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Fiat Chrysler Accused of Diesel Emissions Cheating by U.S.

by Jamie Butters and Ryan Beene
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- EPA alleges violations in Jeep Grand Cherokee, Ram trucks
- CEO says software is nothing like VW’s ‘defeat device’

Fiat Chrysler Automobiles NV was accused of violating pollution laws with 104,000 diesel vehicles, sending the shares plunging on the prospect the automaker may follow [Volkswagen AG](#) in facing billions of dollars in fines.

The [Environmental Protection Agency](#) alleged [Fiat Chrysler](#) put software in 2014-2016 Jeep Grand Cherokee and Ram 1500 models that allows them to exceed pollution limits. The EPA stopped short of calling the software a “defeat device” but said the carmaker failed to disclose its use. Fiat Chrysler said it meets all applicable regulatory requirements and will work with President-elect Donald Trump’s administration to contest the allegations.

Fiat Chrysler becomes the second automaker in less than three years the EPA has accused of violating the law by using software to help its diesel vehicles pass laboratory emissions tests. [Volkswagen](#), which admitted to using defeat devices in September 2015, agreed Wednesday to pay a \$4.3 billion fine, boosting the cost of the scandal to about 20.5 billion euros (\$21.9 billion).

Fiat Chrysler’s case is “completely different” from Volkswagen’s, Chief Executive Officer Sergio Marchionne said in a conference call with reporters Thursday. He called the timing of the EPA’s notice of a violation “very strange” and said the Italian-American automaker rescued by the Obama administration in 2009 had discussed emissions with the EPA for more than a year.

“I am really ticked off,” Marchionne said. Fiat Chrysler fell as much as 18 percent, the biggest intraday drop since the stock began trading in October 2014. The shares pared losses after the CEO’s conference call, trading down 8.6 percent to \$10.13 as of 1:35 p.m. in New York.

Fiat Chrysler’s alleged violations could result in fines of as much as \$44,539 per vehicle, Cynthia Giles, the EPA’s enforcement chief, said in a conference call. The total potential penalty could be as much as \$4.6 billion, based on the cost per vehicle and the number of cars. Volkswagen faced punishment of up to about [\\$18 billion](#).

‘Clear Violation’

“Our meetings with Fiat Chrysler to date have not produced a viable explanation” for the software, Giles said during a conference call the EPA hosted with reporters. “This is a clear violation of the Clean Air Act.”

Fiat Chrysler “intends to work with the incoming administration to present its case and resolve this matter fairly and equitably,” the automaker said in a statement. “The company’s diesel-powered vehicles meet all applicable regulatory requirements.”

The company’s bonds also fell. Its \$1.47 billion of 5.25 percent coupon notes due in 2023 sank 4 cents to 99.7 cents at 11:19 a.m. in New York, according to Trace, the bond-price reporting system of the Financial Industry Regulatory Authority. That’s the biggest decline since the notes were sold in July 2015.

Enhanced Testing

The EPA says it discovered Fiat Chrysler’s allegedly illegal software while conducting enhanced testing of other diesel vehicles in the wake of VW’s scandal. The agency said it’s now up to Fiat Chrysler to demonstrate the software was not a defeat device like VW used.

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The EPA’s violation notice said Fiat Chrysler’s diesel engine system had eight control devices changing the emissions of the vehicles under certain conditions that the company didn’t disclose.

Not all such systems are cheat devices like Volkswagen used, said John German, senior fellow at the International Council on Clean Transportation, a Washington-based non-profit that conducts technical and scientific analysis. ICCT played a central role in exposing Volkswagen’s cheat devices.

Devices Allowed

German said the government allows control devices, but they can’t be used to change emissions to meet testing requirements and they must be disclosed.

“The EPA is still investigating whether these are cheat devices,” German said in a phone interview. “VW got hit hard because they lied, covered it up and didn’t have a fix.”

Marchionne said he presumes that the U.S. Justice Department is also investigating the company. The CEO insisted that the software wasn’t intended to bypass emissions tests or operate differently in evaluation than in real-world use, calling such allegations “absolute nonsense.”

“This software doesn’t look for anything,” he said. “It just runs.”

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