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Falling gas prices fuel pickup, SUV revival

By Jeff Plungis, John Lippert and Bloomberg December 16, 2015

WASHINGTON - Americans have flocked back to pickups and SUVs as gasoline prices have fallen and that's slowing U.S. automakers' progress on fuel economy targets, according to new data released by the Environmental Protection Agency.

The U.S. fleet of passenger cars and light trucks averaged 24.3 miles per gallon in 2014, increasing only slightly from 24.1 mpg in 2013. The previous year saw a 0.5 mpg increase.

Automakers are widely using pollution credits to meet regulatory requirements on fuel efficiency despite efforts to sell hybrid and electric cars and improve technology for gas- powered engines, two reports released by the EPA Wednesday found. Pollution credits can be used to avoid penalties if automakers fail to meet the fuel efficiency standards.

Automakers can gain credits by selling optional flexible- fuel vehicles, which can run on either gasoline or ethanol, and by using certain air-conditioning technology or they can buy them from other automakers.

"While the auto industry may crow that it is technically in compliance, the bottom line is that automakers are no longer improving mileage and emissions," said Dan Becker, director of the Safe Climate Campaign, a Washington environmental group. "The auto industry is exploiting the program's loopholes to boost gas-guzzler production and thwart the rules."

Still, the industry continues to exceed the minimum targets established by the EPA and the National Highway Traffic Safety Administration to help reduce greenhouse gas emissions. Automakers are using better engine technologies to deliver both more engine power and more efficiency, the EPA said.

"For the third year in a row, manufacturers have exceeded the GHG emissions standards by a wide margin," Christopher Grundler, EPA's director of the Office of Air Quality and Transportation, said in a statement. "It's clear that our standards are working, spurring technology and innovation, and we are on track to achieve significant greenhouse gas reductions."

In the last 10 years, fuel economy has improved by 5 mpg, or 26 percent, according to the EPA. Beginning in 2017, automakers will have to meet a tougher set of standards requiring even more engine and vehicle improvements through 2025.

Nearly three-fifths, or 59.8 percent, of new vehicles purchased in the U.S. were light trucks in August, compared with 40.2 percent cars. That's the widest gap in preference for trucks in 10 years, according to Bloomberg Intelligence.

The trend is benefiting the domestic automakers: Fiat Chrysler Automobiles, Ford and General Motors. The three companies with operations in Detroit generated 75 percent of their combined volume for trucks, the highest ever according to BI.

"Without concern about gasoline prices, consumers are choosing to buy light trucks over cars," analysts Kevin Tynan and Tanner Murphy wrote in a Dec. 7 note.

Automakers have questioned whether they can achieve the required fleetwide 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 halfway through the eight-year program and possibly adjust the mandate.

That mid-term review could change fuel-economy targets for the years 2021 through 2025. Because of the long lead time manufacturers need to make changes in car designs, that review will begin in 2016.

Previous EPA reports have credited technologies used to improve gasoline-powered engines, such as direct-injected and turbocharged engines, and more efficient transmissions for improvements in fuel economy. Automakers have also used engineering to improve horsepower, which has more than doubled in the last three decades.

Among the large manufacturers the EPA ranked for fuel economy, Mazda was the highest with an average of 29.4 mpg in 2014. Chrysler Group and parent company Fiat, for the fourth year in a row, were at the bottom with 20.8 mpg.

The EPA calculations on fleetwide fuel-economy averages are based in part on automakers' preliminary sales forecasts. They're projecting an overall average of 24.7 mpg in 2015.

Lippert reported from Chicago.

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