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**Before the Subcommittee on Energy  
Committee on Energy and Natural Resources  
United States Senate**

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Mr. Chairman and members of the subcommittee, thank you for inviting me to testify before you today on the subject of alternative fuels. Automakers are committed to developing new, advanced technology vehicles capable of efficiently using energy and running on alternative fuels. Doing so will help America reduce petroleum consumption, greenhouse gases and our dependence on foreign oil.

We believe that the extraordinary task now before the transportation sector is to reduce the use of petroleum-based fuels. To do that requires maximizing the energy efficiency of vehicles, substantial production of alternative fuel vehicles and a market that has a sufficient amount of alternative fuels.

To make this happen will require unprecedented efforts from all stakeholders. Broad based policies addressing the production, distribution and consumer use of alternatives to petroleum need to be explored. To be successful, the goal of reducing petroleum consumption must be viewed as a shared responsibility.

We are committed to maximizing the efficient use of energy in our vehicles. Efforts such as the development of new powertrains and reducing vehicle weight, aerodynamic drag and various loads and losses, have led to an average improvement in vehicle fuel efficiency of 1-1.5 percent year-over-year during the past 30 years.

In the past, consumers have demanded that we allocate these gains in efficiency to improve vehicle performance and safety. The market has changed, and customers are now calling for the efficiency gains to be applied to improving fuel economy. Work currently under way in the Senate, House and Administration will result in a program that will ensure our technical performance. We estimate that this work will result in offsetting more than 5 billion gallons of petroleum per year within about 10 years.

As we discuss the challenge of reducing petroleum use in transportation with the Congress and the Administration, the target of a 20-30 percent reduction in petroleum use is relatively common. Using government projections of fuel use by 2017, the target in petroleum terms calculates to about 35-45 billion gallons. Chrysler, General Motors and Ford have promised that 50 percent of our respective vehicle fleets will be capable of using alternative fuels such as ethanol and biodiesel by 2012. This is critical. Our calculations show that the vehicles resulting from our commitment would use all and more of that alternative fuel, if it were available and affordable.

The evidence that automakers are doing their part is already on the road. There are currently more than 5 million flex fuel vehicles on U.S. roads. DaimlerChrysler has produced more than 1.5 million vehicles capable of running on E85—more than 10 percent of our total production over the past nine years.

While getting to the goal of significant reductions in petroleum consumption is inherently complex, the message is more direct: If all gasoline was blended with E10 (10 percent ethanol), all diesel fuel replaced with a B20 blend (20 percent biodiesel) and all flex-fuel vehicles capable of using E85 did so, petroleum use would drop by about 30-35 billion gallons. While achieving all of these goals may not be easy, they illustrate the importance of alternative fuels, and the resulting reductions in petroleum use in the transportation sector.

But the question remains...where is the alternative fuel? We believe that customers want to use and will embrace alternative fuels if the impediments to their use are eliminated. Today, those impediments are primarily price and availability. Simply stated, the price at the pump for renewable fuels must be less than conventional gasoline or diesel, on an energy equivalent basis, or consumers will not buy it.

Consider the internet, cell phones and iPods. These products rapidly overcame cost and distribution issues because of unprecedented consumer demand for products that do more and cost less.

All stakeholders must commit to accomplishing this task. In the short term, we will need to rely on incentives to “prime the pump” for alternative fuel producers and distributors. In the long term, as technologies such as cellulosic ethanol and biomass-to-liquid become viable, we believe that the market will resolve how to make alternative fuels price competitive on an energy equivalent basis. If alternative fuels are priced competitively or better, the retail distribution system will rush to answer consumer demand.

Automakers, specifically Chrysler, will continue to do our part to maximize the energy efficiency of our products and produce large volumes of vehicles capable of using alternative fuels. Congress could assist by assuring that adequate research is properly funded; which would result in properly priced fuel at the pump.

In conclusion, automobile manufacturers commit to the continued development and commercialization of vehicle technologies that maximize the efficient use of energy and give consumers the option of using alternative fuels. All of us need to focus on alternative fuel technology development, availability and price at the pump. Short term incentives, coupled with free market forces, will result in the long-term success of alternative fuels and the successful achievement of the nation’s energy goals.

Thank you.