Fuel Targets Threatened by Demand for Big Autos

By BILL VLASIC

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DETROIT — Despite praising automakers for recent gains in fuel economy, two federal agencies said on Monday that surging consumer demand for pickups and sport utility vehicles made it unlikely that the industry could meet the government’s ambitious projections a decade from now.

If fuel prices remain low, and trucks continue to outsell cars, the industry will probably not meet the goal of 54.5 miles per gallon as a fleetwide average by 2025, but will probably come in at only about 50 miles a gallon, according to a report by the Department of Transportation and the Environmental Protection Agency.

That lower fuel economy number would translate into higher levels of carbon dioxide emissions, which environmentalists say would make global climate change worse and undercut efforts to curtail greenhouse gases agreed to by the Obama administration in last year’s Paris climate accord.

The report issued on Monday was termed a draft by administration officials, and included input from the California Air Resources Board, as well as the two federal agencies.

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The report’s release kicks off a lengthy review period for the nation’s Corporate Average Fuel Economy program, and sets up a battle between car companies and environmental groups to influence the final mileage rules. Automakers want lower requirements, while clean-air advocates are pushing for big reductions in vehicle emissions.

“The 54.5 miles-per-gallon average is at risk,” said Daniel Becker, director of the Safe Climate Campaign in Washington. “Rather than weaken the projections, the regulators should be tightening the standards for larger vehicles.”

But automakers say a fair analysis of market conditions is required to set realistic mileage projections for coming years.

“Getting the midterm review analysis right is crucial for everyone,” said Gloria Bergquist, an official with the Alliance for Automotive Manufacturers, which represents a dozen carmakers including General Motors, Ford and Fiat Chrysler.
Federal officials said that the midterm review released on Monday was primarily a factual tool to help set final CAFE rules for 2022 to 2025. After a public comment period, the government is expected to complete those mileage standards by early 2018.

The agencies said the automakers had exceeded the initial forecasts for fuel-economy improvements set when the latest CAFE rules were set four years ago.

“Automakers are developing more technologies to improve fuel economy and reduce greenhouse gas emissions than we thought possible a few years ago,” said Janet McCabe, a senior E.P.A. official.

When the CAFE rules were adopted in 2012, the government set 36.6 miles per gallon as the projection for 2017 model-year vehicles. The industry is on track to meet that number using a complex formula that sets specific mileage standards for vehicles of various sizes.

Companies can also improve their CAFE score with credits for technology such as electric cars.

But the government’s projection of a 54.5 miles-per-gallon average in 2025 is in jeopardy because of a marked shift in demand toward heavier vehicles with lower mileage standards.

When the forecast was made four years ago, regulators expected that cars would account for about two-thirds of overall vehicles sales in the United States in 2015.

Low gas prices, however, have contributed to increasing demand for lower-mileage models such as pickups and S.U.V.s. In the first six months of this year, for example, trucks and S.U.V.s accounted for 58 percent of all vehicles sales in the United States.

The industry successfully lobbied four years ago for the current midterm review period.

Ms. Bergquist, of the auto alliance, said that auto companies would incur extra costs if the mileage rules were set too high. “Excessive regulatory costs could impact both consumers and the employees who produce these vehicles,” she said.

Environmental groups vowed to push for the highest possible mileage standards during the public comment period leading up to the final rules.

“The national fuel economy and greenhouse gas standards are a vital program to cut oil use and reduce the risk of climate change,” said David Cooke of the Union of Concerned Scientists.

Obama administration officials said the projections of 54.5 miles per gallon outlined in 2012 were based on different market conditions than those existing today.

The officials also said, however, that technological innovations had consistently increased mileage in large and small vehicles. The broadest gains have been in gasoline-powered models, which have benefited from more efficient engines and transmissions, lighter materials and more aerodynamic designs.
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http://www.nytimes.com/2016/07/19/business/demand-for-big-vehicles-threatens-emissions-targets.html?emc=eta1&_r=0