

Asilomar 2009

The Role of Transportation in Climate Strategies and Policies

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July 29, 2009

The Political Moment: A New Beginning



- Energy security and environmental policies have converged at the center of the national political agenda.
- Global climate change solutions will not be found without strong, bold U.S. leadership.
- The Obama administration has led the way, bringing stakeholders together in a constructive and open dialogue.
- As a stakeholder in the process, the auto industry is at the leading edge of our national transition to a low-carbon economy.

The Role of Technology Policies in Climate Mitigation

- *Technological development is inherently unpredictable.*
 - The best policies encourage a range of technologies to develop and enter the market.
- *Technologies are only useful if consumers choose to buy them.*
 - Carbon pricing and tax incentives can provide market pull for new technologies
 - Promoting cheap energy prices discourages low-carbon alternatives.
- *Lack of market adoption is not always a “market failure.”*
 - The market should be allowed to weigh cost, quality, reliability, and risk.



The New Obama National Standard

// In the past, an agreement such as this would have been considered impossible...That is why this announcement is so important, for it represents not only a change in policy in Washington, but the harbinger of a change in the way business is done in Washington. //

- President Obama, May 19, 2009



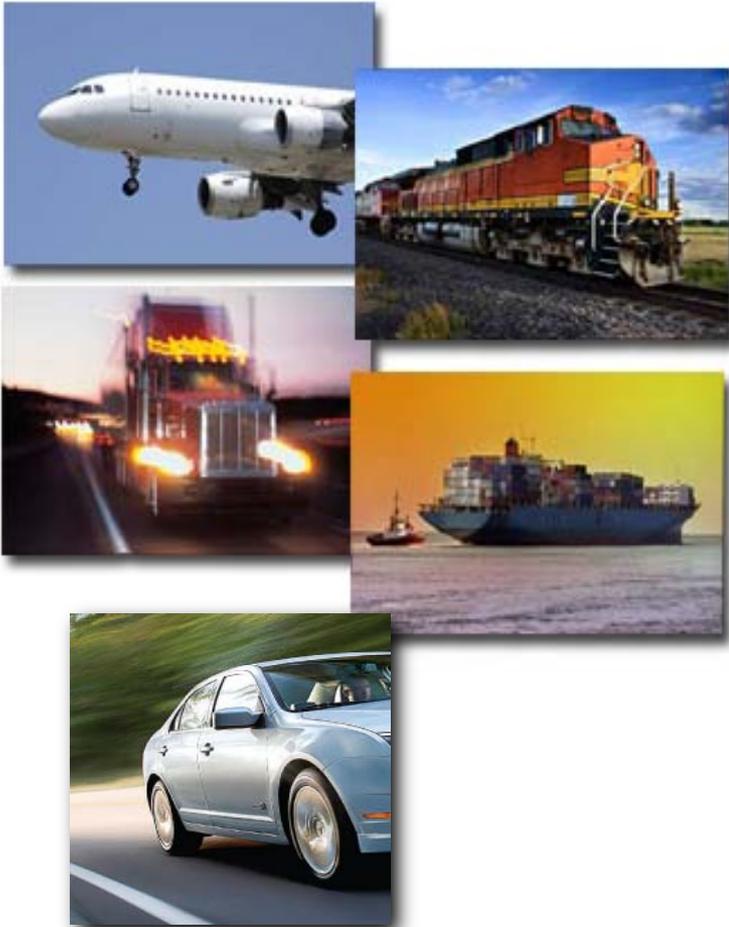
On Climate Change, the Alliance supports an economy-wide approach that achieves emissions reductions at the lowest cost with the least economic disruption.

- Require equitable CO₂ reductions across all sectors of the economy.
- Be technologically and economically feasible.
- Utilize market-based measures to the greatest extent possible.
- Incentivize rapid deployment of advanced technologies.
- Delineate appropriate roles for federal, state and local government.
- Current legislative efforts in the U.S. Congress reflect many of these principles.



Photo taken by Dave McCurdy on National Geographic Arctic Expedition.

Government and key stakeholders need an open discussion of our common goals and the multiple possible pathways for achieving them.



