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Fuel Efficiency Slows as SUV Sales Rise

By Joseph B. White

U.S. auto makers engineered big gains in fuel efficiency during the past decade, but the pace is slowing as consumers snap up more pickup trucks and sport-utility vehicles.

The U.S. Environmental Protection Agency on Wednesday estimated fuel efficiency of 2014 vehicles would rise just one-tenth of a mile per gallon from 2013, a sharp slowdown from the half mile a gallon increase the agency calculated between 2012 and 2013. The EPA said cars and light trucks produced in 2013 averaged 24.1 mpg, a record since the government began keeping tally in 1975.

EPA officials said they believe final 2014 numbers would beat the official outlook. But even before the report's release, auto makers and dealers were expressing skepticism that consumers would shell out for high-tech, lighter weight cars and trucks that can achieve the administration's goal of a fleet that averages 54.5 mpg by 2025.

Mazda Motor Corp. placed first with a 2013 model-year adjusted average fuel economy of 28.1 mpg for its vehicles, the EPA said. In last place was Fiat Chrysler Automobiles NV, with a 20.9 mpg average for its 2013 model output. Nissan Motor Co. was most improved, with a 2.1 mpg gain in 2013 compared to the prior model year, while General Motors Co. nudged its average 0.3 mpg higher to 22 mpg. Ford Motor Co.'s average for 2013 dropped 0.6 mpg to 22.2 mpg as it boosted production of trucks and SUVs, the EPA said.

With just two years before the government must review whether the 54.5 mpg target is achievable, auto makers, regulators and advocates of stronger action to combat climate change are laying the groundwork for a battle over whether other measures, such as higher gasoline taxes, are necessary to hit the Obama administration's signature climate policy goal.

The success of the government fuel economy program "is not predicated on what we produce, but on what consumers choose to buy, especially with today's lower gas prices," the Alliance for Automobile Manufacturers, the auto industry's main trade group, said in a statement. The National Automobile Dealers Association also urged a relaxation, calling the EPA's targets "overly ambitious given moderating and falling fuel prices."

Still, the 2014 outlook drew criticism from advocates of stronger action to curb greenhouse gas emissions. "Auto makers should be embarrassed to put in such an appalling flatline performance" as projected, said Dan Becker of the Safe Climate Campaign, a group that fights global warming.

EPA Administrator Gina McCarthy cited an August NADA survey that showed fuel economy is the No. 1 priority among car shoppers, and expressed confidence the industry would hit the government targets.

However, as gas prices have stabilized, consumers have shifted back to trucks and SUVs, and manufacturers are revving up horsepower for 2014 models to “a record high,” Wednesday’s EPA report said.

It said the share of trucks and larger SUVs in its 2013 survey gained one percentage point to 37% of all vehicles. The EPA projects that the share of trucks and SUVs in this year’s fleet will rise another two percentage points to 39%. The increase comes even as the agency reclassified small and midsize two-wheel drive SUVs as cars from trucks.

Today’s SUVs aren’t the same gas guzzlers that Detroit relied on for profits 15 years ago. The average fuel efficiency of SUVs based on car chassis, such as Ford’s Escape, has improved by 23% since 2004, and large SUVs that ride on pickup truck frames, such as the Chevrolet Tahoe, have improved mileage by 27% in the same time.



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Still, a front-wheel drive Escape compact SUV has a combined fuel economy rating of 25 mpg, compared with 31 mpg for a Ford Focus compact car with a similar engine and many of the same components. Ford has an incentive to sell Escapes, because consumers will pay between \$1,000 and \$1,500 more for the SUV, company executives said in June.

Car makers have new vehicles coming during the next several years that will make extensive use of lightweight materials and more fuel-saving engine technology. But executives say they’re worried consumers expect these improvements at no charge.

“How are we going to close the cost gap between what our stuff costs and what the consumers would like to pay,” said Bob Lee, Chrysler Group LLC’s head of powertrain and electrified propulsion engineering.

The push to double the fuel efficiency of cars and light trucks between 2012 and 2025 is a cornerstone of President Obama’s drive to slash U.S. greenhouse gas emissions.

Mr. Obama cited the need for highly fuel-efficient vehicles as a central rationale for the \$80 billion spent on GM and Chrysler bailouts. The U.S. added billions more to promote production of electric cars and batteries. Total plug-in vehicle sales so far this year are less than 0.1% of the total vehicles sold in the U.S., despite generous government incentives.

The administration's 54.5 mpg target for 2025, and a 2016 target of 35.5 mpg, come with important caveats. One is that real world mileage is 20% lower than the EPA's target. The 24.1 mpg average that the EPA announced for the 2013 model year is an adjusted number that can't be compared with the 2025 target. The comparable figure for 2013 is the unadjusted score of 30.5 mpg—which is still well below both the 2016 and 2025 goals.

Auto makers don't have to hit the mandated targets just by improving mileage. They can get extra credits for installing greener air conditioners, or selling electric cars and vehicles that run on hydrogen. EPA Administrator McCarthy and Chris Grundle, head of the agency's vehicle emissions program, said they're confident the industry would bring technology to bear to hit the goals.

"This is a multiyear game," Mr. Grundle said.

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