

Automakers want a break on tough fuel standards

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Automakers agreed that by the 2025 they would achieve a fleetwide average of 54.5 miles per gallon -- or an adjusted real-world average of about 40 mpg -- on the cars and trucks that they sell.

Two federal regulatory agencies will issue a draft report in the coming days that will influence how automakers spend billions over the next decade as well as the kinds of cars and trucks consumers will find at auto dealerships.

The report will kick off a yearlong regulatory review process that pits automakers against environmentalists and regulators.

The industry wants a break. So far, automakers have been able to meet tougher emissions and fuel economy standards, called CAFE. But between 2018 and 2025 those standards get much tougher.

And, assumptions that were made in 2012 about gas prices and consumers' willingness to embrace costlier, but more fuel-efficient hybrid, electric and plug-in cars have not panned out to the degree expected.

So, the industry wants existing standards to reflect current gas prices, lower projections of hybrid and electric vehicle sales and changes to what is viewed as unrealistic regulations in California and nine other states for zero-emission vehicles.

But regulators have signaled that they are unlikely to budge, and environmentalists say automakers are already slipping back into old, bad habits under the current standards.

"If they want to weaken the standards, then there is going to be a big battle," said Daniel Becker, director of the Safe Climate Campaign, a Washington organization that promotes efforts to mitigate global warming. "I think there is ample evidence that will come out in the (report) that the standards should be strengthened."

The report will be issued jointly by the National Highway Traffic Safety Administration, the U.S. Environmental Protection Agency and the California Air Resources Board.

Those agencies based the original fuel economy and greenhouse gas targets on fuel prices that are much higher than the \$2 per gallon prices Americans have enjoyed over the past year.

At \$2 per gallon, it takes consumers up to 8 years to recoup an investment into fuel-efficient vehicle that costs just \$1,800 more than a conventional vehicle, "well beyond what most consumers consider worthwhile when buying a new vehicle," according the Alliance for Automotive Manufacturers.

“Automakers are not evaluated based on whether the products they offer consumers meet the government targets; rather, automakers are evaluated based on the products consumers choose to buy," the Alliance says in a report on its website. "So, low consumer interest in high-mileage vehicles presents a serious challenge to the government’s ambitious fuel economy and greenhouse gas targets.”

Originally, the report was expected by the end of June. Now, insiders say it could be published as early as this week. Few expect the report will linger under review much longer because everyone involved would like to make as much progress as possible now under the current administration rather than risk an outcome that becomes more uncertain under a new administration.

The report will be the starting point for a process known as a "Mid-Term Evaluation" of regulations that automakers agreed that were agreed to in 2012 between the Obama administration and automakers amid the worst recession in decades.

Automakers and interest groups will be given a 60-day comment period. The agencies will then take up to a year to issue a proposal that must be adopted by April 1, 2018.

Breaking dependence on foreign oil

The current standards were crafted back when General Motors and Chrysler were still struggling to rebound after their bankruptcies and were thankful for being rescued by the federal government. The rest of the industry, while spared from the indignity of bankruptcy, was also hobbled the Great Recession.

A spike in gas prices in 2008 and a reliance by the Detroit Three on pickups and big, gas guzzling SUVs was among the key factors left the Detroit Three vulnerable to financial distress. Worse, the slow pace of fuel economy improvement among cars and trucks was widely viewed as a threat to national security because it contributed to America's dependence on foreign oil.

Meanwhile, hybrid and electric vehicles were emerging as possible solutions that could be used to dramatically improve fuel economy, reduce greenhouse gas emissions from cars and trucks and reduce dependence on foreign oil in one sweeping move.

"With more research and incentives, we can break our dependence on oil with biofuels, and become the first country to have a million electric vehicles on the road by 2015," Obama said in his State of the Union address in 2011.

Opportunity to adjust to reality

The following year, automakers agreed that by the 2025 model year goal they would all achieve a fleet-wide average of 54.5 m.p.g. — or an adjusted real-world average of about 40 m.p.g. — and cut tailpipe carbon dioxide emissions by 35% on the cars and trucks that they sell.

While electric vehicles hogged the headlines for several years as a plethora of new vehicles were developed automakers also dramatically improved the fuel economy of small cars, crossovers, SUVs and pickups by improving the performance of gas-powered engines, developing transmissions with more gears and reducing the weight of their vehicles.

Ford, for example, said Wednesday it has now sold more than 1 million F-150 pickups with 3.5-liter EcoBoost engines that are more fuel efficient than the traditional V8 engines truck owners preferred for years. Ford said F-150 owners with the turbocharged, direct injection engines will save more than 110 million gallons of gas over the course of the next year.

Fiat Chrysler Automobiles has largely stayed out of the hybrid and electric vehicle market but has developed and deployed high-speed transmissions across most of its cars and trucks and has deployed diesel engines in its pickups and some SUVs.

