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Feds: Let carmakers keep taking fuel numbers higher

Brent Snavely, Detroit Free Press
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The report is the first step of a "mid-term" review of regulatory standards the government and the automotive industry adopted in 2012.

Two federal agencies said today that U.S. automakers have made tremendous strides toward improving fuel economy and reducing emissions and project that they are fully capable of meeting increasingly stringent regulatory standards through 2025.

However, the agencies say fleet-wide fuel efficiency will not be as high as initially forecast and will fall short of the 54.5 m.p.g. corporate average fuel economy (CAFE) targets for the 2025.

The conclusions, part of a draft report issued by the U.S. Environmental Protection Agency and the National Highway Traffic Safety Administration, were released today. The update is part of a midterm evaluation of regulatory standards the government and the automotive industry adopted in 2012 after fuel prices spiked and there was a desire to reduce the nation's dependence on foreign oil.

The report will come as a disappointment to automakers who argue that the standards, which become more difficult to meet in the coming years, should be adjusted. But the government says automakers are actually ahead of schedule on the introduction of fuel-efficient cars and trucks.

“Today’s draft report shows that automakers are developing far more technologies to improve fuel economy and reduce greenhouse gas emissions, at similar or lower costs, than we thought possible just a few years ago," Janet McCabe, acting assistant administrator for EPA’s Office of Air and Radiation, said in a statement. "They are adopting these fuel-saving technologies into their fleets even faster than anticipated.”

Even though gas prices have declined and sales of hybrid and electric vehicles have not met expectations, the agencies said the automotive industry still has made greater progress than expected with the introduction of more fuel-efficient gasoline engines and improved aerodynamics and by lowering the weight of vehicles.

Still, the assessment said U.S. auto fleet efficiency will not get to 54.5 m.p.g. by 2025 because low gas prices are prodding Americans to buy larger vehicles with lower mileage. The rules set a series of requirements based on vehicle size. Regulators now estimate the fleet will average 46.3 m.p.g. in 2025.

The average will be lower because consumers are buying more crossovers and pickups than they were a few years ago. Senior administration officials, in a briefing with reporters, said that's OK because the regulations are set up to provide incentives for automakers to improve the fuel economy of vehicles on a model by model basis, and some of the largest gains in fuel economy are occurring with the largest vehicles.

"The draft report supports that the administration’s fuel economy program can continue to incentivize innovation and reduce fuel consumption while also ensuring that consumers can continue to choose the vehicles they want to drive," NHTSA Administrator Mark Rosekind said in a statement.

The Alliance of Automobile Manufacturers warned that while the industry has managed to meet regulatory requirements up until now, the cost of meeting future regulations could drive some automakers out of business.

"Given changes in the market landscape, it will be a daunting challenge to meet the very aggressive requirements of the 2022-2025 federal fuel economy and greenhouse gas rule," the Alliance said in a statement. "Absent a vigorous commitment to focus on marketplace realities, excessive regulatory costs could impact both consumers and the employees who produce these vehicles.”

IHS Automotive, an global automotive consulting firm, said last week that automakers are on track to spend, on average, between $5 billion and $8 billion annually to meet the current regulations.

But Daniel Becker, director of the Safe Climate Campaign, said automakers could make more progress if they put a greater emphasis on smaller cars rather than large crossovers and pickups.

"President Obama’s program is the biggest single step any nation has taken to fight global warming," Becker said. "Based on the plethora of low-cost gas-saving technologies the report documents, there is no excuse not to improve efficiency and strengthen the standards. We can’t accept backsliding or loopholes that undermine their success just to put more gas-guzzlers on the road."

The report issued today does not provide a final policy or regulatory rule for the government. Instead, it kicks off a 60-day comment period for the industry and other stakeholders to provide comments and feedback.

It will likely take a full year before the agencies make a final decision on whether or not to change any of its regulations. Nevertheless, today's initial report shows the agencies are unlikely to be convinced that any changes are needed.

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