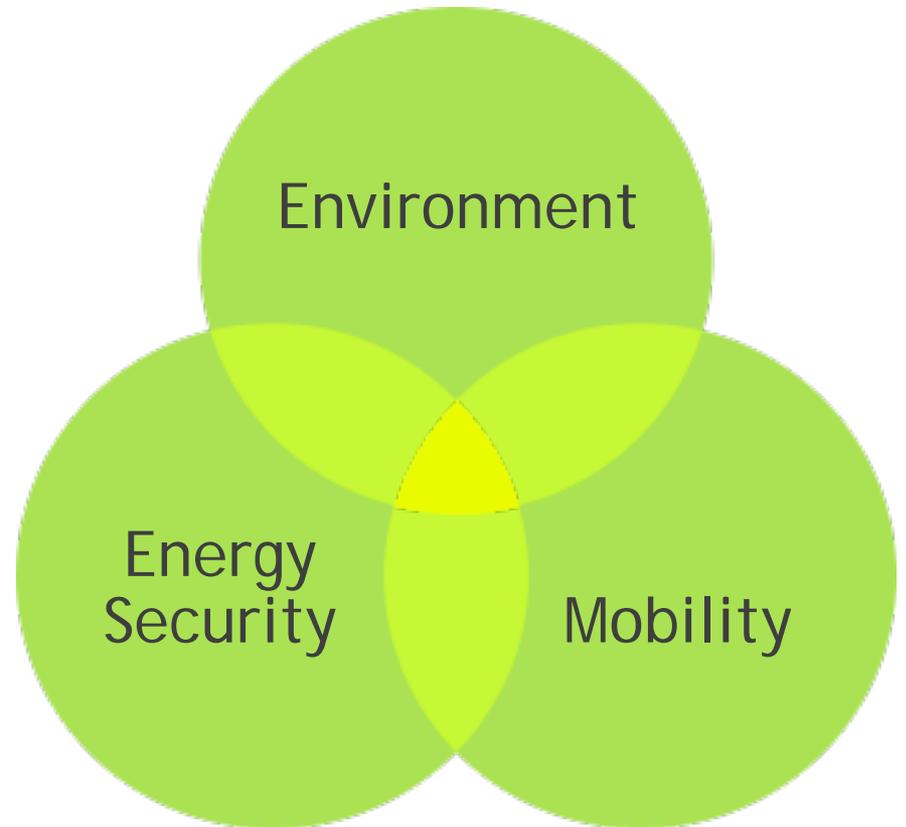
We all share the goals of energy security and environmental protection.

- There are multiple pathways to achieving these goals, including contributions by many stakeholders, including automakers.
- There is no “silver bullet” vehicle technology that will completely deliver sustainable mobility.
- “Emission-free” miles are part of a powerful long-term vision.
- We need balance between long-term visions and the important contributions of incremental progress.