"Obviously, I think the review process is going to look at a number of things," Mike Manley, head of the Ram and Jeep brands for FCA, said last week. "How have manufacturers been able to deploy technology to effectively reach the short and mid-term targets and how the market has accepted those technologies?"

The industry says U.S. regulators have underestimated the cost and difficulty of achieving their vehicle fuel-economy and greenhouse-gas targets for 2025 and are giving California too much power to shape the country's policies on those issues.

What's more, the regulatory requirements adopted in 2012 were set up to become more aggressive from 2018 to 2025.

Falling hybrid and EV sales

As publication of the report draws near, few people with a stake in the outcome were willing to talk about it. Representatives for both NHTSA and EPA declined to comment on the timing of the report or on the discussions. Five automakers contacted by the Free Press either did not respond or referred questions to the Alliance.

"Automakers are seeking a fair, transparent review process that's driving by current data and complete analyses — especially when there are so many uncertainties in the government's program as well as the marketplace," the Alliance said in a news release.

The Alliance argues that the industry has more than done its job. Today's cars and trucks are more fuel efficient than they were just a few years ago. Automakers have launched new hybrids and electric vehicles, have improved the fuel economy of standard gasoline engines and have lowered the weight of vehicles of all sizes.

Sales of new hybrid, plug-in hybrid, electric and hydrogen-powered vehicles in the U.S. have increased in recent years but accounted for less than 3% of total industry sales in 2015 and have dropped for the past two years. Meanwhile and vehicles with gasoline powered engines account for 94.7% of vehicles last year, according to the alliance.

Sales of hybrid, plug-in hybrid, electric and hydrogen powered vehicles have increased, but account for less than 3% of new vehicle sales in the U.S. (Photo: Auto Alliance, WardsAuto)

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Rebecca Lindland, an analyst with Kelley Blue Book, said Americans generally decide what kind of vehicle they want to purchase first and then are open to buying the most fuel-efficient version of that vehicle.

"So, pushing manufacturers to research and produce things like hybrids and plug-in hybrids may not be the most effective means of cleaning up the automotive park and getting greener vehicles on the road," Lindland said.

Proliferation of fuel-efficient cars, trucks

The number of cars and trucks sold in the U.S. that get more than 30 m.p.g. combined has soared from just 69 in 2006 to 495 in 2015, according to the Alliance. Meanwhile, the number of vehicles that get more than 40 m.p.g. combined has also increased from 7 in 2006 to 76 in 2015.

The number of cars and trucks that get more than 30 mpg has grown from 69 in 2006 to 495 in 2016, according to the Alliance of Automobile Manufacturers (Photo: Alliance of Automobile Manufacturers)

Today, most automakers meet or come close to meeting the standards established for 2016. The problem the industry faces is that the regulatory curve gets steeper very quickly over the coming years.

"Despite dramatic improvements in the fuel economy of cars and light duty trucks, the future targets are so high that only about 4% of current models meet 2022 targets and the sales of these most energy-efficient vehicles remain low," [the Alliance said in a memo issued Monday.](#)

The big ZEV challenge

The Zero Emission Vehicles standards in place in California and nine other states are among the biggest challenges automakers face.

In those states, manufacturers are required to sell an increasing percentage of zero-emission vehicles such as fully electric vehicles, plug-in electric vehicles or hydrogen fuel-cell vehicles. By 2025, manufacturers will be compelled to sell enough ZEVs to reach at least 15.4% of total new vehicle sales in each ZEV state.

"Despite various state sales incentives, there are concerns that the future ZEV sales requirements cannot be met in the time required, particularly in the cooler, less-populous Northeast states that have adopted the ZEV requirement," the Alliance said in its memo this week.

Christopher Grundler, director, Office of Transportation and Air Quality, Environmental Protection Agency (EPA), testifies on Capitol Hill in Washington, Thursday, Oct. 8, 2015, before the House Oversight and Investigations subcommittee hearing on Volkswagen's emissions-rigging scandal. (Photo: Cliff Owen, AP)

Standing firm

Last fall, Chris Grundler, the EPA director of air quality and transportation, [said in a presentation that manufacturers are aggressively adopting technology](#) and many of today's top-selling vehicles are already meeting future standards because of a wide range of technology.

In December, Grundler said in a report that average fuel economy has improved by 5 m.p.g., or 26%, in the last 10 years.

"It's clear that our standards are working, spurring technology and innovation, and we are on track to achieve significant greenhouse gas reductions," Grundler said.

Becker, of the Safe Climate Campaign, says the industry's fuel economy and tailpipe emission gains would have been much smaller if they weren't dragged kicking and screaming to the table back in 2012.

"The purpose of these standards was to do what the auto companies wouldn't do. For 25 years, the standards were essentially unchanged — from 1989 to 2007," Becker said. "And it was only when the standards were increased that the automakers started making more fuel efficient vehicles."

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