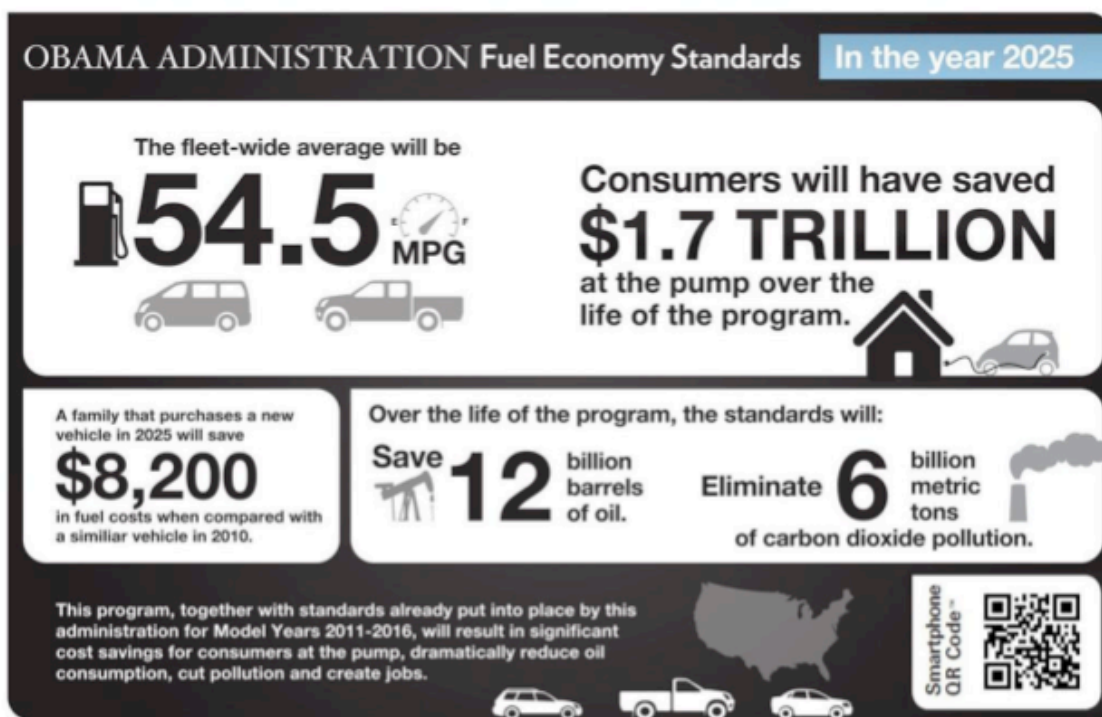




White House Releases Fuel Economy Report, Loopholes Still Out Of Sight

By [Edward Niedermeyer](#) on July 29, 2011

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The announcement of President Obama's proposed 54.5 MPG 2025 CAFE standard was hailed nearly unanimously today in a ceremony attended by many auto industry executives as well as government officials. Volkswagen and Daimler were conspicuous by their absence, as the [Bloomberg](#) quotes VeeDub spokesman Tony Cervone arguing

The proposal encourages manufacturers and customers to shift toward larger, less-efficient vehicles, defeating the goal of reduced greenhouse-gas emissions,