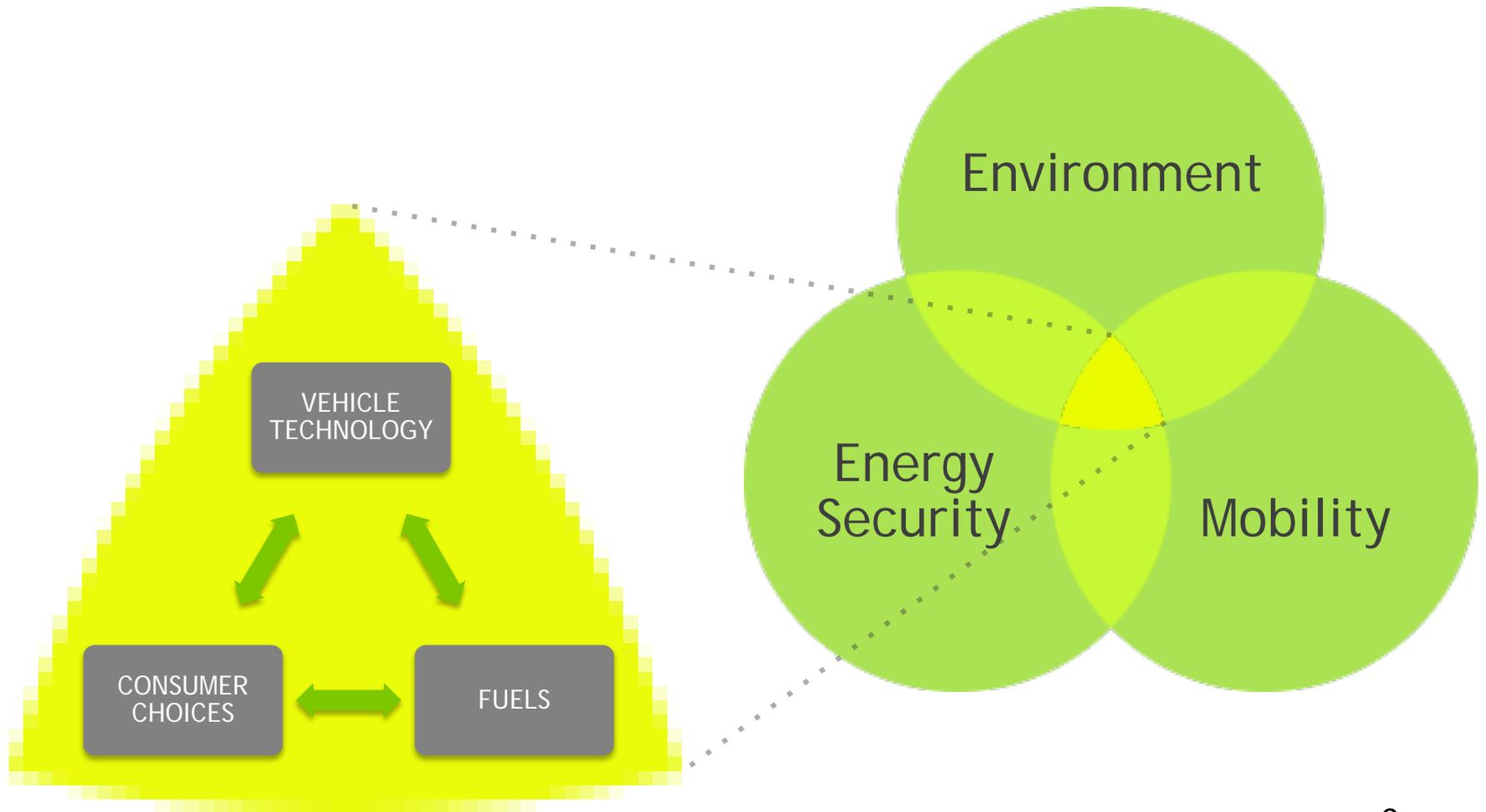
SUSTAINABLE MOBILITY

Meeting the Challenge of Sustainable Mobility

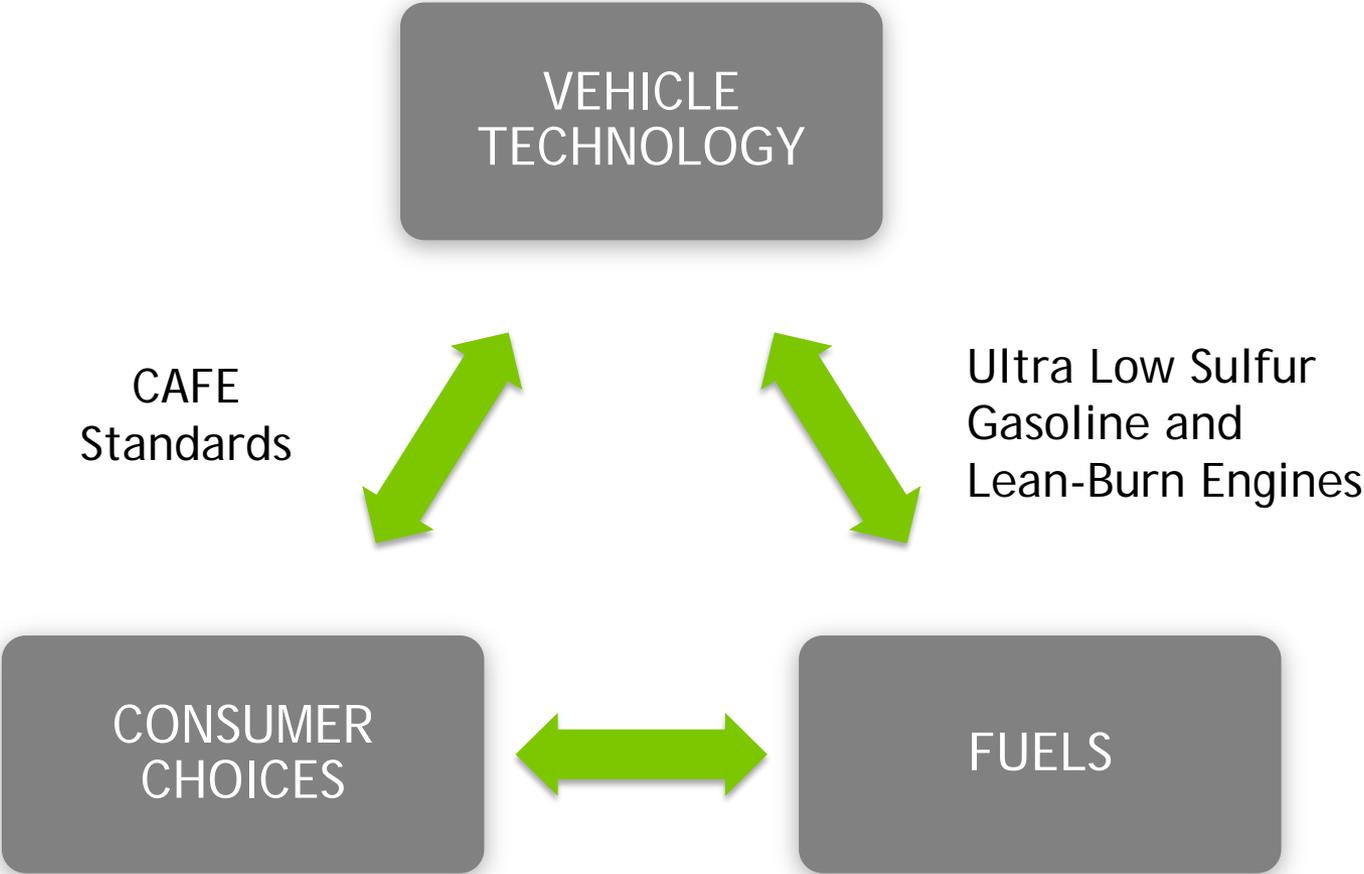
- Address climate change and local pollution impacts.
- Reduce reliance on foreign energy imports.
- Enable safe, efficient transport of people and goods.



