President announces deal to boost fuel economy

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President Barack Obama and automobile manufacturers announced a deal Friday that is designed to save American drivers money at the pump and dramatically cut heat-trapping gases coming from tailpipes.

The announcement ushered in the largest decrease in auto fuel consumption since the 1970s,
gallon (23.2 kilometers per liter) by 2025, bringing major under-the-hood changes for the nation's automobiles starting in model year 2017. Cars and trucks on the road today average 27 miles per gallon (11.5 kilometers per liter).

"This agreement on fuel standards represents the single most important step we have taken as a nation to reduce our dependence on foreign oil," Obama said from a stage he shared with top executives of the major automakers before a backdrop of some of the most cutting-edge cars on the road.

"Just as cars will go further on a gallon of gas, our economy will go further on a barrel of oil," Obama said.

If achieved, the 54.5 mile-per-gallon target will reduce U.S. oil consumption from vehicles by 40 percent and halve the amount of greenhouse gas pollution coming out of exhausts.

For American families, the president said the agreement, which will be subject to a midcourse review, means filling up the car every two weeks, instead of every week. That would save $8,000 in fuel costs over the life of a vehicle, he said.

The deal was less than what environmentalists and public health advocates wanted, but more than the Detroit Three automakers desired. In a letter to the president last week, Michigan lawmakers called the higher proposal "overly aggressive," after automakers had said they would work to get
vehicles averaging 42.6 mpg (18.1 kpl) to 46.7 mpg (19.85 kpl). Green groups, meanwhile, had pushed for a 62 mpg (26.4 kpl) target by 2025.

For Obama, who watched his campaign promise on this issue die when Republicans retook control of the House of Representatives in 2010, the compromise provides a way around political roadblocks and offers an opportunity to affect climate change.

The deal also provides an answer on the issue of oil dependency. It promises reduced demand at a time when Republicans in Congress have criticized Obama for being too slow to drill and not opening up more areas to oil and gas exploration after the massive Gulf oil spill last year.

At a time when a consensus in Congress is elusive on the debt ceiling and curbing the federal deficit, the president said the fuel economy deal was a "valuable lesson to" Washington.

"You are all demonstrating what can happen when people put aside differences," Obama said. "These folks are competitors, you've got labor and business. But they said we are going to work together to achieve something important and lasting for the country."

For automobile manufacturers, particularly the Detroit Three, the deal signals a turnaround from the days when they resisted boosting fuel economy targets, arguing that consumers would not buy smaller and more efficient cars, and the technology to reduce fuel dependency was too expensive.
The dynamics also were changed by the $62 billion bailout of GM and Chrysler by taxpayers, making it harder for automakers to say no to the White House.

Some environmentalists praised the agreement on Friday but said manufacturers owed taxpayers a bigger deal after the multibillion-dollar bailout.

"An auto industry that owes its survival to taxpayer bailouts ungratefully flouted the public's demand for fuel efficiency and less pollution, fighting for loopholes until the bitter end," said Dan Becker, Director of the Safe Climate Campaign. "We will use every opportunity, including the midterm review that the automakers demanded, to strengthen the standards."

For consumers, the new requirements are well beyond the gas mileage of all but the most efficient cars on the road today.

By the time the new standards take effect, the government expects gas-electric hybrids to make up about half the lineup of new vehicles, with electric vehicles making up about 10 percent of the fleet.

Currently hybrid and electric vehicles combined amount to fewer than 3 percent of U.S. vehicle sales, according to J.D. Power and Associates.

The standards also could force auto companies to get rid of some less-efficient models as they try to boost the gas mileage of their lineups. But that depends on how quickly new technology can be developed.
Automakers already are moving toward boosting gas mileage by cutting weight and with new engine and transmission breakthroughs. They also are adding electric cars to their lineups. General Motors and Nissan are selling mass-market electric vehicles, while Mitsubishi, Ford, Toyota and others are about to enter the market.

Nissan's vice president, Scott Becker, said in a statement that the Obama administration has issued some extremely challenging greenhouse gas reduction and fuel economy improvement targets, but Nissan was "up to the task."

Nissan introduced the LEAF, the world's first and only 100-percent electric car for the mass market, in December 2010. More than 4,000 of the 99 miles-per-gallon (43 kilometers per liter) vehicles are already on the road.

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Krisher contributed reporting from Detroit

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