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**CALIFORNIA ENERGY COMMISSION**

715 P Street  
Sacramento, California 95814

[energy.ca.gov](http://energy.ca.gov)

**NOTICE OF PROPOSED ACTION**

Replacement Tire Efficiency Program Rulemaking  
Title 20, California Code of Regulations  
Adoption of Article 1, Sections 3301–3310 in Division 2, Chapter 14

Docket No. 26-TIRE-01  
Notice Published on April 24, 2026

**INTRODUCTION**

The California Energy Commission (CEC) proposes to adopt the Replacement Tire Efficiency Program Rulemaking in the California Code of Regulations (CCR), Title 20, Chapter 14, Article 1, Sections 3301 through 3310 to implement the Replacement Tire Efficiency Program pursuant to Public Resources Code Sections 25770, 25771, 25772 and 25773.

The CEC staff proposes new regulations to increase the energy efficiency of replacement tires for passenger cars and light-duty trucks. The proposed regulations set minimum performance standards for the energy efficiency and wet grip performance of replacement tires sold in California. The regulations will also set reporting requirements for tire manufacturers and brand name owners, and only tires listed in a CEC database will be legal for sale in California. The proposed express terms include the CEC staff's consideration of comments, objections, and recommendations regarding the proposed regulations received during pre-rulemaking stakeholder engagement.

**PUBLIC HEARING**

The CEC staff will hold a public hearing for the proposed regulations at the date and time listed below. Interested persons, or their authorized representative, may present statements, arguments, or contentions relevant to the proposed regulations at the public hearing. The record for this hearing will be kept open until every person present at the conclusion of staff's presentation has had an opportunity to provide comment.

**Wednesday June 10, 2026**

10:00 a.m. (Pacific Time)

**ATTENDANCE INSTRUCTIONS**

**Remote Attendance:** The Public Hearing may be accessed by clicking the Zoom link below or visiting [Zoom](https://join.zoom.us) at <https://join.zoom.us> and entering the ID and password below.

URL: <https://energy.zoom.us/j/89321505373?pwd=e1m5aT0aMn98YxILZlGnjXA2zxwbz4.1>

Webinar ID: 893 2150 5373  
Passcode: 198841

To comment via Zoom, use the “raise hand” feature so an administrator can announce your name and unmute you for comment. To participate by telephone dial (669) 900-6833 or (888) 475-4499 (toll free). To comment over the telephone, dial \*9 to “raise your hand” and \*6 to mute/unmute your phone line. When prompted, enter the Webinar ID and password listed above. For Zoom technical support dial (888) 799-9666 ext. 2 or contact the CEC’s Public Advisor for help at [publicadvisor@energy.ca.gov](mailto:publicadvisor@energy.ca.gov) or by phone at (916) 957-7910.

**Zoom Closed Captioning Service:** At the bottom of the screen, click the Live Transcript CC icon and choose “Show Subtitle” or “View Full Transcript” from the pop-up menu. To stop closed captioning, close the “Live Transcript” or select “Hide Subtitle” from the pop-up menu. If joining by phone, closed captioning is automatic and cannot be turned off. While closed captioning is available in real time, it can include errors. An accurate transcript of the workshop will be docketed and posted as soon as possible after the meeting concludes.

## **PUBLIC ADVISOR**

The CEC’s Office of the Public Advisor, Energy Equity, and Tribal Affairs assists the public with participation in CEC proceedings. To request assistance, interpreting services, or reasonable modifications and accommodations, reach out via email at [publicadvisor@energy.ca.gov](mailto:publicadvisor@energy.ca.gov) or by phone at (916) 957-7910 as soon as possible, but at least five days in advance. The CEC will work diligently to meet all requests based on availability.

## **PUBLIC COMMENT PERIOD**

Interested persons or their authorized representatives may submit written comments during the written public comment period for the proposed regulation that will be held from April 24, 2026, through 5:00 p.m. on June 9, 2026. Any interested person may submit written comments to the CEC for consideration on or prior to 5:00 p.m. on June 9, 2026. The CEC appreciates receiving written comments at the earliest possible date. Comments submitted outside this comment period are considered untimely.

Written and oral comments, attachments, and associated contact information (including address, phone number, and email address) will become part of the public record of this proceeding with access available via any internet search engine.

