobiles into the passenger automobile fleet. Because the two fleets are subject to different target curves, these reclassifications affect the composition of each fleet and the average fuel economy achievable for each category. NHTSA therefore describes MY 2030 as a bridge year for implementation of the revised classification framework.

NHTSA states that the revised standards reflect its determination that CAFE standards should be based on fuel economy improvements achievable through gasoline- and diesel-powered vehicles, including non-plug-in hybrid vehicles. Consistent with that approach, the Agency did not consider the fuel-economy performance of electric vehicles, the electric operation portion of plug-in hybrid electric vehicles, compliance credits, or certain fuel-economy adjustments when establishing the standards.

For MY31, NHTSA estimates that the final rule will correspond to an average of 40.2 mpg for passenger automobiles, 26.4 mpg for non-passenger automobiles, and 34.9 mpg for the overall fleet. This compares to 65.8 mpg, 45.4 mpg, and 49.3 mpg respectively, under the prior standards.

Modified Vehicle Classification for Non-Passenger Automobiles Beginning in MY 2030

The final rule also amends the vehicle classification criteria in 49 C.F.R. Part 523, effective beginning in MY 2030. NHTSA delayed implementation of the classification revisions until MY 2030, rather than keeping a MY 2028 implementation date as originally proposed, to provide manufacturers additional time to plan for the change.

Under the Energy Policy and Conservation Act of 1975 (EPCA) and NHTSA's regulations, an automobile may be classified as a non-passenger automobile if it: (1) is designed to carry more than ten individuals; (2) is not manufactured primarily for transporting individuals; or (3) is capable of off-highway operation. The final rule changes the criteria applicable to the second and third pathways.

For the second pathway, the final rule:

- Removes the current criterion for vehicles with three or more rows of seating; and
- Adds a new criterion based on a performance-based light-duty work-factor utility metric.

For the third pathway, the final rule

- Eliminates axle clearance as a characteristic used to define a vehicle with high ground clearance; and
- Requires vehicles to satisfy all four historically prescribed values for approach angle, breakover angle, departure angle, and running clearance.

NHTSA concluded that the existing classification criteria no longer adequately distinguish vehicles designed primarily to transport passengers from those designed primarily to haul cargo or operate off-road. According to the Agency, the revised framework better aligns the regulatory classifications with the vehicle definitions contained in EPCA. NHTSA expects the revised criteria will result in certain crossover utility vehicles, SUVs, minivans, and other passenger-oriented

vehicles currently classified as non-passenger automobiles being reclassified into the passenger-automobile fleet beginning in MY 2030.

Inter-Manufacturer Credit Trading Eliminated Beginning in MY 2028

The final rule removes inter-manufacturer credit trading from the CAFE program for credits earned in MY 2028 and beyond. For credits earned in the CAFE program up through MY 2027, manufacturers may use the credits for up to five model years after the year in which the credits were earned, which is consistent with the statutory timeframe for manufacturers to carry forward their own credits.

NHTSA states that its decision to allow a transition period reflects manufacturers' reliance interests in the credit-trading program, including investments in fuel-saving technologies and compliance planning based on the availability of traded credits. NHTSA also emphasizes that the finalized fuel economy standards are achievable using internal combustion engine technologies without relying on alternative-fueled vehicles or the availability of credits.

The Agency expects the value of credits earned through MY 2027 to decline significantly because NHTSA expects manufacturers to meet the standards through actual fuel economy improvements, and Congress previously reduced CAFE penalties to \$0 in the One Big Beautiful Bill Act. As a result, there may be less demand for purchased credits than existed under prior standards.

Implications of the Final Rule

The final rule significantly reduces the stringency of the CAFE program compared with the prior standards finalized in 2024 while simultaneously reshaping long-term compliance planning for manufacturers. Although Congress has eliminated civil penalties for noncompliance with the CAFE program, the standards remain important because they continue to determine manufacturers' compliance status and govern the generation, transfer, and use of CAFE credits.

The vehicle reclassification provisions may produce substantial shifts in manufacturer compliance strategies. Automakers with substantial crossover, SUV, and minivan portfolios should evaluate whether vehicles currently classified as non-passenger automobiles will migrate into the passenger-automobile fleet beginning in MY 2030 and assess the resulting impacts on fleet-average fuel economy calculations and compliance planning.

The elimination of inter-manufacturer credit trading beginning with credits earned in MY 2028 is also likely to be significant for manufacturers that have historically relied on purchased credits to satisfy compliance obligations, as well as manufacturers that have relied on the sale of excess credits as part of their business model.

In addition, the reclassification of vehicles beginning in MY 2030 may affect the composition of domestic and non-domestic passenger car fleets. Whether vehicles moved from a non-passenger fleet to a passenger car fleet are placed in domestic

or non-domestic passenger-car fleets will depend on the level of domestic content associated with each vehicle. That level of content will affect the compliance status for each of the two passenger vehicle fleets, as well as the “anti-backsliding” standards for domestic vehicles. Some credit transfers among an automaker’s fleets are allowed, but the amounts have been capped in the past.

Finally, the rule is likely to face legal challenges from multiple interested parties. Opponents are expected to argue that NHTSA’s revised standards do not satisfy EPCA’s requirement that CAFE standards be set at the “maximum feasible” level. However, because Congress has eliminated penalties for noncompliance, any litigation may have more limited practical consequences in the short term. At the same time, the elimination of inter-manufacturer credit trading may become more consequential if a future administration adopts more stringent fuel economy requirements without reinstating the credit trading or if penalties are reinstated.

For More Information

Van Ness Feldman closely monitors and counsels clients on environmental and regulatory issues affecting the automotive industry. For further details or assistance with assessing the impact of this final rule, please contact [Britt Speyer Fleming](#) or any member of VNF’s Environmental Team. Today, VNF Senior Policy Advisor [Tom Stricker](#), a former EPA regulator and auto executive, is launching a new LinkedIn series examining the complexity of the U.S. automotive regulatory landscape and potential pathways forward for manufacturers.

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