Automotive News

54.5 mpg target is off the table, U.S. regulators say

Technology is there, but buyers' tastes force reassessment

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Automakers have all the tools at their disposal to meet the 54.5 mpg corporate average fuel economy targets for the 2025 model year, but **buyer preferences** for SUVs and trucks make it likely that the industry will fall short of that number, U.S. regulators said in a **report** Monday.

The EPA, National Highway Traffic Safety Administration and California Air Resources Board released their draft Technical Assessment Report analyzing costs, technology and other issues involved in the industry's drive toward lowering greenhouse gas emissions. The assessment was scheduled as part of the 2011 agreement to lower emissions in cars and improve fuel economy by the 2025 model year.

The auto industry is "adopting fuel economy technologies at unprecedented rates," the government agencies said in a statement Monday. "Car makers and suppliers have developed far more innovative technologies to improve fuel economy and reduce GHG emissions than anticipated just a few years ago."

The report also says that automakers have been able to meet the current regulations for about the same cost or even less than the government projected in 2012. And the report says automakers will be able to meet standards with improvements in standard gasoline engines, and won't need to rely heavily on sales of hybrids or electric cars.

Even with all those positives, government officials said, the 54.5 mpg goal is off the table. Lower gasoline prices have kept demand for SUVs, crossovers and other **light trucks** higher than originally anticipated, meaning the advances in fuel economy technology won't be reflected fully in the fleet averages, which are sales-weighted.

Senior administration officials told reporters on a conference call Monday that the 54.5 mpg goal was never a mandate but more of an estimate of where the industry could be by the 2025 model year. That estimate was based on an assumption that 67 percent of the market would be cars and 33 percent would be SUVs, crossovers, pickups and other light trucks.

But customers haven't moved from their desire to buy SUVs, crossovers and trucks. Now the government estimates the overall fleet average fuel economy will hit between 50 mpg and 52.6 mpg by the 2025 model year. The new estimates assume a more even split between cars and trucks in the marketplace.

The Alliance of Automobile Manufacturers, a trade group for 12 carmakers and the Detroit 3, said in a statement that "excessive regulatory costs could impact both consumers and the employees who produce these vehicles."

Changing the target fuel economy figure reflects consumer demand, the alliance said. "The government is acknowledging the effect of factors like low gas prices on consumer sales, and the impact of consumer sales on those targets," it said.

Dan Becker, director of the Safe Climate Campaign, said the auto industry has the power to shape consumer preferences through its advertising campaigns and could easily meet the 54.5 mpg target if it stopped aggressively marketing SUVs and trucks.

"There is no excuse not to improve efficiency and strengthen the standards," Becker said. "We can't accept backsliding or loopholes that undermine their success just to put more gas-guzzlers on the road."

The report is open to public comment for 60 days. The EPA will make a final determination on the 2022 to 2025 model year regulations by April 1, 2018.

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