The CEC staff encourages use of its electronic commenting system. Visit the e-commenting page on the CEC website at [Docket 26-TIRE-01](https://efiling.energy.ca.gov/EComment/EComment.aspx?docketnumber=26-TIRE-01), <https://efiling.energy.ca.gov/EComment/EComment.aspx?docketnumber=26-TIRE-01>, which links to the comment page for this docket. Enter your contact information and a

comment title describing the subject of your comment(s). Comments may be included in the “Comment Text” box or attached as a downloadable, searchable document consistent with Title 20, California Code of Regulations, Section 1208.1. The maximum files size allowed is 10 MB.

Written comments may also be submitted by email. Include the Docket Number 26-TIRE-01 in the subject line and email your comment to [docket@energy.ca.gov](mailto:docket@energy.ca.gov).

A paper copy may be sent to:

California Energy Commission  
Docket Unit  
Docket No. 26-TIRE-01  
715 P Street, MS-4  
Sacramento, CA 95814

To ensure you receive notice of any changes to the proposed regulations in this proceeding, please follow the instructions provided at the end of this notice to join the proceeding contact list or provide a valid email or mailing address with your comments.

## **STATUTORY AUTHORITY AND REFERENCE**

Public Resources Code Sections 25210, 25213, 25216.5(d), 25218, 25301, 25400, 25401, 25602, 25770, 25771, 25772, 25773, 25900 and Government Code Sections 11180, 11455.10, and 11455.20 authorize the CEC to adopt or amend rules or regulations, as necessary to implement, interpret, and make specific Public Resources Code Sections 25210, 25216.5(d), 25218, 25301, 25400, 25401, 25602, 25770, 25771, 25772, 25773, 25900, and Government Code Sections 11180, 11343.3, 11455.10, and 11455.20.

## **INFORMATIVE DIGEST AND POLICY STATEMENT OVERVIEW**

### **Summary of Existing Laws And Regulations**

Public Resources Code Section 25772 (Assembly Bill [AB] 844, Nation, Chapter 645, Statutes of 2003) directs the CEC to develop a tire energy efficiency program for replacement tires designed to ensure that replacement tires sold in California are at least as energy-efficient, on average, as original equipment tires found on new passenger cars and light-duty trucks. The lack of energy efficiency standards for tires has resulted in replacement tires being less energy-efficient when compared to the original equipment tires.

Public Resources Code Section 25773 directs the CEC to develop and adopt minimum energy efficiency standards for replacement tires that are technically feasible and cost-effective, do not adversely affect tire safety, do not adversely affect the average tire life of replacement tires, and do not adversely affect the state efforts to manage scrap tires pursuant to Chapter 17 (commencing with Section 42860) of Part 3 of Division 30.

Public Resources Code Section 25771 directs the CEC to develop and adopt:

- A database of the energy efficiency of a representative sample of replacement tires sold in the state.
- A rating system for the energy efficiency of replacement tires sold in the state based on test procedures adopted by the CEC.
- Requirements for tire manufacturers to report to the CEC the energy efficiency of replacement tires sold in the state.

The proposed regulations would require tire manufacturers and brand name owners to report the rolling resistance coefficient and wet grip index of all replacement tires sold in California, unless an exemption applies. The proposed regulations would provide procedures on the information that tire manufacturers and brand name owners must report to the CEC's database. Only tires that comply with the applicable minimum performance standards and are listed in the CEC's database will be legal for sale.

In accordance with Government Code Section 11343.3, CEC staff finds there is no evidence that these proposed regulations would affect vehicle weight or the ability of vehicle manufacturers or vehicle operators to comply with laws limiting the weight of vehicles.

### **Effect of the Proposed Regulation**

To satisfy its statutory mandate and legislative directives, the CEC staff proposes regulations as part of its Replacement Tire Efficiency program, which can be found in the express terms and are explained in the initial statement of reasons and the staff report: *California's Proposed Replacement Tire Efficiency Program (April 2026, Publication Number CEC 600-2026-012)*. The CEC proposes new regulations to:

1. Develop a tire energy-efficiency rating system to inform drivers about the fuel efficiency of replacement tires.
2. Establish reporting requirements for tire manufacturers.
3. Develop and maintain a database of tire efficiency information for replacement tires sold in California.
4. Set minimum energy performance standards for replacement tires.
5. Set a minimum performance standard for wet grip, to ensure safety for replacement tires.

These regulations apply to all tire retailers, tire manufacturers, and tire brand name owners of any replacement tire that is offered for sale in California. The regulations require that all replacement tires sold in California, except those with a specific criterion for exemption, meet minimum performance standards for rolling resistance and wet grip.