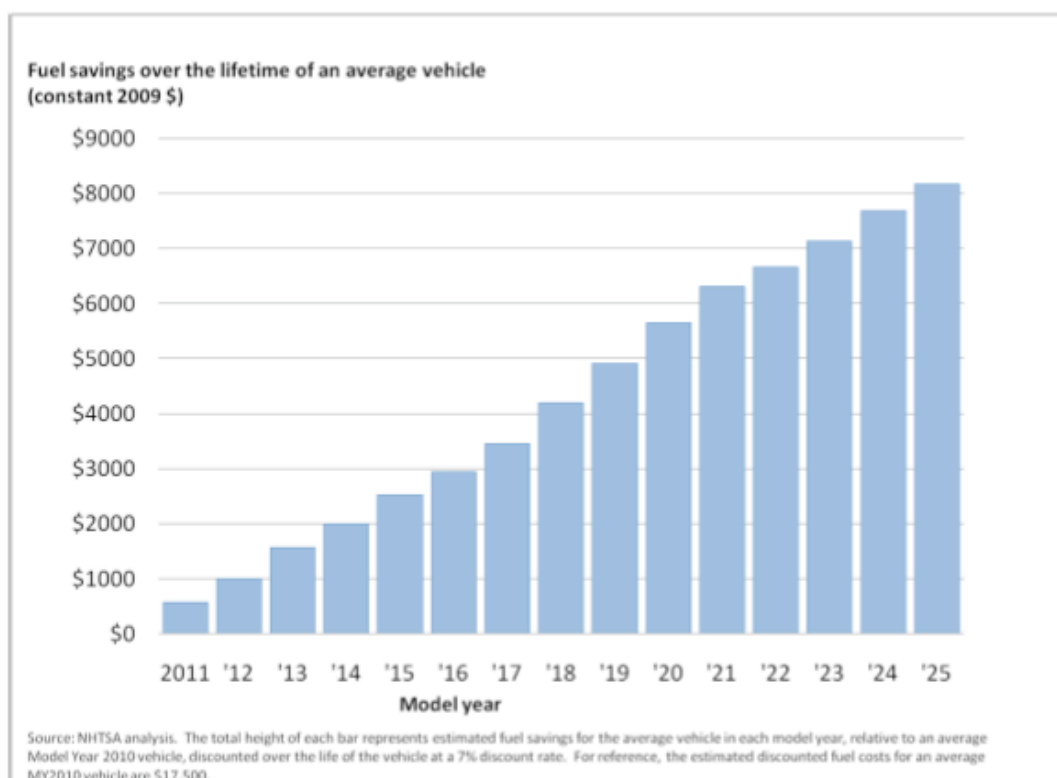
while [Reuters](#) notes Daimler's response

Mercedes-Benz, the luxury car line owned by German car and truck maker Daimler, did not back the new program, saying it "clearly favors large SUVs and pickup trucks."

"Our customers expect a range of vehicles from which to choose so this program creates a very real disconnect between government regulation and customer demand," the carmaker said in a statement.

But are these concerns well-grounded? We don't know yet, as the details of the proposal (specifically the loophole details) have not yet been released. Instead of publicizing the full rule, the White House released a report [[PDF](#)], highlighting the easy-to-like aspects of the proposed rule. But how easy-to-like is the standard really?

CHART 4: ESTIMATED FUEL SAVINGS OVER THE LIFETIME OF AN AVERAGE VEHICLE, MODEL YEARS 2011-2025



When summed over all vehicles projected to be sold in Model Years 2011-2025, these savings amount to \$1.7 trillion dollars in total savings to consumers as a result of the Administration's fuel economy standards. (That \$1.7 trillion represents the savings to consumers in future years; it equals \$560 billion in present value discounted back to today.)

Politically, the new CAFE standard has been attacked primarily from the right, the administration has had to more prominently justify the the standard based on fuel savings rather than any CO2 output reductions or other environmental impacts. The savings are said to be worth \$1.7 trillion through 2025, although it's not at

all clear if this includes projected cost increases for vehicles in order to meet these standards, and the cost increases were a huge bone of contention in the debate leading up to this announcement. And with only VW (attacking from the left) and Daimler (a notorious CAFE fine payer) holding out against the proposal, Obama's right flank seems largely clear... except for Dennis Virag of the Automotive Consulting Group, who tells Reuters

I have to really question the sanity behind that. It's going to be a very difficult mark to achieve and I think it's going to be very costly.

