Bloomberg

Carmakers Lean on Energy Credits to Meet Emissions Goals

By Jeff Plungis - Apr 25, 2014

Automakers wouldn't be meeting U.S. requirements for reducing greenhouse gas emissions without using special energy credits in addition to cleaner-fuel technology, according to an Environmental Protection Agency assessment.

While cars are on average the most fuel efficient they've ever been, automakers such as Chrysler Group LLC and General Motors Co. (GM) achieved some of those gains with credits for selling optional flexible-fuel vehicles and by using certain air-conditioning technology, according to the report released today.

Environmental groups said automakers are relying on credits far more than expected, and therefore the regulations aren't reducing greenhouse-gas emissions as much as they could.

"The credits act like get-out-of-jail free cards, letting automakers spew an extra 38 million metric tons of carbon dioxide," said Daniel Becker, director of the Safe Climate Campaign, a Washington-based watchdog group. "Automakers should deliver cars and trucks that meet the standards without relying on loopholes."

EPA officials said the program is achieving its goal of reducing the overall output of greenhouse gas emissions from cars and light trucks. Fuel-saving technologies are being adopted more quickly than anticipated. Credits are there to recognize the value of things car companies are doing, like improving air conditioners, that also have a positive environmental effect.

"The program is working," Deputy EPA Administrator Bob Perciasepe said on a conference call with reporters today. "Manufacturers are developing cleaner vehicles even faster than anticipated, and consumer demand is supporting them."

Fuel Credits

There are now twice as many sport-utility vehicles that get 25 miles per gallon or more than five years ago, Perciasepe said. There are seven times as many cars that get 40 miles per gallon or more, he said.

Chrysler, GM, Nissan Motor Co. (7201), and Ford Motor Co. each would have missed their fuel-economy targets "by a wide margin," Becker said. Honda Motor Co. is the only company that would have met its fleet-wide target without using credits, he said.

Without credits, Chrysler cars generated 300 grams per mile in carbon dioxide tailpipe emissions, exceeding its EPA maximum of 277 grams per mile, the report shows. With a credit of 13 grams per mile by selling flex-fuel vehicles, and another of 9.3 grams per mile through air-conditioning improvements, the Auburn Hills, Michigan-based carmaker was at the EPA target.

2025 Target

GM, the largest U.S. automaker, generated 283 grams per mile on average in its cars, missing its standard of 272 grams per mile. It received 11 grams per mile of flex-fuel credits and 7.9 grams per mile of air-conditioning credits, leading to a final average 8 grams per mile below the government target.

Overall, the report shows that model-year 2012 vehicles sold in the U.S. generated 296 grams per mile in carbon emissions, versus a standard of 295 grams per mile.

Vehicles sold in the U.S. are on average the most fuel efficient they've ever been, averaging 23.6 miles per gallon in 2012, an assessment by the EPA in December showed.

That reflected a 1.2 mile-per-gallon increase in the first year of a U.S. fuel-economy regulation that applies through 2016. Automakers will have to meet a second, tougher set of standards requiring improvements through 2025.

Automakers have questioned whether they can achieve the required fleet-wide averages of 54.5 mpg by 2025. The industry backed the standard, negotiated with President Barack Obama's administration, after it won a pledge to review progress in 2018 and possibly adjust the mandate.

New Technology

Automakers are using technologies to improve gasoline-powered engines, such as direct-injected and turbocharged engines, and more efficient transmissions to improve fuel economy and reduce carbon emissions.

The auto industry is committed to improving greenhouse-gas emissions and is bringing more efficient models to the market than ever before, said Wade Newton, spokesman for the Alliance of Automobile Manufacturers. EPA regulations measure fleet averages based on what consumers actually buy, not what automakers produce, he said.

"Automakers have invested billions of dollars in researching and developing new technologies, and we're eager for consumers to embrace our new innovations," Newton said. "These technologies will compete with other features that consumers value."

To contact the reporter on this story: Jeff Plungis in Washington at jplungis@bloomberg.net

To contact the editors responsible for this story: Bernard Kohn at bkohn2@bloomberg.net
Romaine Bostick, Elizabeth Wasserman

http://www.bloomberg.com/news/2014-04-25/automakers-using-credits-to-meet-epa-fuel-economy-goals.html