## **Difference From Existing Comparable Federal Regulation or Statute**

CEC staff has determined that there are no comparable federal tire efficiency regulations. While federal legislation exists calling for national efficiency standards for replacement tires under the National Highway Traffic Safety Administration (NHTSA) (49 U.S.C., § 32304A), to date no formal rulemaking has been adopted by the federal government to address replacement tire energy efficiency. The federal government partially adopted a national tire fuel efficiency consumer information program, which includes test methods for measuring tire efficiency and peak wet traction, at 49 Code of Federal Regulations Section 575.104. The federal program is limited to passenger car tires and excludes light-truck tires, whereas these regulations also apply to light-duty trucks. The federal program does not address a replacement tire efficiency rating system, a date by which manufacturers would be required to report data or a tire consumer education program. The CEC retains the ability to set tire efficiency regulations, and these proposed regulations are consistent with federal law.

## **Broad Objectives of the Regulations and the Specific Benefits Anticipated by the Proposed Amendments**

The broad objective of the regulations is to implement a replacement tire efficiency program as mandated by Public Resources Code Sections 25770, 25771, 25772, and 25773. The regulations will provide information through a database to consumers on the energy efficiency of specific replacement tires and will require replacement tires sold in California to meet minimum efficiency and wet grip performance standards.

Through the proposed performance standards, replacement tires sold in California must meet specified levels of rolling resistance to ensure replacement tires are at least as energy-efficient, on average, as original equipment tires unless an exemption applies. In addition, to ensure tires maintain adequate traction under wet road conditions, the regulations will include a relative wet grip braking performance standard.

The regulation will be enacted in two phases starting January 1, 2028, with Phase 1 and January 1, 2031, for Phase 2. The regulation sets the more stringent requirement for tire efficiency with Phase 2.

Tire efficiency has a significant impact on the energy consumption of vehicles; it affects vehicle fuel costs and the associated greenhouse gas emissions. The regulation requirements for energy-efficient replacement tires are expected to provide significant cost savings to California drivers and sharply reduce vehicle-related emissions. Setting regulations to increase the average efficiency of replacement tires is expected to reduce fuel consumption and provide environmental benefits.

The regulations will produce about \$4 billion in cumulative fuel cost savings to California drivers between 2028 and 2035 and \$3 billion in net benefits over the same period, as defined as incremental fuel cost savings minus incremental costs. The proposed regulations will, in this estimation, reduce carbon dioxide equivalent emissions by 8.6 million metric tons between 2028 and 2035.

## Consistency or Compatibility With Existing State Regulations

CEC staff has evaluated other regulations under this topic and has concluded that these are the only regulations concerning replacement tire efficiency. Therefore, CEC staff has determined that the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

## DOCUMENTS INCORPORATED BY REFERENCE

CEC staff proposes to incorporate by reference the following documents:

### FEDERAL TEST METHODS

Code of Federal Regulations, Title 49 section 574.5, subdivision (b) (October 1, 2023) Federal Register. (39 FR 1197, pp. 1197 (January 26, 1971).)

Code of Federal Regulations, title 49 section 575.104, subdivisions (e)-(g) (October 1, 2023). Federal Register. (43 FR 30549, pp. 30549-30551 (July 17, 1978).)

Copies available from:

Superintendent of Documents  
U.S. Government Printing Office  
Washington, DC 20402  
[www.ecfr.gov](http://www.ecfr.gov)

### INTERNATIONAL TEST METHODS

Annex V, Laboratory Alignment Procedure for the Measurement of Rolling Resistance, of Regulation (EU) 2020/740 of the European Parliament and of the Council of 25 May 2020 on the labelling of tyres with respect to fuel efficiency and other parameters, amending Regulation (EU) 2017/1369 and repealing Regulation (EC) No 1222/2009. Regulation (EU) 2020/740 of the European Parliament and of the Council of 25 May 2020, published in the Official Journal of the European Union, 2020 O.J. (L 177) 24-26.