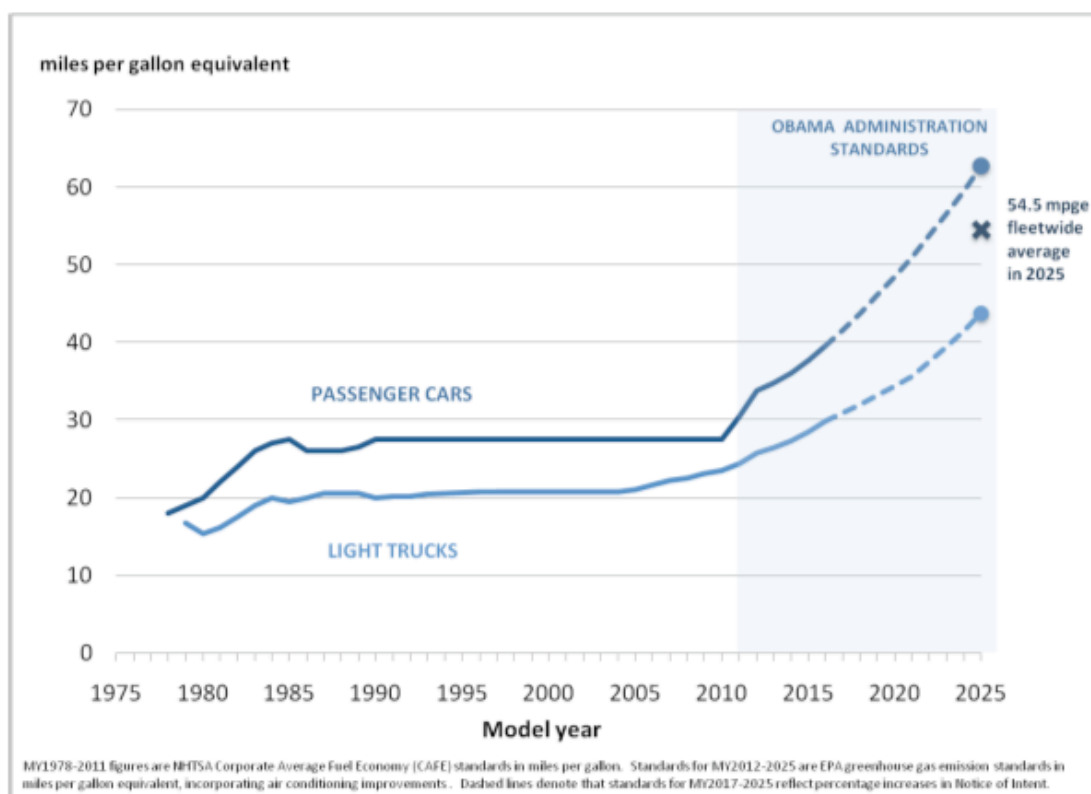
Eric Noble, president of The CarLab, an automotive consulting firm in Orange, California, adds:

It's not doable unless there's enough in the fine print that they won't have to get there anyway. It's not achievable, nor would consumers accept those vehicles.

Since we don't know how helpful those loopholes are yet, we don't know if he's right or not. But that kind of talk does worry the environmental groups who fear that the mid-term review that automakers demanded will become an opportunity to abandon the standard. Says Dan Becker of the Safe Climate Campaign:

The automakers insisted on a mid-term review. We are concerned that that review will be an opportunity for automakers to lobby to try to end or weaken that program.

CHART 2: LIGHT-DUTY VEHICLE FUEL ECONOMY STANDARDS, 1978-2025



The fear seems somewhat legitimate: with automakers largely on board for the moment, it's surprising to see so many industry consultants publicly damning the proposal. Besides, the toughest challenges don't come until after the mid-term review, so the industry could well derail the trajectory noted in the Obama report. But

environmentalists are happy for the moment, and over the long term Obama clearly believes (as do I) that the market will ultimately support CAFE rather than create a gaping disconnect. His report concludes:

Vehicle fuel economy is an increasingly important factor for consumers as they consider new vehicle options. According to a recent study, 42% of consumers view fuel economy as an 'Extremely Important' purchase decision factor, up from 14% a decade ago.¹ Over the past several years, average fuel economy for passenger cars has improved from 31 mpg in 2007 to 34 mpg in 2010. The average vehicle is up to 29 mpg in 2010. In addition, demand for advanced technology vehicles has also increased, growing 37% in the first quarter of 2011. These vehicles make up a small portion of overall sales, but they are growing rapidly.

