

## Deal shows US on the road to fuel efficiency

By Peter Huck

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Two-thirds of the United States' carbon emissions come from transport and power plants. Photo / AP

Washington may be locked in a bipartisan impasse on the deficit crisis, but negotiators in another round of contentious Beltway talks reached a compromise deal this week on an equally momentous, far-reaching issue.

On Wednesday the Obama Administration, United States automobile manufacturers and the environmental lobby – it is notable that the deal-making took place outside Congress – reached agreement on a 54.5 miles per gallon fuel (4.35 litres per 100km) efficiency standard for cars and light trucks between 2017 and 2025.

It falls well short of the 62mpg (3.8l/100km) standard environmentalists wanted and may be pockmarked with loopholes.

Nonetheless, the Administration hopes the new CAFE [Corporate Average Fuel Economy] regulations will boost the auto industry's global competitiveness, dramatically cut US petrol consumption and reliance on foreign fuel supplies, and – by curbing carbon emissions from exhaust pipes – help tackle climate change.

"This programme, which builds on the historic agreement achieved by this administration for Model Years 2012–2016, will result in significant cost savings for consumers at the pump, dramatically reduce oil consumption, cut pollution and create jobs," the White House said.

President Barack Obama expects the deal will cut US greenhouse gases by 50 per cent and fuel consumption by 40 per cent.

The deal includes a review by 2018 and the official regulatory proposal is expected in late September.

Greg Martin, a spokesman for General Motors, hoped the deal would "greatly improve vehicle fuel economy while preserving customer choice and future industry growth".

While the industry stressed growth, environmentalists worried about loopholes that might dilute the standard.

"While the President's proposal is a significant acceleration in the fight against global warming and oil addiction, it was weakened by auto industry lobbying," says Safe Climate Campaign director Daniel Becker..

"Automakers have seeded it with loopholes that weaken the oil, pollution and gas-pump savings. Specifically, automakers demanded and won standards that are weaker for trucks than for cars and even weaker for large pick-ups. They got credits for air conditioning, electric vehicles and even something called 'active transmission warm-up'."

The result, concludes Becker, "will be substantially less than the 54.5mpg and the 5 per cent cut in emissions." He pledges to work to strengthen the standards at review.

"The White House is taking a strong step towards lowering drivers' gas bills and cutting dangerous pollution," says Roland Hwang, the transportation programme director with the National Resources Defence Council, a national environmental lobby.

"We are encouraged by some aspects but troubled by potential loopholes."

Predictably the deal was a compromise.

As talks came down to the wire, the auto lobby took to the airwaves in battlefield states, such as Michigan, the heartland of America's auto industry. Last week, the President received a letter signed by all but one of Michigan's national politicians.

"This issue, if handled in the wrong way, would have a negative effect on our economy, stalling our economic recovery, and would result in critical American job losses with no benefit to the environment," they wrote, adding that "overly stringent" CAFE standards would cost 260,000 jobs and add thousands to a new vehicle's price, driving consumers to buy old, less fuel-efficient cars with dire environmental consequences. The "startling" 56.2mpg goal was "overly aggressive and not reasonably feasible."

As carbon footprints become part of policy making, those pushing for tough regulations emphasise the chance to promote clean tech jobs. Naysayers insist this will harm the economic recovery and fuel unemployment.

In reality, the US can ill afford to duck the challenge if it wishes to compete in a global industry where fuel efficiency is key.

The elephant in the room is climate change.

The Administration downplays this, sensitive that climate has taken a back seat to economic fears for many Americans.

But tougher CAFE standards compensate for Obama's bruising 2010 congressional defeat on a proposed cap and trade bill.

"Is this the only thing Obama can do [on climate change]?", says Hwang. "No. Is this one of the best opportunities he has? Absolutely."

Becker says strengthening CAFE rules sends a strong signal that Americans "can get our act together on climate. And we should not be used as an excuse for others to do nothing."

Two-thirds of US carbon emissions come from transportation – dominated by cars and light trucks – and power plants.

During negotiations the auto lobby argued tough CAFE standards "may exceed what is technically achievable" for carmakers when it came to pickup trucks.

Given America's love affair with these iconic gas guzzlers, politicians tread warily.

Yet the pickup's 15 per cent market share is expected to fall to 8 per cent by 2025.

"Maybe one day we'll change America's love affair with the car," says Becker.

"But first we can change the car. And dramatically cut emissions. There are only a dozen companies that make cars. But 250 million Americans drive. I'd rather change a dozen minds than 250 million."

### **Changing their wheels**

America's relationship with cars is changing. Soaring petrol prices have driven buyers to more fuel-efficient cars. Toyota's hybrid Prius led the charge, as US automakers sought to catch up with models like the Chevy Malibu hybrid, now dropped, and Chevy's Volt electric car.

But the industry, despite a bailout resurgence, lags behind as India and China challenge the traditional triumvirate of the US, Europe and Japan.

The biggest US push has come from car-centric California, which sets its own standards under the US Clean Air Act. As anyone who has had their car "smogged" there knows, the Golden State sets the bar high and has been the catalyst for national reform.

Fourteen states have emulated California, triggering a legal fight between carmakers and California, which represents 11 per cent of the US car market, or almost a third of sales if the other states are added.

A spokesman for the California Air Resource Board said the new standard achieved "real-world reductions" and included "incentives to drive technology".