Commission communication in the framework of the implementation of Commission Regulation (EU) No 1235/2011 amending Regulation (EC) No 1222/2009 of the European Parliament and of the Council with regard to the wet grip grading of tyres, the measurement of rolling resistance and the verification procedure. European Commission communication of March 23, 2012, published in the Official Journal of the European Union, 2012/C 86/03

Copies available from:

Publications Office of the European Union  
EUR-Lex  
L-2985 Luxembourg  
Luxembourg  
<https://eur-lex.europa.eu/homepage.html?lang=en>

#### INTERNATIONAL ORGANIZATION FOR STANDARDS (ISO)

ISO 28580:2018

Passenger Car, Truck and Bus Tyre  
Rolling Resistance Measurement  
Method — Single Point Test and  
Correlation of Measurement Results

ISO 23671:2021

Passenger car tyres — Methods of  
measuring relative wet grip performance  
— Loaded new tyres

ISO 10191:2021

Passenger car tyres – Verifying tyre  
capabilities – Laboratory test methods

ISO 4000-1:2024

Passenger car tyres and rims – Part 1:  
Tyres (metric series)

Copies available from:

ISO Central Secretariat  
International organization for  
Standardization (ISO)  
1, Rue de Varembé, Case Postale 56  
CH-1211 Geneva 20, Switzerland  
[www.iso.org](http://www.iso.org)  
Phone: +41 22 749 01 11  
Fax: +41 22 733 34 30

#### ASTM INTERNATIONAL

ASTM F1805-20 (2020)

Standard Test Method for Single Wheel  
Driving Traction in a Straight Line on  
Snow- and Ice-Covered Surfaces

ASTM F2493-24 (2024)

Standard Specification for P225/60R16  
97S Radial Standard Reference Test  
Tire

Copies available from:

100 Barr Harbor Drive  
P.O. Box C700

West Conshohocken, PA 19428-2959  
www.astm.org  
Phone: (610) 832-9500  
FAX: (610) 832-9555

The above documents are reasonably available to the affected public in conformance with California Code of Regulations, Title 1, Section 20(c). Documents relied upon that are subject to copyright or publication restrictions can be viewed during business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m., at the CEC located at 715 P Street, Sacramento, CA 95814. Interested parties are advised to contact Julie Burbridge at [Julie.Burbridge@energy.ca.gov](mailto:Julie.Burbridge@energy.ca.gov) or Ross Daley at [Ross.Daley@energy.ca.gov](mailto:Ross.Daley@energy.ca.gov) to schedule an appointment for viewing.

### **MANDATED BY FEDERAL LAW OR REGULATIONS**

The proposed regulation is not mandated by federal law or regulations.

### **OTHER STATUTORY REQUIREMENTS**

CEC staff is not aware of any other statutory requirements that are relevant to the proposed regulation.

### **LOCAL MANDATE DETERMINATION**

The proposed regulation does not impose a mandate on local agencies or school districts that requires state reimbursement pursuant to Government Code Sections 17500 et seq. None of the costs to local governments due to the proposed regulations are reimbursable to the state. Purchasing replacement tires is generally a discretionary decision for local governments, so the costs are not required. Moreover, the proposed regulations do not apply mandates specific to local governments. Because the proposed regulations do not impose unique new requirements on local agencies, they are not a reimbursable mandate for this reason as well (*County of Los Angeles v. State of California* (1987) 42 Cal.3d 46).

### **FISCAL IMPACTS**

CEC staff has made the following initial determinations:

- Cost or savings to any state agency: Staff expects both fiscal cost and savings for state and local agencies that directly operate passenger vehicles and light-duty trucks and procure tires through a modest incremental cost of more energy efficient tires in 2028, the first year the regulation takes effect. No costs to state and local agencies are expected in the current fiscal year. These incremental costs are anticipated to be more than offset by lower fuel costs and result in overall savings.
- Cost to any local agency or school district that is required to be reimbursed pursuant to Government Code Sections 17500 et seq.: None.
- Other nondiscretionary cost or savings imposed on local agencies: None.

- Cost or savings in federal funding to the state: None.

### **SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS, INCLUDING ABILITY TO COMPETE**

CEC staff has made an initial determination that the proposed regulations will not have an adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

Tire manufacturer administrative offices will be directly affected by the adoption of the regulations by reporting requirements. No tires are manufactured in California, and therefore the economic impact of the proposed regulation on tire manufacturing operations is outside the scope of this analysis. Tire retailers (both physical retail stores and online tire sellers) will be allowed to sell only tires that are listed in the CEC database, in California. Tire retailers are found throughout the state and will be required to ensure that they only sell tires that comply with these regulations.

These regulations are not expected to disadvantage any businesses or affect their ability to compete with businesses in other states.

### **COST IMPACTS ON REPRESENTATIVE PERSON OR BUSINESS**

The primary business type affected by the regulation would be tire retailers and car dealerships. No tires are currently manufactured in California. Operators of passenger vehicles and light-duty trucks will also be impacted by the regulations.