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V572625694

July 29th, 2011 at 2:59 pm

"...it's surprising to see so many industry consultants publicly damning the proposal."

Really?

A higher gas tax is perhaps a simpler way to reduce fuel consumption but is also very regressive: low-wage workers or unemployed job applicants who don't have access to public transit have to buy gas whatever it costs. Seems like a government mandate on the manufacturers is the only way we'll get make some headway.



Edward Niedermeyer

July 29th, 2011 at 3:20 pm

It's surprising only in context of the near-unanimous support from the automakers. This disconnect between the OEMs and consultants does amplify the environmentalist's concerns that the standard could be gutted during the mid-term review.



aristurtle

July 29th, 2011 at 3:24 pm

The standard will probably be gutted in the mid-term review if it turns out to be technically infeasible, which is what the mid-term review is for.

The real fireworks will start if, come review time, we've got two or three automakers that have no problem meeting the standard and the rest are having real trouble (due to patent licensing issues or manufacturing not being state of the art or whatever other reason).



ClutchCarGo

July 29th, 2011 at 3:49 pm

The other great unknown is what will be the price of gas come review time? If gas continues to ratchet up (as I expect), it will be much harder to challenge the higher MPG stds. If gas prices simply track inflation, strict CAFE numbers will come under fire.



Dr Lemming

July 29th, 2011 at 5:17 pm

Are these criticisms from consultants all that big of a deal? You've quoted only two firms. Shouldn't we expect some degree of background noise — and policy freelancing — regardless of the level of "consensus" by the automakers?

Of course the standards will be challenged at the mid-term review. But that will happen anyway if the political climate allows for it. Look at the debt limit fight. For the last 70 years the limit has been extended with no strings attached 89 times — two-thirds of them under a Republican president. Up until now this has been a routine, technical move with only modest partisan showboating.

**Da Coyote**

July 29th, 2011 at 3:26 pm

:...A higher gas tax is perhaps a simpler way to reduce fuel consumption but is also very regressive:..."

I really get chills when I see the "regressive" or "progressive" tag.

Those high mileage cars will be very expensive, probably measurably more so than a contemporary car of comparable size/performance.

Are we then to subsidize cars to those who are negatively affected?

(Nope, I don't have any answers – but I consider all in government to be there because – quite simply – they cannot hack it anywhere else. Why do we keep trusting folks with law degrees who couldn't make a bulb light?)

**ttiguy**

July 29th, 2011 at 3:37 pm

These cars dont have to be exactly overpriced they will just be underpowered compared to today. Get ready for the return of the 120hp 4 cyl, 180 hp 6 cyl and the 230 hp 8 cyl. Plus, they all will have a battery of some sorts attached to them for efficiency. No more 280 hp camrys, fusions, etc. Think of it as a repeat of sorts of the 70's & 80's.

**aristurtle**

July 29th, 2011 at 3:54 pm

Boeing is building whole passenger airliners out of carbon fiber composites for fuel efficiency. How long before that trickles down to consumer-level automobiles? This isn't like titanium, where the material itself is rare. Carbon is pretty damn common and the fibers aren't particularly difficult to make, the only think keeping carbon fiber expensive are economies of scale, and those are starting to turn around.

I'll bet that before 2025 we start seeing mainstream midsize cars where the only metal is in the powertrain.

**musiccitymafia**

July 29th, 2011 at 8:53 pm

Maybe waste-streams are a small concern ... metals decompose over time (rust) but will carbon-fibers?