The Solution Set for achieving Sustainable Mobility



Policies to promote sustainable mobility need to address three distinct but inter-related dimensions:

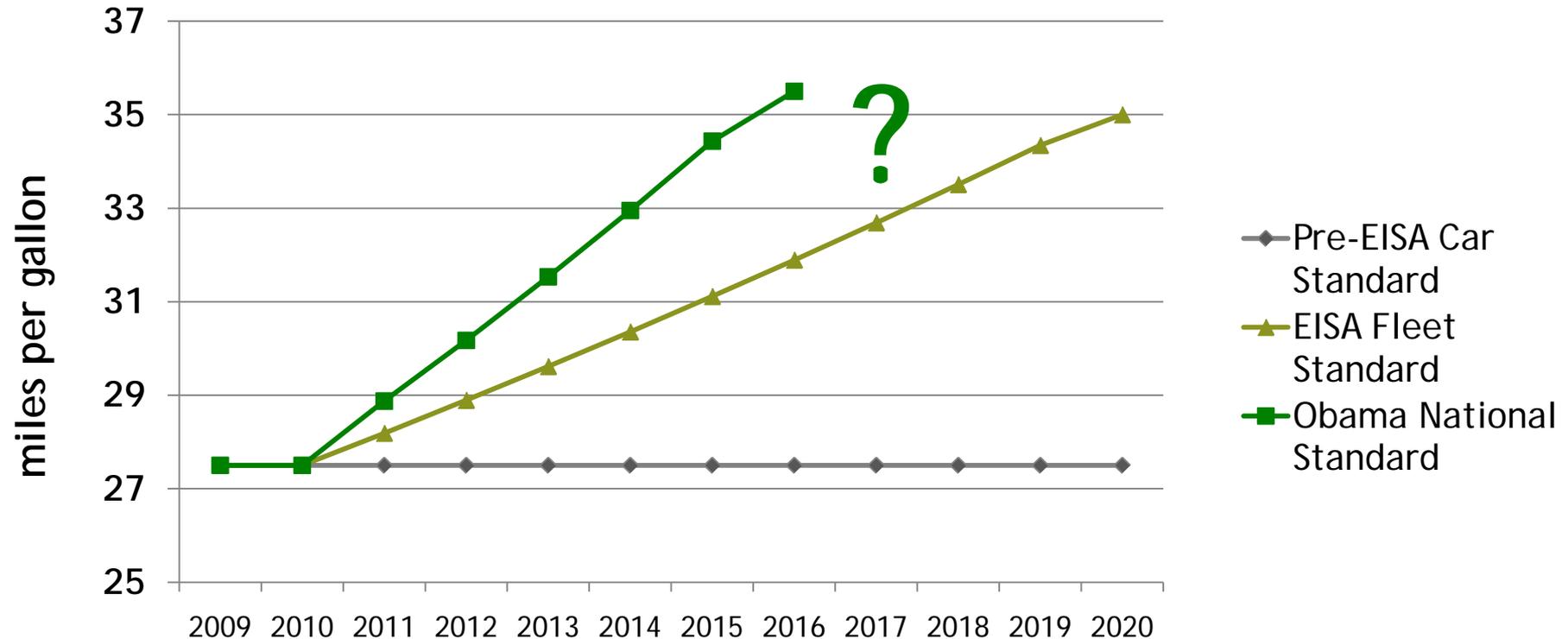


Access to Clean Fuels Infrastructure

VEHICLE TECHNOLOGY

The Obama National Standard will require ambitious technology strategies.

