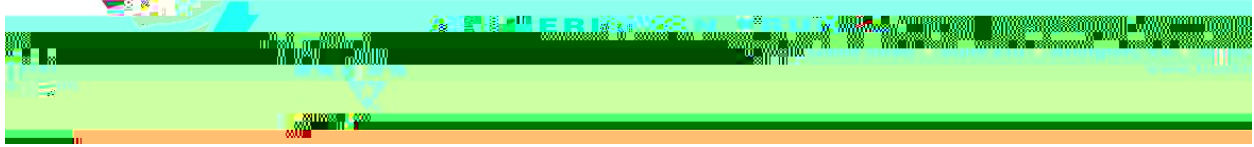




ISSUE UPDATE ON EPA/NHTSA PROPOSED GREENHOUSE GAS/FUEL EFFICIENCY STANDARDS
FOR MEDIUM AND HEAVY-DUTY TRUCKS, ENGINES, AND TRAILERS
(August 2015)

On June 19, 2015, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Transportation (DOT) National Highway and Traffic Safety Administration (NHTSA) jointly proposed the second round of standards for medium and heavy-duty trucks and trailers (Phase II) to reduce greenhouse gas emissions and improve fuel efficiency. The standards apply to “new” semi-trucks, pick-up trucks, and all types and sizes of buses and work trucks, as well as designated “new” trailers. Milestones for engines and tractors must be achieved in model years 2021, 2024, and 2027. Trailer milestones are set for model years 2018, 2021, 2024, and 2027.

While fleet acceptance and purchases of fuel-efficient technologies under Phase II will directly determine the overall success of the Rule, compliance under the proposal is the responsibility of truck, engine, and trailer manufacturers. According to the agencies, the Rule will result a reduction of 1 billion metric tons of carbon emissions; save approximately 1.8 billion barrels of oil or 75 billion gallons of fuel; and save vehicle owners \$170 billion in fuel costs over the lifetime of the vehicles subject to the standards. In 2027,



TRACTOR OVERVIEW

Tractor improvements under Phase II will likely be achieved through the use of: automatic, automated, and dual clutch transmissions; driveline improvements; automatic tire inflation systems; axles and axle lubricants; aerodynamics; tire rolling resistance; idle reduction; and other tractor accessories. The following table breaks down estimated tractor efficiency gains and costs by truck type and model year:

Estimated Tractor Incremental Cost Increases and Efficiency Targets*

	MY 2021	MY 2024	MY 2027
	(+7.5-11.5%)	(+11.3-16.3%)	(+13.8-19.8%)



The proposed program is designed with separate performance-based standards for the following box trailer subcategories:

Long-