

U.S. 54.5 MPG Fuel-Economy Standard May Cost \$157 Billion

(Updates with environmental group, regulator comments starting in third paragraph.)

Nov. 16 (Bloomberg) -- A proposed U.S. rule requiring automakers to double average fuel economy of vehicles to 54.5 miles per gallon by 2025 may cost \$157 billion, two agencies said in a draft.

The standard would add an average of \$2,000 to the price of each new passenger vehicle sold by 2025, the National Highway Traffic Safety Administration and Environmental Protection Agency said in a proposed rule posted today on NHTSA's website. Benefits of \$419 billion to \$515 billion in fuel savings would offset the costs, the highway agency wrote.

"The car makers will have no trouble meeting these reasonable rules," Dan Becker, director of the Safe Climate Campaign, a group that supports raising fuel-economy standards, said today in an e-mailed statement. "You won't see George Jetson flying over Orbit City in a future-mobile. But you will see most 2025 cars and light trucks getting the mileage of today's Prius and Ford Escape hybrid."

The proposed rule requires annual fuel-economy increases of 5 percent for cars. Light trucks like pickups and sport-utility vehicles can raise fuel economy at 3.5 percent for the first five years the rule will be in effect. Then, unless regulators decide differently in a midterm review, trucks also would have to boost fuel economy by 5 percent a year.

Today's draft detailed a proposal agreed to in July by President Barack Obama's administration and automakers including Ford Motor Co., Honda Motor Co., Toyota Motor Corp. and General Motors Co. Daimler AG and Volkswagen AG were among automakers that didn't sign on and weren't part of a ceremony in Washington where

Obama touted the rule as part of his plan to reduce the use of imported oil in the U.S.

Auto Dealers, Issa

The National Automobile Dealers Association has criticized the added cost to cars and light trucks, saying it could cost jobs in the U.S. at a time of high unemployment. Representative Darrell Issa, a California Republican, opened an investigation into how it was written, saying it was rushed and may jeopardize safety by reducing the weight of vehicles on the road.

The 2017-2015 rule and 2012-2016 fuel-economy standards add \$209 billion in costs, Gloria Bergquist, spokeswoman for the Alliance of Automobile Manufacturers, said.

'Aggressive Targets'

"The proposed regulations present aggressive targets, and the administration must consider that technology break-throughs will be required and consumers will need to buy our most energy-efficient technologies in very large numbers to meet the goals," Mitch Bainwol, the Alliance's chief executive officer, said in an e-mailed statement.

Automakers will be able to meet the new standards using technology that exists today, Becker said.

"Most of the changes will be under the hood. They will come from such off-the-shelf items as improved engines and transmissions and high-strength, light-weight materials," Becker said.

The rule provides incentives for developing electric vehicles rather than for technologies such as cleaner diesel engines.

"We are very optimistic about significant improvements for both internal combustion gasoline and diesel engines," Margo Oge, director of the EPA's Transport and Air Quality office, said on a conference call today with reporters.

“On the other hand, however, electric powertrain is a new technology. When you look at the cost effectiveness of the technologies, it's not there yet. So the incentives are for these new advanced technologies.”

California's Rule

Regulators are continuing to talk with automakers, including Volkswagen, that didn't agree to the rule, she said.

Automakers can increase fuel efficiency by using lighter-weight materials, changing tires, changing engine types and using technologies such as start-stop, which reduces fuel consumption while a vehicle is idling.

California, the most populous U.S. state, has the authority to write its own air-quality regulations.

“We retain our authority to set our own standards” on emissions, Stanley Young, a spokesman for the California Air Resources Board, said in an interview at the Los Angeles Auto Show.

“We're working with the feds and we will establish our own standard,” Young said. “Once it's adopted, once the federal standard is adopted, if it's close enough we will accept compliance with the federal standard as equal to compliance with the California standard.”

House Letter

By 2025, U.S. mileage standards and other fuel-efficiency moves will reduce oil consumption by 2.2 million barrels a day, about one-fourth of the petroleum the country imports, and save consumers more than \$8,000 a vehicle in fuel costs, the White House said in a statement today.

Representative Ed Markey, a Massachusetts Democrat, and 107 other U.S. House members yesterday sent a letter to Obama supporting the rule.

“We believe that these standards to reduce petroleum use in cars and light trucks represent an opportunity to increase our national and economic security in an unprecedented way by dramatically decreasing our dependence on foreign sources of petroleum,” they wrote.

A proposed rule had been due Sept. 30 before regulators said they needed more time. The final rule is scheduled to be published next year.

A separate rule issued in 2009, which takes effect next year, requires automakers to increase average fuel economy to 35.5 mpg by 2016.

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