CEC staff and Evergreen Economics, a third-party economic analysis firm, estimate that the cost impact on representative small businesses is \$445 per year and \$620 per year for typical businesses. The cost impact on representative individuals for a set of new tires is \$6 in Phase 1 (2028–2030) and \$28.47 in Phase 2 (from 2031 on). These costs are expected to be incurred by an individual every four years, on average. The cost impact to individuals is more than offset by the associated fuel cost savings. For instance, a driver of a gasoline passenger vehicle with a set of higher efficiency tires would save \$85 in Phase 1 and \$179 in Phase 2. These fuel savings would accrue over the four-year lifespan of the tires.

### **STATEMENT OF THE RESULTS OF THE STANDARDIZED REGULATORY IMPACT ANALYSIS**

CEC staff worked alongside Evergreen Economics, a third-party economic analysis firm, to assess the economic impacts of the proposed regulation to produce the standardized regulatory impact analysis.

The proposed tire regulations are not expected to directly create or eliminate jobs. Job impacts involve employment changes in the manufacturing, distribution, installation, and maintenance of tires, while the regulations proposed in this report have an incremental

impact on the cost of tires. No impact on jobs is expected. Fuel cost savings, however, are expected to provide some increase in household discretionary spending and the second-order creation of jobs.

The proposed regulation does not affect the expansion of businesses currently doing business in California or the creation of new businesses or the elimination of existing businesses. Tire demand is relatively inelastic, meaning that a moderate increase in the cost of tires under the proposed regulation (compared to the baseline) is unlikely to affect overall demand for tires. Tire manufacturing also does not take place in California, so any marginal increase in manufacturing costs will not occur in California.

The proposed regulations are not expected to affect the competitiveness of California businesses. The proposed regulation would apply to tire retailers, both in-store and online, and tire manufacturers doing business in California. An adverse effect on the competitiveness of California retailers is unlikely since all replacement tires under the scope of the proposed regulations must comply with the performance standards to be legal for sale.

Tire manufacturing and most of the research and development for the tire industry occur outside California. It is unlikely that significant investments will occur in California because of the proposed regulations.

California has the highest vehicle registration count in the nation. Therefore, providing products that meet regulation and consumer needs is important to manufacturers from many different industries. Tire manufacturers maintain competitive advantage by investing in new tire model designs and manufacturing processes for innovations in efficient tire technology.

The proposed regulations are expected to produce net benefits by reducing fuel consumption and carbon dioxide equivalent emissions and increasing household discretionary spending produced from fuel savings. The regulations will produce about \$4 billion in cumulative fuel cost savings for California drivers between 2028 and 2035 and \$3 billion in net benefits over the same period. The net benefits are estimated to increase household discretionary income. The proposed regulations will reduce carbon dioxide equivalent emissions by 8.6 million metric tons between 2028 and 2035. The net fuel cost benefit from fuel efficient tires is expected to increase household discretionary spending and result in the second-order creation of jobs and improved quality of life. The social benefits of abated carbon dioxide emissions include the health benefits associated with reduced air pollution.

Increased energy efficiency in tires is not expected to adversely affect safety or the welfare of California residents, nor are the proposed regulations expected to affect worker safety and the California environment.

## SUMMARY OF DEPARTMENT OF FINANCE COMMENTS ON THE STANDARDIZED REGULATORY IMPACT ASSESSMENT AND CEC RESPONSES

The California Energy Commission appreciates the Department of Finance’s (DOF) review of the Standardized Regulatory Impact Assessment for the Replacement Tire Efficiency program. Please see below for CEC’s response to Finance’s feedback and questions.

### DOF Comment 1

“First, in the fiscal impact section, the SRIA must include an analysis on the direct impacts of increased sales taxes paid on more expensive tires and reduced state excise and local taxes from lower fuel consumption. Based on information provided in the SRIA, Finance estimates additional sales tax gains in the range of \$5 million to \$10 million each for state taxes and local taxes on tires which are offset by decreases in gasoline excise tax revenues and in local sales tax revenues on gasoline in the likely ranges of \$100 million to \$130 million and \$30 million to \$40 million in constant dollars respectively, all in the peak impact year of 2034.”

### Response 1

Table 13 of the SRIA estimates that the incremental cost of tires attributable to the regulation will be \$186.31M in the peak cost year of 2035. Using the statewide sales tax rate of 7.25 percent, this incremental consumer cost will result in increased state sales tax revenue of \$13.5M in 2035. Incremental local tax revenue is not estimated here, as local tax rates vary throughout the state.