**chris724**

July 29th, 2011 at 11:44 pm

aristurtle:

Titanium is not at all rare. It's the 9th most abundant element on earth, compared to Carbon as the 15th most abundant. There is almost 4 times as much Titanium as there is Carbon in the earth's crust. Titanium is hard to work with, but so is Carbon fiber.

**Dr Lemming**

July 29th, 2011 at 3:50 pm

"...I consider all in government to be there because – quite simply – they cannot hack it anywhere else."

Your argument would be stronger if you hadn't included such a broad-brush attack on such a large and diverse group of people. Replace the words "all in government" with "black people" and what do you get?

In addition, your primary beef seems to be with the enviro-advocates expressing concerns about policy regressiveness rather than the administration's proposal per se. If it is indeed riddled with strange loopholes, I'd bet that most of them were cooked up by auto industry lawyers.

**MikeAR**

July 29th, 2011 at 4:40 pm

You have no argument but you're offended so you make a backhanded hint at racism. Very classy and very weak. If that's the best you can do, give up.

**V572625694**

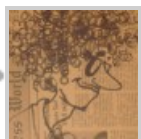
July 29th, 2011 at 3:58 pm

Maybe you'd like to tell this guy he can't hack it anywhere else.

**MikeAR**

July 29th, 2011 at 4:38 pm

He's not in government, he's in the military. There is a difference, especially among those on the tip of the spear. Your lame attempt to be cute failed.

**David Holzman**

July 29th, 2011 at 6:02 pm

@MikeAR

I know some very dedicated and hard working people in government, starting with my sister-in-law, who litigates against illegal aliens and has a very good track record.

**Pch101**

July 29th, 2011 at 11:27 pm

I really get chills when I see the "regressive" or "progressive" tag.

That's because you don't understand what the terms mean.

All taxes are inherently regressive, progressive or flat. A regressive tax impacts those with lower incomes to a greater degree than they affect those with higher incomes. A progressive tax attempts to do the opposite, placing a higher burden on higher income people. A flat tax tries to equalize this across all income levels.

None is inherently better or worse than the other. The label just describes the impact on income brackets, it isn't a value judgment.

Consumption taxes such as gas taxes, which are charged based upon usage, are inherently regressive by definition, because fuel purchases as a percentage of income tend to drop as one earns more money. (It's not as if someone who earns \$1,000,000 per year uses 100 times more fuel than someone who earns \$10,000 per year.) The regressive nature of the fuel tax isn't inherently good, bad or indifferent, just a fact.

**Robert Schwartz**

July 29th, 2011 at 4:04 pm

"White House Releases Fuel Economy Report, Loopholes Still Out Of Site"

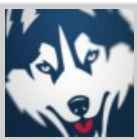
I think you meant "out of sight" as in can not be seen, as opposed to off of location.

**Steven02**

July 29th, 2011 at 4:49 pm

I really don't think these news standards will get customers into SUVs. And if it does, the SUVs will be 50% more efficient than today's cars.

I think that the cost of increasing the fuel efficiency of the vehicles to these levels is going to cost lots of money. People wouldn't buy a 50k Tahoe hybrid, because it cost 50k. 10k more to save gas. Now, I don't know what the cost will be in 14 years to make a Tahoe sized vehicle complaint here, or a full sized truck for that matter. I mean, imagine a vehicle that size getting 30 mpg by today's 2008 EPA standards. Would be pretty cool. I am not sure it will be possible by 2025, at a reasonable cost.

**slance66**

July 29th, 2011 at 5:00 pm

This is simply idiotic pandering to the green lobby. The marginal benefit beyond 30-40 MPG is negligible, and the marginal cost to achieve it is very high. If this standard holds, we will have cars that are terrible to drive and outrageously expensive. The cost-benefit of this change is simply not there.

