

POLITICO

Cars using natural gas win favor

By: [Erica Martinson](#)

September 9, 2012 10:20 PM EDT

How did natural gas win a favored role in the Obama administration's tightened vehicle fuel-efficiency standards, alongside electric vehicles and other carbon-free sources?

It was a victory for messaging, coupled with some veiled legal threats and a president who has expressed his fondness for natural gas and the jobs it can create.

The result: Cars and light-duty trucks running on natural gas will be on the list of alternative-fuel vehicles given a leg up in meeting the fuel-economy standards that President Barack Obama [announced](#) Aug. 28. The standards will boost average fuel economy to 54.5 miles per gallon by model year 2025.

In earlier drafts of the standards, incentives for alternative-fuel vehicles did not apply to natural gas.

But in a series of meetings, the natural gas industry and some automakers hammered away at the White House, the Environmental Protection Agency and the Transportation Department to argue that encouraging broader use of gas-powered vehicles wouldn't mean doubling down on carbon-dioxide-emitting fossil fuels. They also pushed the message that natural gas — abundant in the United States and not tied to volatile global prices the way gasoline is — represents a win for national security.

Governors, House members and automakers such as Daimler, Honda, Chrysler and Ford joined the cause.

The outcome delighted gas industry groups.

"By broadening the application of the manufacturer's incentives for vehicles that run on alternative fuels to include clean natural gas, the Obama administration has taken a clear step towards reducing our dependence on foreign oil and improving our environment," said Dave McCurdy, CEO of the American Gas Association.

The inclusion of gas faced resistance from environmental groups reluctant to see a fossil fuel hitch a ride on the new standards. But some greens say they can live with the change.

"In negotiations, everybody gave, everybody got some," said Dan Becker, director of the Center for Auto Safety's Safe Climate Campaign. He thought the outcome was worth the greens' losses.

"The biggest concern really is that there were a number of manufacturers who were arguing that their technology deserved special treatment, ... in particular the diesel

manufacturers,” Becker said. He said environmentalists feared that “the diesel guys would say, ‘Come on — everybody’s getting extra credits but us.’”

The gas industry’s arguments had one advantage: They dovetailed with aims of the Obama administration. On the day the new standards were introduced, Obama called the efficiency requirements “the single most important step we’ve ever taken to reduce our dependence on foreign oil.”

The president also highlighted gas in his acceptance speech Thursday night at the Democratic National Convention, calling for the U.S. to “develop a hundred-year supply of natural gas that’s right beneath our feet” and projecting that 600,000 jobs could result.

Still, it appears that the decision went down to the wire on whether the administration would add natural gas incentives to the rules — or at least gas industry representatives seemed to think so.

On Aug. 3, representatives from the American Clean Skies Foundation, the American Gas Association and America’s Natural Gas Alliance sat down with officials from the White House Office of Management and Budget, the Domestic Policy Council, the Council on Environmental Quality and the EPAA to lay out their legal arguments for including gas.

Their implicit message: If you like, we could discuss this in court instead.

The rule includes incentives for companies to experiment with and produce alternative fuel vehicles by granting them extra points toward complying with the standard’s goals for fuel efficiency and greenhouse gas emissions. Companies surpassing their yearly requirement can bank those credits for later.

In their presentation, the gas groups said excluding natural gas from the credit system would violate the Administrative Procedure Act by not showing a “rational nexus” between facts and the agencies’ decision.

They also pointed to a January 2011 [executive order](#) in which Obama said regulations must protect “public health, welfare, safety and our environment while promoting economic growth, innovation, competitiveness and job creation.”

Excluding natural-gas vehicles isn’t supported by the administration’s cost-benefit analysis, the American Clean Skies Foundation argued in a slide presentation, adding that earlier regulatory and technical documents didn’t look at natural gas in comparison with electric and fuel-cell vehicles.

The gas groups also said the auto industry is on board: Chrysler, Ford and Volkswagen all proposed expanding the list of technologies eligible for credits, with Chrysler and Ford specifically making a play for natural gas vehicles.

The groups argued to the EPA that natural gas vehicles — and a fueling infrastructure to

supply them — can act as a bridge to the agency’s preferred future vehicles: those powered by zero-emissions hydrogen fuel cells. They said natural gas fueling stations could be easily augmented to add hydrogen fueling, and at some point, most natural-gas-powered cars could run on gas that’s mixed with up to 20 percent hydrogen.

The argument appeared to work: The EPA has adopted the message that natural-gas vehicles can enable fuel cells down the road as their reasoning for coming to the aid of technology that isn’t CO₂-free.

Meanwhile, the industry groups’ [pitch](#) to the White House cited Obama’s words from his 2012 State of the Union address, in which he said that the “development of natural gas will create jobs and power trucks and factories that are cleaner and cheaper, proving that we don’t have to choose between our environment and our economy.”

The groups also noted that Ford, GM, Toyota, Honda, Nissan, Hyundai, Fiat, Volkswagen and Mercedes already make natural-gas vehicles outside the U.S.

Including them in the fuel-efficiency standard would give domestic manufacturers a way to build an export market, they said.

On the other hand, EPA staff spoke May 4 with environmentalists who weren’t keen on offering incentives for more fossil-fuel-driven vehicles.

Representatives of the Sierra Club, the Union of Concerned Scientists, the Safe Climate Campaign, Environment America and the Natural Resources Defense Council “voiced concern about potential changes from the proposed rule which might weaken the stringency of the standards,” an EPA recap of the meeting says.

They specifically mentioned incentives for compressed natural-gas vehicles, among other issues.

Meanwhile, the natural-gas vehicle trade association met with federal officials in March and April, pushing for incentives that they said would meet Obama’s “all of the above” energy approach, according to documents describing the meetings.

By late May, officials met separately with the American Clean Skies Foundation and American’s Natural Gas Alliance. Daimler met with EPA officials in January, in part discussing the incentives. That was followed by an April 24 meeting in Daimler’s offices in Stuttgart, Germany, where they provided EPA officials with detailed vehicle product plans.

In June, the officials received a Brookings Institution-Massachusetts Institute of Technology report citing evidence that compressed-natural-gas vehicles “can provide real tailpipe CO₂emissions reductions compared to traditional gasoline engines and may also provide reductions comparable to all-electric vehicles.”

Comparisons with all-electric vehicles “depend heavily on where the electric vehicles are

recharged,” the report says.

Also joining the effort were Colorado Gov. John Hickenlooper and Oklahoma Gov. Mary Fallin, who said in a June 1 letter that each new natural-gas vehicle “will displace that vehicle’s lifetime consumption of imported petroleum.”

On Aug. 2, Democratic Sens. Michael Bennet of Colorado, Mark Begich of Alaska, Bob Casey of Pennsylvania and Tom Udall of New Mexico wrote to the EPA, DOT and the White House pushing for “technology neutral” incentives — which they said means including natural gas.

House Republicans also supported the inclusion of gas, joining a bipartisan group of 10 lawmakers who signed a July 25 letter urging the administration “to use this opportunity to level the playing field for all alternative fuel choices that can help us meet these national goals.”

Those members included GOP Oklahoma Reps. John Sullivan, James Lankford and Frank Lucas, as well as Reps. Bill Shuster (R-Pa.), Lee Terry (R-Neb.) and Bill Cassidy (R-La.). A request from Republicans was significant given that prominent House GOP members and Mitt Romney have opposed tightening the fuel-economy standards at all.

© 2012 POLITICO LLC

<http://www.politico.com/news/stories/0912/80964.html>