Staff estimate the fiscal impact of the regulations in terms of reduced excise tax revenue and state sales tax as follows:

Fuel	2034 fuel savings (gallons)	2034 fuel cost savings (dollars)	Fuel cost <sup>1</sup>	Sales tax rate <sup>2</sup>	Excise tax rate <sup>2</sup>	2034 revenue impact
Gasoline	153,542,539	\$706,296,000	\$4.60	2.25%	\$0.612	\$(109,510,000)
Diesel	3,615,703	\$16,632,000	\$4.60	13%	\$0.466	\$(3,598,000)
	<sup>1</sup> See SRIA, Table 9, pg. 8. This assumed fuel cost is not adjusted for inflation. <sup>2</sup> 07/2025 – 06/2026 rates. See <i>California Department of Tax and Fee Administration</i> , “Sales Tax Rates for Fuels,” <a href="https://cdtfa.ca.gov/taxes-and-fees/sales-tax-rates-for-fuels.htm">https://cdtfa.ca.gov/taxes-and-fees/sales-tax-rates-for-fuels.htm</a> . Sales and excise taxes on fuel are included in the retail purchase price.					

Source: CEC staff.

The decrease in state fuel tax revenue for 2034, estimated by CEC staff, remains near DOF’s higher range estimate. While reduced gasoline and diesel sales have a fiscal impact for the state, it is important to note that the regulations produce fuel cost savings of \$999.05M across all fuels in 2034. Moreover, other regulations and market developments that increase the efficiency of vehicles and result in electric vehicle adoption will also reduce fuel excise tax revenue.

Staff will update the final Form 399 to include incremental tire sales revenue and decreased fuel sales and excise tax revenue.

### **DOF Comment 2**

“Also, Finance estimates that CEC’s costs could be understated by \$1 million to \$5 million as the SRIA’s fiscal estimates do not include costs associated with workload and information technology expenses needed to implement a new regulatory program such as the costs of creating a new database to track industry compliance.”

### **Response 2**

To clarify, CEC is not planning to create a new certification database for this program, but rather to host data on compliant replacement tires using the existing California Certification Database. The database is designed to incorporate new products and already has over 20 different products within it. This database can be readily updated to include replacement tires as a new product category. Therefore, the cost of developing a new database is negligible. For that reason, CEC stands by three-year fiscal impact estimates to the CEC provided in the SRIA, which include the costs of testing the updated database, monitoring, and other internal compliance tasks. These costs are included in the 1.5 PY (mid-range air pollution specialist) and their fully loaded salary.

### **DOF Comment 3**

“Second, the SRIA shall provide the rationale for any assumptions that are material to the analysis, including but not limited to:

- The SRIA assumes that the average life expectancy of a set of four tires is four years. Please include the source for this assumption, as some sources suggest that lifespans of four to six years are common. With an average lifespan of six years, costs would be about \$62 million, or one-third, less in each year when fully phased-in and benefits would not fully phase in until two years later.
- The SRIA must explain how the CEC derived the estimates of (1) additional costs of \$6.50 for a compliant light tire (used for cars and SUVs, 81 percent of the market for replacement tires) and \$9.75 for a heavy tire (trucks and vans, 19 percent of the market) and (2) the assumptions of 100 percent compliance with phase 1 of the regulation and 90 percent for phase 2. The tire cost estimate is especially important as the regulation’s costs scale proportionately with the additional cost of a compliant tire.”

### **Response 3**

DOF is correct that tires do not all share a common life expectancy. The CEC is aware of tires that may even exceed a six-year life expectancy. As DOF notes, a longer life expectancy improves the cost-benefit relationship of tires and also expands the amount of time necessary for the regulations to reach its full benefit.

The assumption of a four-year tire life is intended to produce a conservative estimate of the potential benefits of the proposed regulation. CEC staff shared this assumption with tire manufacturers and industry during the pre-rulemaking process, and none objected to an assumed four-year tire life.

To determine the incremental cost of more efficient tires, CEC staff consulted the available technical literature on the topic. Several reputable entities, including the National Highway Traffic Safety Administration (NHTSA) and the U.S. Environmental Protection Agency (U.S. EPA) have published estimates of the incremental cost of more fuel-efficient tires, with a range from negligible to \$15 per tire in 2024 dollars.

For cost-effectiveness calculations in this report, staff considered incremental costs from Final Rulemaking for 2017–2025 Light-Duty Vehicle Greenhouse Gas Emission Standards and Corporate Fuel Economy Standards, by NHTSA and U.S. EPA. Staff selected this estimate because it is the most recent source and was developed through a stakeholder process by NHTSA and U.S. EPA. This document estimates the incremental cost associated with 10% and 20% improvements in tire efficiency.

