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Fuel Efficiency Standards For Cars, SUVs Proposed

--Rules are more flexible for SUVs, pickups

--Rules would give credit for revamped air conditioning systems

--Rules expected to be finalized next summer

WASHINGTON -- The Obama administration Wednesday proposed more stringent fuel efficiency standards for passenger cars, pickup trucks, and sport-utility vehicles, following through on an earlier agreement with major auto makers.

The standards set an average fuel economy target of 54.5 miles per gallon by 2025 for each company's fleet. On average, they would raise the cost of vehicles about \$2,000. But, savings at the gas pump over the lifetime of a 2025 model year vehicle could be more than \$5,200, according to the administration.

In all, the rules would cost the auto industry about \$138 billion while providing benefits of about \$449 billion, according to estimates from the Environmental Protection Agency, one of the agencies formulating the rules. The Department of Transportation also said the rules' benefits would significantly outweigh any costs.

Environmental groups quickly praised the announcement, saying it would reduce carbon dioxide emissions, which are linked to global warming. The auto industry expressed concern about the costs of scaling up fuel economy so quickly.

"This regulation gambles that millions of consumers will be able to afford thousands more for generally smaller, more expensive vehicles that may not meet their needs," the National Automobile Dealers Association said in a statement. " This policy is contrary to what most consumers are actually buying today."

In a statement, Transportation Secretary Ray LaHood said the standards "will ensure auto makers have the regulatory certainty they need to make key decisions that create jobs and invest in the future." He also told reporters that they would "spur growth in clean energy industries" and "fuel research and development in biofuels, new engine technologies and advanced batteries."

As expected after a July agreement between automakers and the government, the proposed rules are slightly less stringent for pickups and sport utility vehicles than for passenger cars. Until 2021, the larger vehicles would be allowed to reduce carbon dioxide emissions at a slower annual rate--about 3.5%-- compared to 5% for passenger cars. Starting in model year 2022, both categories of vehicles would have to meet the 5% annual rate. Asian auto makers' fleets are dominated by passenger cars, while Detroit auto makers rely more heavily on pickups and SUVs for their profits.

Environmental groups have been concerned that some companies would take advantage of that part of the rule by manufacturing more large vehicles, effectively skirting the stricter standards for smaller cars. "We like it overall," Dan Becker, director of the Washington-based Safe Climate Campaign, said of Wednesday's proposal. "But there are provisions that we think are not strong enough."

Gina McCarthy, assistant administrator in charge of the EPA's air pollution programs, said Wednesday that "there's no loopholes in this rule." The standards target "more fuel efficient vehicles in every shape and size because American families come in every shape and size," she said.

The rules would also provide incentives for auto makers to adopt "advanced" technologies like hybrid pickup trucks, the administration said. Auto makers would get added credit for using air conditioning systems that use refrigerants that emit less carbon dioxide.

The standards proposed Wednesday cover vehicles with model years 2017 to 2025. A separate rule boosts fleet fuel economy to 35.5 miles per gallon by the 2016 model year. The administration will take comment on the rules proposed Wednesday for the next 60 days and is expected to finalize them by next summer.

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