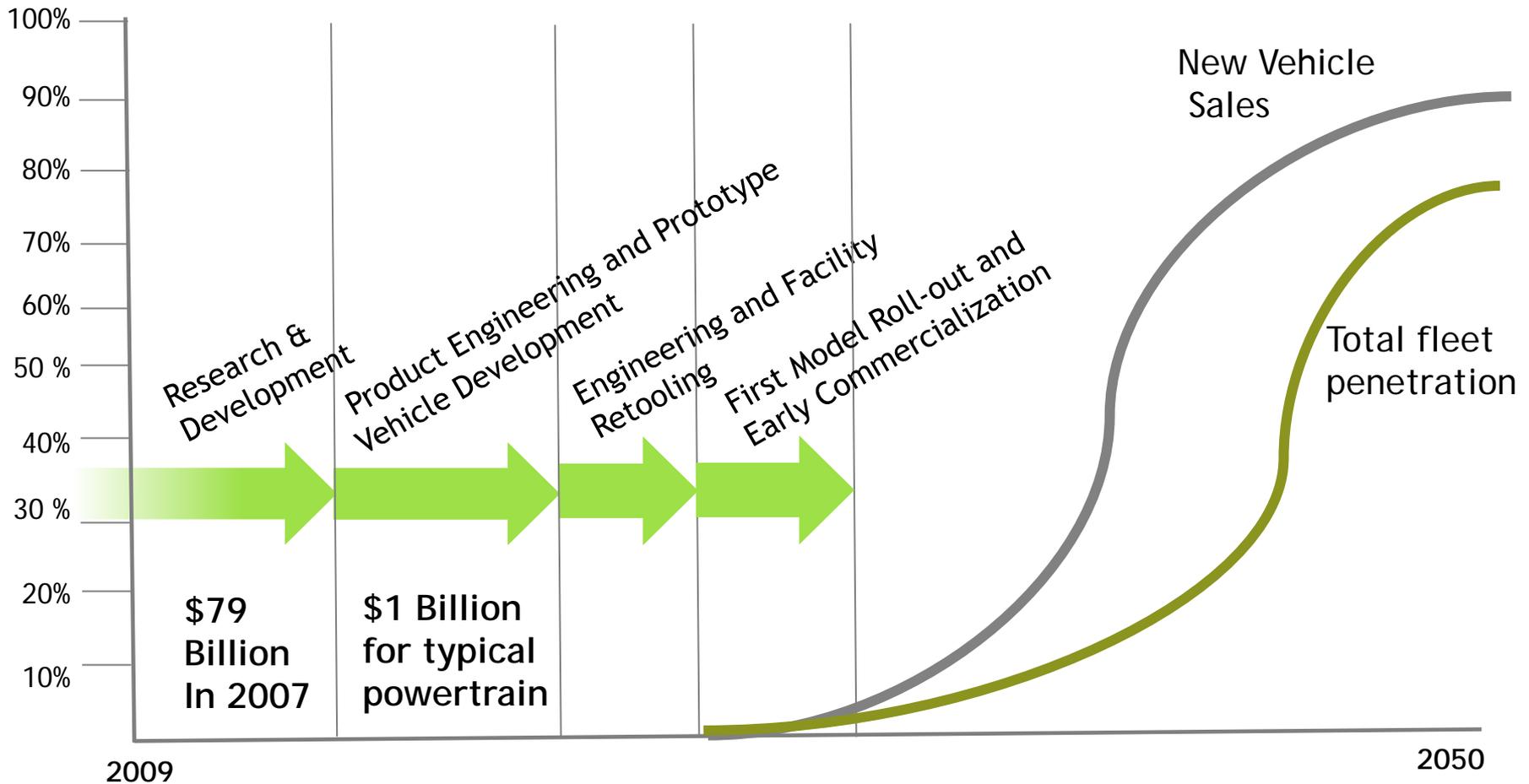
CAFE Standards



- Reducing oil consumption by **1.8 billion** barrels.
- Lowering GHG emissions by over **900 million** metric tons.

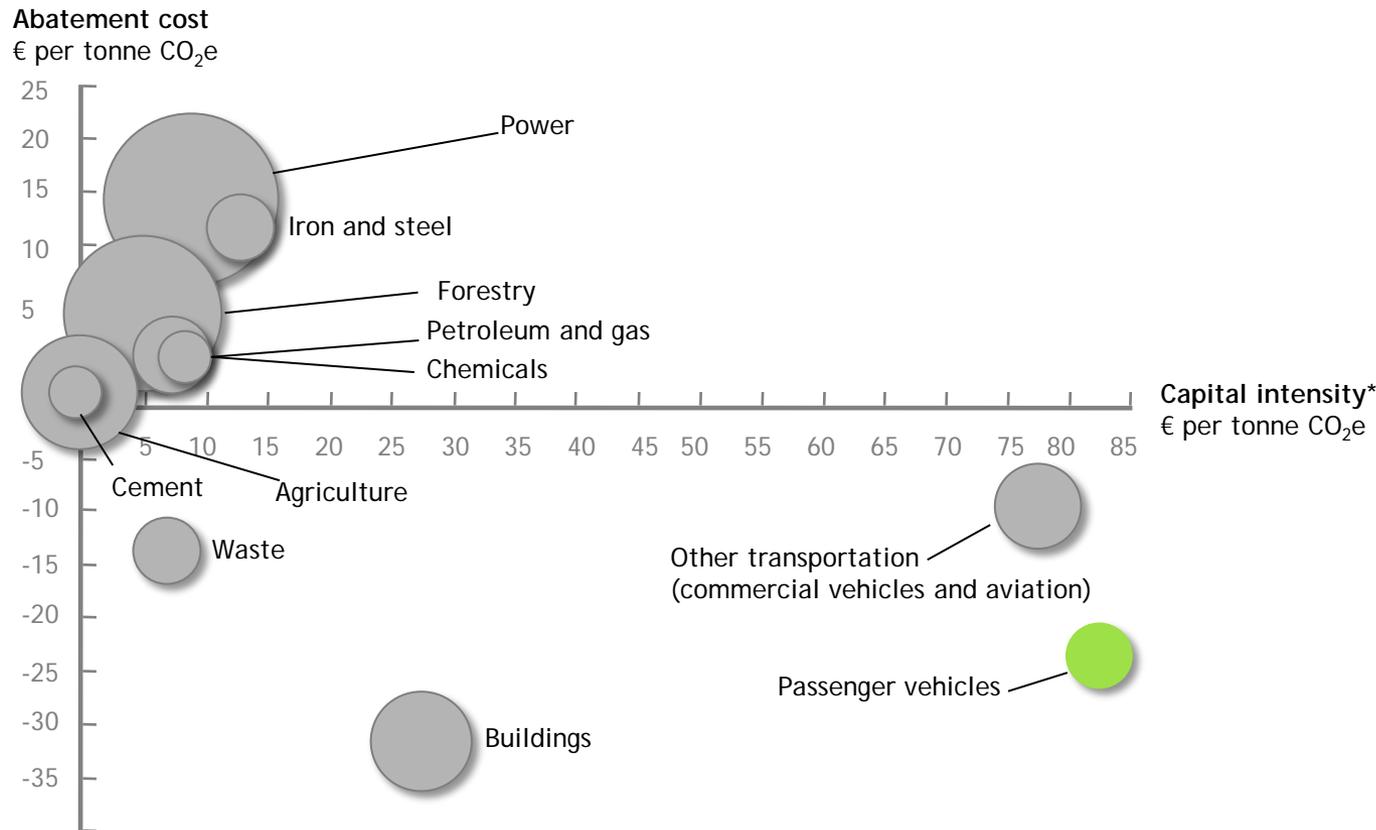
Reinventing the Automobile requires lead-time and investment:

Today's vehicles are the highest quality, most sophisticated pieces of consumer technology available.



