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THE NEW MATH

### How Obama's compromises make new CAFE a smaller leap



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WASHINGTON -- When is 54.5 mpg actually about 40 mpg? When it's the corporate average fuel economy standard for the 2025 model year.

Thanks to federal incentives for fuel-efficient and low-emissions technologies, automakers will be able to get credit for meeting the 2017-25 model year standards with a number far lower than the one in all the headlines.

Automakers also will be able to get extra credit for bringing fuel-saving technologies to market as early as possible.

As a result of the incentives, the real-world industrywide fleet average in the 2025 model year is likely to be about 40 mpg, not the 54.5 mpg proposed by the Obama administration, according to the EPA and environmental groups.

General Motors is well positioned to take advantage of federal credits for plug-in hybrids such as the Chevrolet Volt, and hybrid versions of full-sized pickups, which also get special exemptions, said Dan Becker, director of the Safe Climate Campaign.

"GM has a head start," Becker said. "If they choose to make a significant number of Volts and advanced-technology pickups, they'll have a competitive advantage over foreign manufacturers."

Credits for EVs, plug-in hybrids and fuel-cell vehicles -- as well as others for technology such as air conditioning refrigerants that reduce hydrofluorocarbon emissions but don't advance fuel economy -- help explain why actual corporate average fuel economy is likely to be at least 20 percent lower than the standard.

The administration seeks to reduce carbon dioxide emissions to 163 grams per mile by the 2025 model year. Because such emissions are related to fuel economy, this would equate to a fuel economy standard of 54.5 mpg -- if all the pollutant reductions were achieved with fuel-economy technology.

The administration plans to develop a formal corporate average fuel economy proposal in September and expects final adoption next July.

### **Earlier is better**

Incentives for EVs, plug-in hybrids and fuel-cell vehicles are bigger for products and technologies introduced early in the 2017-25 period.

Each qualifying vehicle with zero CO<sub>2</sub> emissions introduced in 2017, for instance, would be counted as two vehicles with zero CO<sub>2</sub> emissions. This double credit would give automakers leeway to produce other vehicles that emit more CO<sub>2</sub> than the allowed fleet average.

GM and [Nissan Motor Co.](#), whose Volt and Leaf are sold in the United States, would have an early advantage. But other manufacturers -- including [Ford Motor Co.](#), [Toyota Motor Corp.](#) and Chrysler Group -- are preparing to jump into the EV market by next year.

"There's a big incentive to get out there faster," said Roland Hwang, transportation program director for the Natural Resources Defense Council.

But Michael Stanton, CEO of the Association of Global Automakers, whose members include Toyota and [Honda Motor Co.](#), questioned whether GM's advantage on EV credits would give it a leg up in the marketplace.

He said consumer demand for EVs and plug-in hybrids will remain limited for years to come unless vehicle prices decline and a plug-in infrastructure is developed throughout the country.

A GM spokesman declined to comment about any advantage the company might gain from the credits.

### Extra credits



Ron Bloom helped the Obama administration reach an agreement with automakers on fuel economy.

Paula Angelo, a spokeswoman for Nissan North America, said the Leaf is just one part of the company's strategy to meet CAFE targets.

She cited as examples the hybrid technology on the Infiniti M luxury sedan and the weight reduction in the Versa sedan.

Under the proposal, hybrid full-sized pickups will get extra credits.

While the credit per vehicle is likely to be less for hybrid pickups than for EVs, the market for the trucks almost certainly will be larger.

The Detroit 3 dominate the pickup market, and stand to gain the most from these credits. But the definition of which large pickups meet the incentive criteria will not be known until the administration issues its proposal in September.

Big pickups get an additional break: They don't have to increase fuel economy from the 2017 through the 2019 model years.

Automakers won the truck exemption in meetings between individual companies' executives and White House officials. Those talks were headed by presidential assistant Ron Bloom, who was drafted in late June to get automaker agreement with President Barack Obama's plan to raise the mandate for corporate average fuel economy dramatically, traditionally a hard sell among car companies.

The deal Bloom fashioned, one company at a time, eventually brought all but Daimler and Volkswagen on board. To get it, he gave automakers a break for light trucks and acquiesced to the Detroit 3 request for a break on big pickups.

"Ron Bloom was pivotal," said Ziad Ojakli, [Ford Motor Co.](#)'s group vice president of government and community relations, who headed the Ford delegation that met with him. "He did a phenomenal job."

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