

ENERGY & ENVIRONMENT

Low Gas Prices Create a Detour on the Road to Greater Fuel Economy

By BILL VLASIC MARCH 22, 2016

DETROIT — Since agreeing to tough new federal fuel economy standards five years ago, automakers have been methodically improving the gas mileage of their vehicles and reducing emissions harmful to the environment.

But despite investing billions in fuel-saving technologies and introducing a raft of lower-mileage models and electric cars, the industry will be hard-pressed to meet its target of 54.5 miles per gallon in 2025.

Now, with a crucial midterm review of federal fuel-economy rules to begin this summer, automakers are expected to seek adjustments to the government's formula for increasing mileage and cutting greenhouse gas emissions.

Proposed changes could include extending the time frame on mileage targets and expanding emissions credits to include enhancements for safety and autonomous driving — such as the move that carmakers announced last week to make automatic braking standard on all models by early next decade.

“We think the government needs to start thinking outside of the box and not just look at the traditional ways of reducing greenhouse gases,” said Gloria Bergquist, a spokeswoman for the Alliance of Automobile Manufacturers in Washington.

An industry effort to relax the mileage goals could set off conflict with the Obama administration, whose pledge to reduce emissions, as part of last year's Paris

climate accord, includes making big gains in vehicle fuel efficiency.

For now, government officials and auto executives are taking a cooperative stance and extolling the gains in fuel economy in recent years rather than questioning the industry's ability to reach much higher standards down the road.

In a progress report released in December, the Environmental Protection Agency said fuel economy for new vehicles sold in the United States had improved 26 percent from 2004 to 2014, to 24.3 miles per gallon.

"It's clear that our standards are working," said Christopher Grundler, director of the agency's Office of Transportation and Air Quality.

The 24.3 figure is based on real-world driving performance, and it is lower than the mileage numbers used to calculate the government's Corporate Average Fuel Economy. For CAFE purposes, the average for 2014 was about 31 miles per gallon.

Individual carmakers have also been able to increase their CAFE scores by using a complex menu of emissions credits issued by the government for technical innovations like low-energy headlights and advanced air-conditioning systems.

Over all, most major automakers are on track to achieve CAFE's unadjusted midterm target of 37 miles per gallon next year. Some of them, like Fiat Chrysler Automobiles, are on pace only because they have bought emissions credits from other companies.

But improving fuel economy significantly across vehicle fleets is becoming more challenging and expensive.

"Now they are complying, but they are worried that in the future, the climb gets much steeper," Ms. Bergquist said.

Cheap gas prices are prompting more consumers to buy trucks and sport utility vehicles instead of small cars, hybrids or pure electric vehicles.

With gas prices hovering around \$2 a gallon, sales of low-mileage pickups and S.U.V.s have skyrocketed. Meanwhile, electric and hybrid models are languishing in

dealer showrooms.

A study of monthly vehicle sales by the University of Michigan shows that fuel efficiency gains have stalled since gas prices plunged last year.

The peak efficiency was recorded in August 2014, when the average fuel economy of new vehicles sold was 25.8 miles per gallon in real-world driving. But the figure has steadily declined since then. In the first two months of this year, the average was 25.2 miles per gallon.

“Even though both passenger cars and trucks are getting better mileage year by year, consumers are overwhelmingly choosing to buy some of the lowest-mileage models like pickups and S.U.V.s,” said Michael Sivak, who compiles the study with his associate, Brandon Schoettle, for the university’s Transportation Research Institute.

Individual automakers have complex formulas, based on their product lineups, for compliance with CAFE standards. Pickup trucks and large S.U.V.s, for example, have lower mileage requirements than passenger cars.

“One of the areas that needs to be addressed is consumer demand,” Ms. Bergquist said. “Automakers can build models that are extremely fuel-efficient, but they can’t control sales.”

Talks have already begun with the government in advance of the E.P.A.’s opening the midterm review in June, she said.

Automakers have not formally asked for changes in CAFE goals yet. But they are building a case, through academic papers and studies, that the 2025 standard was agreed to when gasoline cost close to \$4 a gallon and consumers were more likely to consider fuel-efficient models when they shopped for a new vehicle.

With the mileage targets rising each year, automakers are adding more electric and hybrid models to offset the increasing sales of lower-mileage trucks and S.U.V.s. Yet the lowest-emission models are among the least popular.

Environmental activists contend that automakers do not need big sales of

electric cars to meet CAFE goals and can consistently improve fuel economy by adding current technology — like stop-start systems, which cut engine power when a car is idling — in all of their vehicles.

“Auto companies are producing more trucks and fewer cars,” said Daniel Becker, director of the advocacy group Safe Climate Campaign. “But they are failing to use their best technology, like turbocharging and stop-start, throughout their fleets.”

Instead, companies are relying on emissions credits to balance their surging sales of lower-mileage trucks and S.U.V.s. “These loopholes are questionable and need to be tightened,” he said.

Most automakers are in compliance with current fuel standards and have been steadily improving the mileage of most vehicles in their lineups with lighter materials, more aerodynamic designs and smaller engines.

Yet hybrid versions of midsize sedans sell poorly compared to gasoline-powered models, and consumers are more often choosing larger engine options in pickups because of cheaper gas.

This week, an array of new electric and hybrid vehicles will be on display at the annual New York International Auto Show. The success of models like the electric Chevrolet Bolt from General Motors and Fiat Chrysler’s hybrid minivan are crucial for the type of mileage improvements needed to meet future federal standards.

“Fuel efficiency increases are like losing weight,” said Karl Brauer, an analyst with the research firm Kelley Blue Book. “The first five or 10 pounds are the easiest, and after that it gets a lot harder.”

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