Political Choice or Market Selection?

Capital intensity of abatement by economic sector—2030



Size of bubble indicates abatement potential in sector

*The additional upfront capital investment compared to the baseline case divided by the total amount of emissions avoided during the lifetime of the investment. For measures where upfront investments decrease over time with a learning rate, the weighted average investment over time has been used.

Source: McKinsey Global GHG Abatement Cost Curve V2.0

Carbon abatement is 10 times as capital intensive for passenger vehicles as it is for other options.

FUELS

The Alliance supports greater consumer access to clean, low-carbon fuels.

National and state policies should :

- Promote appropriate blending of ethanol into the gasoline and diesel pool.
- Accelerate the development of advanced biofuels.
- Promote the generation of electricity and hydrogen from renewable sources.

Going forward, an adequate clean fuels infrastructure will be critical for consumer acceptance of alternative fuel vehicles.



Alliance National Clean Gasoline (NCG) Proposal

The Alliance-designed standard would:

- Cap gasoline sulfur content at 10 ppm.
- Promote a national standard to eventually replace boutique gasoline blends.
- Help bring fuel-efficient, lean-burn gasoline engines to market.
- Significantly reduce ozone-related emissions, both evaporative and exhaust.*

(Alliance commissioned study conducted by Air Improvement Resource, Inc.)



*Image of Lean
Burn
Combustion,
courtesy of
Sandia
National
Laboratories*

CONSUMER ENGAGEMENT



Automakers are profoundly linked to consumers.

The challenge is achieving consumer acceptance while delivering public policy goods.

Consumer choice affects:

- VMT
- Vehicle fleet composition
- Eco-driving
- Use of public transport/car pooling
- Rate of adoption of technology

- One hybrid product took nearly 11 years to go from commercial introduction to selling its one millionth unit worldwide.

Government policy to send consumers appropriate price signals would address all of these factors.

Challenge: Getting our Energy and Climate Policy in Alignment with our Goals.

Our national energy policy as it pertains to fuel economy sends consumers conflicting and contradictory market signals:

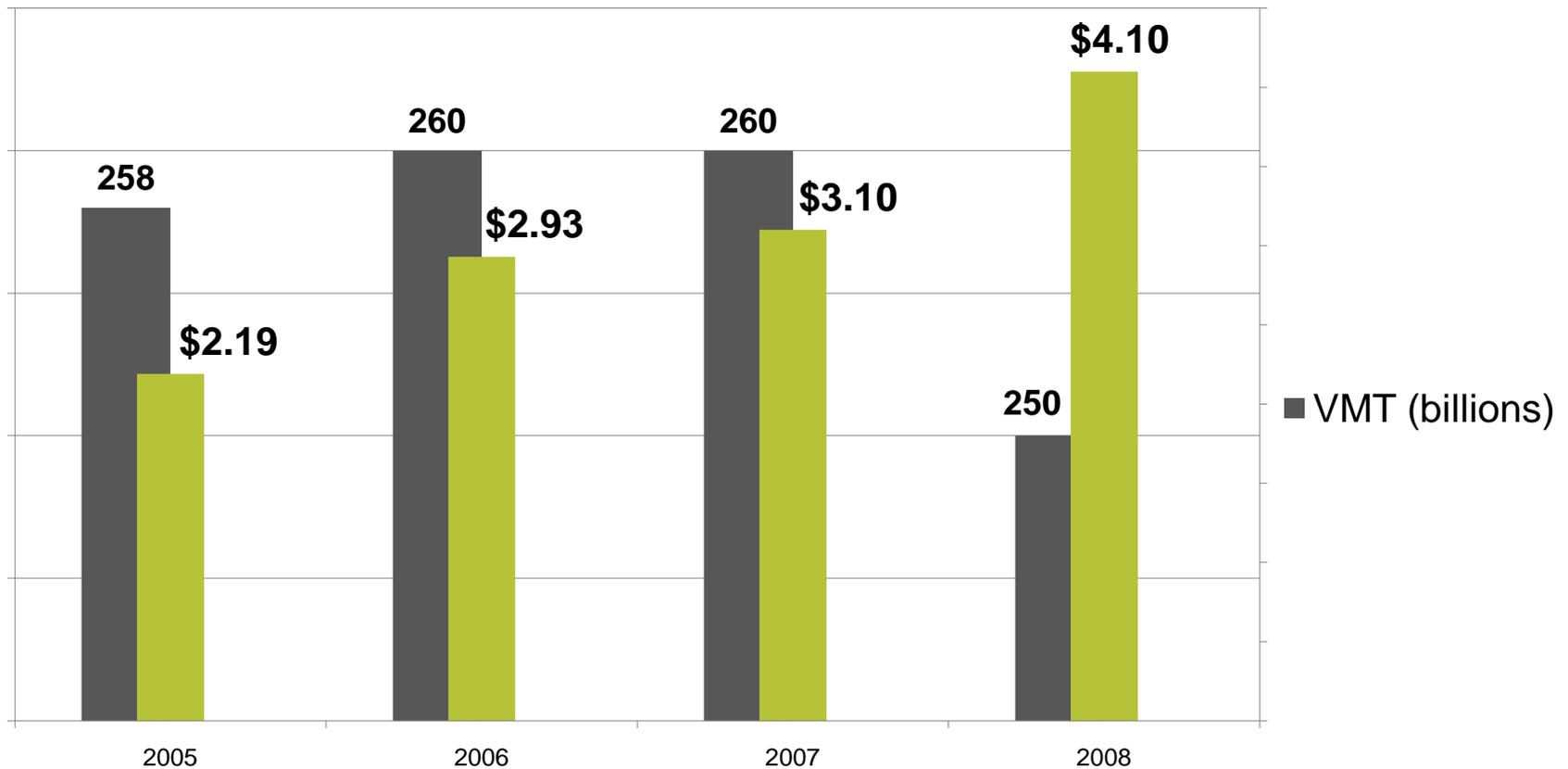
- Automakers are mandated to manufacture more fuel-efficient vehicles
- While at the same time, government promotes a policy of “cheap gas” thereby undermining the demand for these more efficient vehicles.
- EPA estimates the Waxman-Markey climate bill would result in very small increases in gas prices (\$0.13 in 2020, \$0.69 in 2050)*