Why would anyone buy a new car? I'll get a BMW with a real power producing ICE engine and drive it forever. I think we can certainly scale back the power mad cars of today. A Camry/Accord doesn't need 280 HP. But it is somewhat underpowered at 180 HP, and is horribly underpowered at 120 HP. The trend to turbo 4's makes some real sense, and smaller 6's with DI and cylinder deactivation.



djoelt1

July 29th, 2011 at 5:06 pm

Reducing fuel consumed is a worthy goal for many reasons. CAFE is the worst of the two ways currently available to get there. But this avid automobile driver is tired of having the market miss his needs. This proposal will drive automakers to meet my needs. So I'm not complaining about the result, just the process and the ways we all know will exist to circumvent the proposal.

Think of it this way: if tradesman's trucks need to get 35 mpg, maybe car makers will do a zero based design around the 4x8 foot construction material unit, instead of simply upsizing their gargantuan trucks to ever larger sizes. I was in construction and used a 4x8 foot trailer towed behind a Honda Civic as my work "truck". Built in Knaack box (the trunk), 5 person capacity, 2000 lbs towing, and 40+ mpg. But I had to cobble this together from 15 year old pieces. 2000 lb towing capacity is too low for many, but it is adequate for many others. The current vehicles on sale force the person with the sub 2000 lb requirement into a massive truck.

I hope these regs spur new creativity in meeting customers needs. We have a Ford Freestyle that weighs 3900 lbs and gets 27 city, 21 highway. It could be smaller, lower, and weigh 500 lbs less quite easily. So much of the luggage space is taken up by sculpted interior panels, and there is a huge empty volume underneath for the AWD system we don't have. Look at the packaging of the Mini Cooper front end; its remarkably small. 4 cylinders with 7-8 auto tranny's, some carbon fiber (prices are coming down rapidly), better space utilization, and the targets are possible.



Steven02

July 29th, 2011 at 10:16 pm

Funny, the Civic is rated at a 1000lbs towing. Honda doesn't list it (that I can see) on its site, but other sites seem to say 1000lbs. There is also a combined weight issues with 5 people in the vehicle and towing a trailer. A Civic with 4 men in the car isn't going to tow near 2000lbs. There are also smaller trucks and crossovers that can tow 2000lbs easy.

I laugh at the assumption that the Freestyle could lose 500lbs in weight. If it was so simple Ford would do it. If it was so simple, everyone would have a vehicle the size of the Freestyle with 500lbs less weight and getting 35 mpg.

For people who work on farms, the need massive trucks. Hauling hay, animals, feed, dirt, water, you

name it, very heavy. Many trucks are needed. They need to be big, but could probably be a little bit smaller than what they are today.



djoelt1

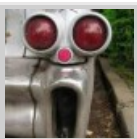
July 30th, 2011 at 12:54 am

It was a 1991 Honda Civic with 90 HP. This car was first sold in 1988. So could a more modern version get equal mileage and carry more? Sure.

The Freestyle could lose the sunroof, have lighter seats with manual controls, eliminate all the structural elements to support the AWD drivetrain, use a regular automatic if it is lighter, get the 200 HP it has out of a smaller 4 cylinder with an aluminum block, make the roof six inches lower (head clearance is huge inside), slightly thinner glass, and you are there. Add hybridization (adds some of the weight back but improves city MPG dramatically) and you could have a 30+ mpg 7 passenger hauler.

What the new standards are going to do is create more specialization in vehicles. You won't see suburbanites driving 7000 lb trucks to 7-11. Trucks will still be available for work purposes, as they should be, but recreational drivers will choose other vehicles.

Regarding another commenter about carbon fiber, the cost of the raw fiber needs to be cut by about 60% before it will be widespread in cars. Oak Ridge National Laboratory – the horrible government agency – is conducting research and sponsoring research projects with your tax dollars to get the cost down.



JustPassinThru

July 29th, 2011 at 5:53 pm

I can't even BEGIN to describe how pleased I am, that industry corporate robber-barons have parked their corporate jets, come to bask in the light of The One, and come to understand the logic of BECAUSE I SAID SO.

