

Kyle Harris  
California Energy Commission  
Docket Unit, Docket No. 20-TIRE-01  
715 P Street, MS-4  
Sacramento, CA 95814

February 14, 2026

Dear Mr. Harris:

Thank you for submitting the Standardized Regulatory Impact Assessment (SRIA) and summary for the proposed Replacement Tire Efficiency Program major regulation, as required in the California Code of Regulations, title 1, section 2002 (a)(1) for major regulations. Comments are based upon the SRIA and other publicly available information.

The proposed regulation establishes minimum efficiency requirements for replacement tires sold in the state beginning in 2028, with additional requirements imposed beginning in 2031, with the intent of reducing fuel use. The regulation is expected to directly impact tire manufacturers (all of which are out of state), tire retailers, and car dealerships, however, the costs represent increased costs of tires that are passed on to consumers and are estimated at about \$180 million per year starting in 2031. Estimated benefits include cost savings from reduced fuel use due to more efficient tires (\$380 million in 2031 and increasing to \$1 billion by 2034) and lower carbon dioxide equivalent emissions, projected at 2.1 million tons per year by 2034 with a social benefit of \$74 billion to \$390 billion depending on how emission reductions are valued. The projected fiscal impact on state and local governments would be increased costs of around \$3 million per year beginning in 2031 and increased benefits from reduced fuel costs of \$17 million per year beginning in 2034. The California Energy Commission (CEC) states it can absorb the regulation's administrative costs, which are estimated at a cumulative \$1 million over the first three years, within its existing budget.

Finance generally concurs with the methodology in the SRIA, with the following exceptions:

First, in the fiscal impact section, the SRIA must include an analysis on the direct impacts of increased sales taxes paid on the more expensive tires and reduced state excise and local sales 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 state 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. 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.

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 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.

Third, 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.

The SRIA, a summary of Finance comments, and any responses must be included in the rulemaking file that is available for public comment. If any significant changes to the proposed regulations during the rulemaking process result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Somjita Mitra  
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development

Mr. Kenneth Pogue, Director, Office of Administrative Law

Mr. David Hochschild, Chair, California Energy Commission

Mr. Drew Bohan, Executive Director, California Energy Commission