We need sound public policy to send consumers consistent market signals promoting fuel efficiency and greenhouse gas emissions reductions.



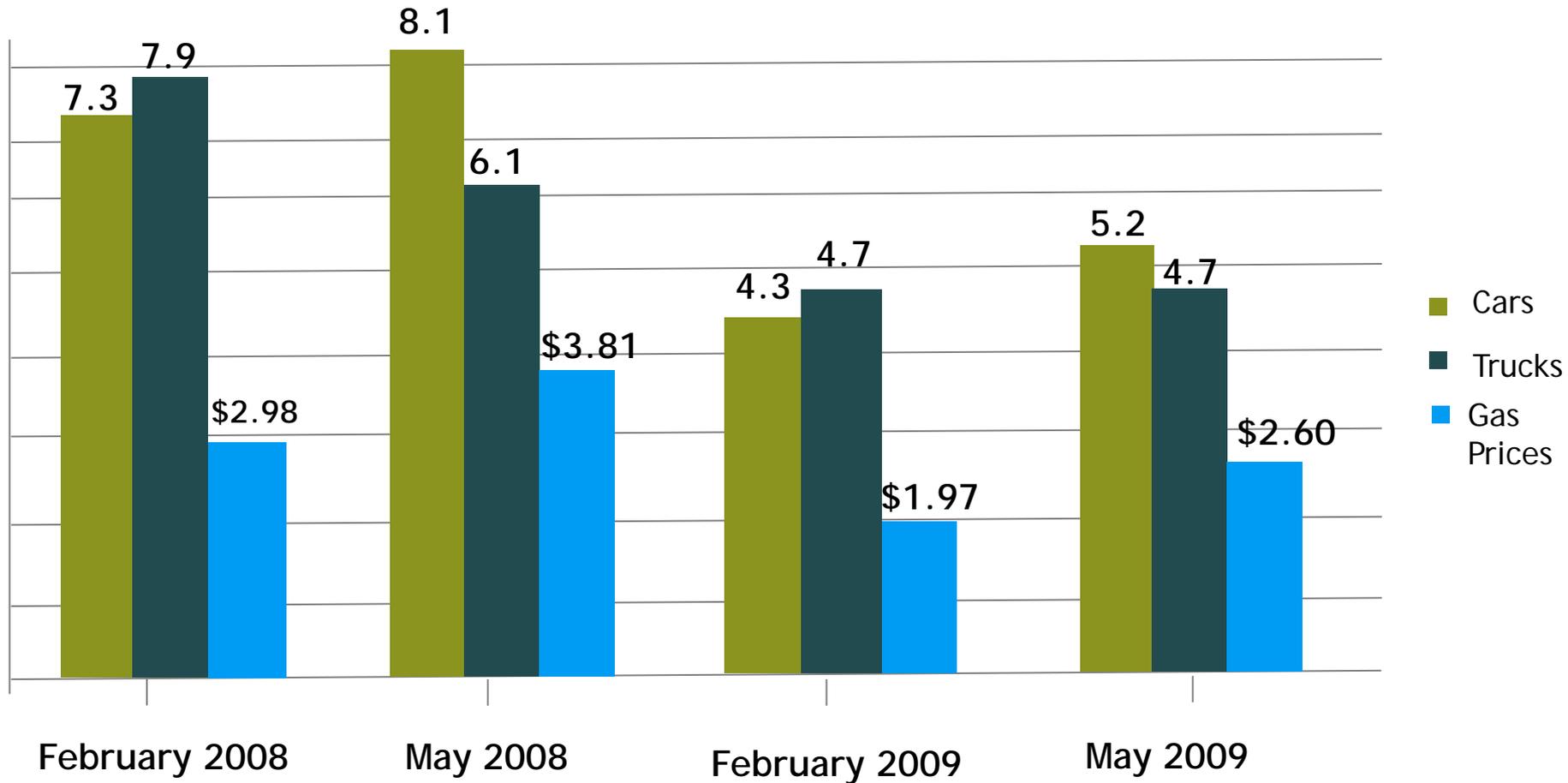
Gasoline Prices Surged in Summer '08, and Consumers Responded, revealing fuel price elasticity

National Vehicle Miles Traveled vs. Gasoline Prices



Monthly total VMT for June of each year.