I don't know if those standards are achievable. Right now even motorcycles with computer-controlled spark and fuel, barely achieve such figures...with about 500 pounds on two wheels.

I don't know if the industry can do it; I don't know if such cars will even be fit for human use, much less practical to own and drive. I DO know the industry will burn up a lot of cash trying...and the price tag will be out of reach for most people who, by that time will be paying over half their income in taxes for the

borrowed-money party we're having now...

...but for all of that, it will achieve an important goal to this government, if left to stand. It will jam nearly EVERYONE onto those damnable government-mandated choo-choo trains, enduring pickpockets, wilding gangs, body odor and a LOT of wasted time.

Enjoy it. All the persons "coming together" here, either achieved a political aim...or else won't care. Fourteen years from now, not a one of them will be still running their companies. It will be us, the once-customers and consumers, who will be left with the carnage.



musiccitymafia

July 29th, 2011 at 9:03 pm

+1 on the industry burning up piles of cash in "research" to increase fuel efficiency. And a lot of that cash will come from the taxpayer via "special programs" and "CAFE loopholes". We've seen some zoingers in the past.

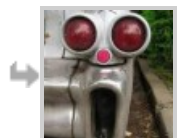


Ron

July 29th, 2011 at 6:50 pm

We must reduce fuel consumption, if for no other reason than so much oil is sourced from unreliable, if not hostile, countries. Reducing demand will not only deprive these nations of their hold over us, it will moderate prices (same supply, lower demand). While higher gasoline prices would do a better job than mandates, the fact of the matter is that higher prices are politically unacceptable.

Automakers have always said they can't meet new fuel economy standards. But guess what — they always do.



JustPassinThru

July 29th, 2011 at 7:30 pm

Couple of question, there, Slick – first, did CAFE I reduce nationwide fuel consumption? No, it did not. What makes you think anything will be different in this go-round? You know, don't you, that only 71 percent of all oil is used in transportation, and only 43 percent of that in automobiles?

What's half of three-quarters? And then of that three-eighths, up the mileage from 30 to fifty mpg. So

you cut five-eighths of three-eighths...and make cars unaffordable; based on technology that doesn't even yet exist and may never.

Second...we have as much or more recoverable oil in America as in the Middle East. It's a political issue because we've allowed it to become so.

Third..."they've always done it before" is irrelevant when discussing the limits of physics. We've learned to split the atom; but controlled fusion still eludes us and may for centuries.

We cannot base public policy and limit private choices in wishful thinking. If we try, it will cost us, and in more than just money.

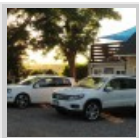


charly

July 31st, 2011 at 1:32 am

And 11% of oil use is for petrochemicals.

ps 43% is gasoline but some automobiles drive on diesel or LPG. There is also asphalt whose main use is to make roads and petroleum coke which is more a waste product than a product.



Wheatridger

July 29th, 2011 at 7:17 pm

I've been in favor of FE standards for a long time, just as I've been driving cars capable of 27+ mpg all my life. But this standard leaves me behind. Looking at the kind of cars that get 50+ MPG — the Prius and what else? — I don't see anything appealing. How much more aerodynamic must these cars be? What will that do to comfort and visibility, which I can't find in today's streamliners? Never mind, I'll be driving some small SUV that gets 30-40 mpg and lets me sit upright, not in a ganstalean.

The other day, while I was discussing said Prius with my wife who wants one for our next car, I pointed out the diminishing returns that are hidden by MPG calculations. Fifty MPG sounds like a LOT more than 30 or 40. Framing it in Euro-style terms of fuel-per-mileage tells a different story. Suppose her present car, a Forester, gets just 20 mpg on the worst traffic-clogged commute. That's five gallons of gas used for 100 miles of travel. To save one gallon, you just need to get 25 mpg ($100/4=25$). Saving the next gallon requires an eight MPG bump, to 33 mpg. The next precious gallon saved means a 50 mpg average, a jump of 17 MPG. Want to do 100 miles on a single only gallon? The math is obvious.