NHTSA and U.S. EPA estimate that a 10% improvement is associated with an incremental cost of ~\$2 and a 20% improvement is associated with an incremental cost of ~\$15. Please note that staff have converted figures into 2024 dollars, and that 2024 dollars are used throughout the SRIA and staff report for consistency.

CEC's proposal does not correspond to exact 10% and 20% improvements, so CEC staff interpolated between these two figures. The NHTSA and U.S. EPA numbers show a non-linear trend where the first 10% improvement costs only ~ \$2, but the next marginal 10% improvement costs an additional ~\$13. As shown in Table 4 of the SRIA, the proposed Phase 2 standards represent between a 10.6% and 16.6% improvement in tire efficiency, or a blended average of about 13.6% (when weighted according to Table 1 of the SRIA). The \$6.50 incremental cost is derived as a modeled point between the EPA's data using an interpolated, exponential curve as described in Appendix B. Similarly, Table 4 shows that the Phase 1 standards only represent a roughly 2% improvement, which is less than the 10% improvement modeled by NHTSA and U.S. EPA. Hence, the Phase 1 incremental cost is lower than the EPA's \$2 figure, once again utilizing the interpolated curve in Appendix B.

Staff assume that Phase 1 of the regulations will have a 100 percent compliance rate because CEC's laboratory testing of more than 150 of the most popular tires suggests that the large majority of tires in the market today already comply with the Phase 1 efficiency standard. Staff assume that Phase 2 of the regulation will have a 90 percent compliance rate because, while the Phase 2 efficiency standard will remove more tires from the market, CEC staff plan a vigorous enforcement program to ensure high compliance. This compliance assumption is also informed by staff experience monitoring the compliance of other consumer appliances regulated by the CEC.

#### **DOF Comment 4**

"The SRIA should address potential disparate impacts of the regulation by geography, income, and industries or occupations amongst other things. For example, lower-income and rural households might see a disproportionate share of both costs and benefits as they are likely to spend a larger share of their incomes on

transportation costs including replacement tires than higher-income groups and are also less likely to own electric vehicles which would see smaller benefits from additional energy efficiency.”

#### **Response 4**

The proposed regulations support consumer equity by reducing drivers’ fuel costs and reducing overall air pollution. These regulations will provide disproportionate benefits for lower-income households. According to the U.S. Bureau of Transportation Statistics, households with income in the lowest 20 percentile spend about 30 percent of their income on transportation — versus only 12 percent for those in the highest 20 percentile.<sup>1</sup>

The benefits and costs of the regulation will scale linearly for consumers who drive more frequently. Driving more miles on an annual basis will mean greater savings, but those consumers will also need to replace their tires more often. Because the savings far outweigh the costs, the absolute amount of net benefit will be greatest for those who drive the most miles. This suggests that certain occupations, such as rideshare and delivery drivers, may experience particularly high levels of savings.

The benefit to consumers correlates with the average distance traveled per year. To the extent that certain geographies have populations that drive more miles in a given year, those geographies would experience particularly high levels of savings. Californians in rural, urban, and suburban areas of the state all see a significant number of vehicle miles traveled a year and would therefore experience significant benefits.

To the extent that lower-income drivers are more likely to own gasoline cars, the SRIA specifically considers their payback period in Table 6 and confirms that drivers of lighter duty gasoline vehicles (passenger cars and light-trucks) would have significant savings (\$85 in Phase 1 and \$179 in Phase 2) that far exceed the incremental costs of tires.

#### **REPORTING REQUIREMENTS**

These regulations require new reporting requirements for tire manufacturers, which include detailed information about replacement tires sold in California, including size, rolling resistance, load rating, speed rating, and related tire information. This information is necessary for the health, safety, or welfare of the people of California. Without this information, the CEC would be unable to determine whether a given replacement tire meets its applicable performance standard. As stated above, the minimum energy performance standards will reduce vehicle related emissions, and the minimum wet grip performance standards will ensure that the minimum energy efficiency standard will not adversely affect tire safety.

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<sup>1</sup> US Department of Transportation. 2023. [The Household Cost of Transportation: Is It Affordable?](https://www.bts.gov/data-spotlight/household-cost-transportation-it-affordable). Available at <https://www.bts.gov/data-spotlight/household-cost-transportation-it-affordable>

## **EFFECT ON SMALL BUSINESS**

The proposed regulations may affect small businesses. Government Code Section 11342.610 defines small businesses in the transportation and warehousing industry as: independently owned and operated, not dominant in its field of operation, and where the annual gross receipts do not exceed one million five hundred thousand dollars. Evergreen defined small businesses as those with under 50 employees, a definition which likely is consistent with Government Code Section 11342.610. Evergreen estimates the average initial and ongoing costs of this regulation for a small business are \$445 per year.