Consumers Respond to Price Signals in Vehicle Purchasing Decisions



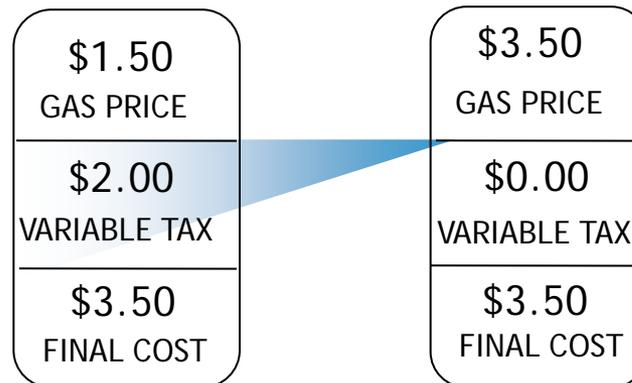
Light-duty Vehicle Sales, Seasonally Adjusted Annual Rate (SAAR) in Millions of Units Sold vs. National Average Gas Prices

Policy Option: Gas Price Floor

A variable oil security charge sends a steady price signal to consumers, encouraging sales of fuel-efficient autos.

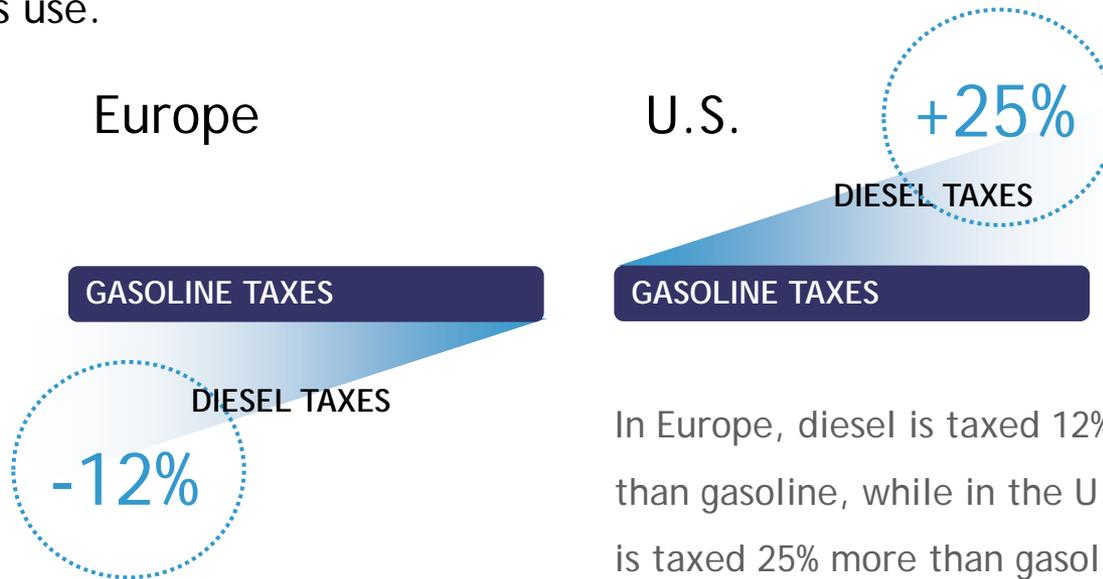
For a price floor of \$3.50 per gallon on gasoline:

- The government would impose a variable tax to bring the price up to \$3.50.
- If the price goes above \$3.50, the tax disappears.



Market Signals Work: Diesel Pricing in Europe

- European tax policies have encouraged diesel fuel over gasoline since the 1940's.
- Diesel vehicles are 20 to 40 percent more efficient than conventional gasoline vehicles.
- The U.S. taxes diesel more than gasoline, discouraging its use.



In Europe, diesel is taxed 12% less than gasoline, while in the U.S. diesel is taxed 25% more than gasoline.

E.U. vs. U.S. Diesel Market share

Fuel-Efficient
Clean Diesel in Europe

50%

Fuel-Efficient
Clean Diesel in the U.S.

<3%

Government and industry need to continue to define the framework for sustainable solutions through open and constructive discussions.

Our common dialogue should:

- Recognize that we need a strong, competitive auto industry to continue to deliver innovative technologies.
- Seek opportunities to empower drivers as responsible participants in achieving sustainable mobility.
- Embrace public policies that promote a diverse range of technologies through price signals and consumer incentives.
- Support strong national leadership with input from all stakeholders, and a program that provides consistency, flexibility, certainty, and adequate lead time for the industry.



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