Fuel economy standards wouldn't be necessary if US gas prices weren't so cheap. I'd rather see a gradual

increase in fuel taxes, increasing perhaps \$.25 per year. The increasing gas tax would reflect and offset the now-hidden external costs of our oil economy, and help us with our current fiscal woes. many folks on this site won't be swayed by that argument, so how about this one: let's drop all US FE standards and use a higher price to influence consumer behavior and drive design towards greater efficiency.



JustPassinThru

July 29th, 2011 at 7:41 pm

Sure. Raise the gas taxes, to force people into those hyper-expensive hybrids or onto EPA-certified MOTOR SCOOTERS. Better living through heavy taxation, hey? People who drive cars that don't deliver high mileage aren't all doing it because they get aroused by burning gas; many of them cannot AFFORD \$38,000 Prius and won't be able to if that's their only choice.

Even those who chose an SUV, sometimes for valid reasons...four kids, or a trailer, or work equipment... chose it with the expectation that fuel for it wouldn't require a Home Equity loan. Using taxes, a POLITICAL tool, to suddenly increase the cost of operation won't negate their needs for a large vehicle; won't make them able to suddenly buy a Prius clone, and won't do anything for the value of what they own now.

They'll be hit – HARD. To satisfy shallow-thinking Greenie-Weenies.

You're not taken by the Prius? Too bad...that, the Volt, and other variations on the same theme will be the ONLY choices in a few years. Better buy now, before the line forms.



designdingo

July 29th, 2011 at 8:35 pm

Hard to imagine how these kinds of numbers can be achieved. I get 42 mpg in my diminutive Smart for Two – and that's on a good day. So my featherweight, plastic Smart car would be considered a gas-guzzler in the era of 54 mpg averages?

I've never understood how CAFE can exist and why there isn't more of a public outcry to such a concoction. What other industry would stand for this? We can all understand the need for government setting certain safety/pollution standards, but telling a company that they need to maintain a certain average mpg number, selling to customers that are free to buy whatever they want seems impossible. Imagine the government regulating something equally arbitrary in another industry, say computer screen sizes. Hey Apple Dell, HP: the average screen size all the desktop and laptop computers you sell next year must average 15 inches. Bizarre.

It's clear that the public responds to financial incentives – It was reported that the last run-up in prices a

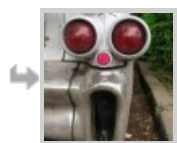
few years ago achieved a greater reduction in consumption than all the previous ham-fisted government attempts. I'm in favor of adding a dollar per gallon tax – phase it in if you have to – and you'll see some great results. (And use the money to fix my roads, please!)



charly

July 31st, 2011 at 1:48 am

Never heard of energy star. Your 15" example is bizarre but computers do need to have a certain efficiency.



JustPassinThru

July 31st, 2011 at 11:45 am

"Hard to imagine how these kinds of numbers can be achieved. I get 42 mpg in my diminutive Smart for Two – and that's on a good day. So my featherweight, plastic Smart car would be considered a gas-guzzler in the era of 54 mpg averages?"

Your (so-called) SMART car is small but anything but featherweight. All the crash protection and equipment raise the weight to about 3000 lbs – about the same weight as my Yaris, with a lot less room.

That's the rub. Standards require equipment, which add weight. I had had a Geo Metro (rebranded Suzuki Swift, for you non-Americans) which weighed about 1700 lbs. Got almost fifty miles a gallon out of it; and it was, really, a hoot to drive. You didn't drive it, you WORE it, like a jetpack. And with the manual gearbox, it would move...not like a performance car, but better than most small cars.

The Geo is not sold in this country any longer because it does not and cannot be made to meet post-2000 safety standards. And no car using today's technology can be made to be as light as that one was.



charly

July 31st, 2011 at 12:21 pm

The smart is design to be small, not efficient. If it would be lower but longer than it would have much less wind resistance.

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