## **SIGNIFICANT EFFECT ON HOUSING COSTS**

None.

## **ALTERNATIVES STATEMENT**

In accordance with Government Code Section 11346.5, subdivision (a)(13), the CEC must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to the attention of the agency, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed regulation; or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

No reasonable alternatives to the proposed regulation have been proposed that would lessen any adverse impact on small business or that would be less burdensome and equally effective in achieving the purposes of the regulation in a manner that achieves the purposes of the statute being implemented.

CEC staff considered two alternatives to the proposed regulations. Alternative 1 includes the original minimum performance standards for replacement tires from the Draft Framework published in February of 2023. Alternative 2 is an adjusted version of the proposed regulation based on recommendations from the United States Tire Manufacturers Association (USTMA) and the Tire and Rubber Association of Canada (TRAC).

Alternative 1 requires that replacement tires comply with more aggressive minimum performance standards that would phase-in starting 2026, whereas Alternative 2 is a relaxed regulation with substantial change in tire efficiency that would phase-in three years after adoption of the regulations. The standardized regulatory impact analysis addresses the potential economic impact of these two alternatives based on their fuel cost and emissions savings and impact on tire businesses in California.

Industry representatives generally argued that it would be difficult for the tire industry to comply with Alternative 1 due to the stringency of the performance standards and Alternative 2 does not comply with the requirements of Public Resources Code Section

25772. Statute requires that replacement tires sold in California be as energy efficient, on average, as original equipment tires. Based on the results of testing commissioned by the CEC, Alternative 2 does not meet the energy efficiency requirements and Alternative 2 is not compliant with the law.

As such, the CEC staff concludes that the proposed major regulation is less burdensome and equally effective in achieving the purpose of the proposed regulation in a manner that achieves the purpose of the statute being implemented.

## **CONTACT PERSONS**

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## **COPIES OF THE INITIAL STATEMENT OF REASONS, THE EXPRESS TERMS, AND RULEMAKING FILE**

The CEC will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office Monday through Friday, 8:00 a.m. to 5:00 p.m., at 715 P Street, Sacramento, CA 95814. As of the date this notice is published in the Notice Register, the rulemaking file consists of this Notice, the Express Terms, the Initial Statement of Reasons (ISOR), the Standardized Regulatory Impact Analysis, and any documents relied upon or incorporated by reference. Copies may be reviewed or obtained by contacting the contact persons listed above or by visiting the CEC website at Docket 26-TIRE-01, <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=26-TIRE-01>. Documents may also be subject to copyright or publication restrictions and can only be viewed in person.

## **AVAILABILITY OF CHANGES TO ORIGINAL PROPOSAL FOR AT LEAST 15 DAYS PRIOR TO AGENCY ADOPTION/REPEAL/AMENDMENT OF RESULTING REGULATIONS**

The proposed regulations could be changed because of public comments, staff recommendations, or recommendations from Commissioners. Moreover, changes to the

proposed regulations not indicated in the Express Terms could be considered if they improve the clarity or effectiveness of the regulations. If the CEC considers changes to the proposed regulations pursuant to Government Code Section 11346.8, a full copy of the text will be available for review at least 15 days prior to the date on which the CEC adopts or amends the resulting regulations.

### **COPY OF THE FINAL STATEMENT OF REASONS**

At the conclusion of the rulemaking, persons may obtain a copy of the Final Statement of Reasons once it has been prepared by visiting the CEC website at Docket 26-TIRE-01, <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=26-TIRE-01>.

### **AVAILABILITY OF DOCUMENTS ON THE INTERNET**

The CEC maintains a website to facilitate public access to documents prepared and considered as part of this rulemaking proceeding. Documents prepared by the CEC staff for this rulemaking have been posted on CEC website at Docket 26-TIRE-01, <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=26-TIRE-01>.

### **INSTRUCTIONS FOR RECEIVING NOTICES AND DOCUMENTS IN THIS PROCEEDING**

To stay informed about this proceeding and receive documents and notices of upcoming workshops and hearings as they are filed, please subscribe to the subscription for this rulemaking, which can be accessed here:

<https://www.energy.ca.gov/proceeding/replacement-tire-efficiency-program-proceeding>.

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