STATEMENT

OF

THE ALLIANCE OF AUTOMOBILE MANUFACTURERS

BEFORE THE:

COMMITTEE ON ENERGY AND NATURAL RESOURCES

U.S. SENATE

JUNE 9, 2011

PRESENTED BY:

Mr. Shane Karr
Vice President, Federal Government Affairs

Thank you, Chairman Bingaman, Ranking Member Murkowski and members of the Committee. My name is Shane Karr and I am Vice President for Federal Government Affairs at the Alliance of Automobile Manufacturers (Alliance). The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars, Toyota Motors, Volkswagen Group and Volvo Cars. Together, Alliance members account for nearly 75% of annual motor vehicle sales in the U.S. Auto manufacturing is a cornerstone of the U.S. economy, supporting 8 million private-sector jobs, $500 billion in annual compensation, and $70 billion in personal income tax revenues. On behalf of the Alliance, I appreciate the opportunity to offer our views on the role advanced technology and alternative fuel vehicles can play in helping address our nation's energy security and environmental concerns.

This hearing comes at a pivotal time – more and more Americans are now feeling pain at the pump. With gasoline prices exceeding four dollars per gallon in many cities across the country, this hearing provides a forum to highlight critical steps our nation can take to break its dependence on foreign oil. And automakers stand ready to help.

Automakers are fully engaged in the development of vehicles and advanced technologies to improve fuel efficiency and reduce emissions, including greenhouse gas emissions. We have demonstrated this commitment through our support of aggressive fuel economy and GHG emissions standards for 2012-2016 model year (MY) light-duty vehicles. These standards will result in a 40% increase in fuel economy, saving 1.8 billion barrels of oil over the lifetime of the vehicles. Today, consumers have more than 160 models that get over 30 miles per gallon – and we are working on a variety of additional technologies that will also dramatically reduce gasoline consumption. However, there is no silver bullet or single technology that will solve the challenges of achieving energy independence and reducing greenhouse gas emissions.

We commend Senators Wyden and Stabenow for crafting legislation that promotes a broad universe of alternative fuel vehicles and refueling infrastructure to support them. While the future vehicle fleet is likely to include many advanced technology vehicles that are being developed and introduced today, we must expect – and accept – that some will not succeed. The Alliance appreciates the expansion of the definition of alternative fuel vehicles in Section 2 to encompass electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), compressed natural gas (CNG) and hydrogen. Automakers believe that effective energy policy must be based on broad, market-oriented principles with all regions participating, not just a select few. The market should be allowed to weigh variables like cost, quality, reliability, and risk. S. 1001 supports this sound policy directive by refraining from picking technology winners and losers. Ultimately, consumers will decide which transportation solutions work best for them.

Introducing any new model vehicle is a capital intensive process. Automakers and suppliers must make substantial investments at the front end on research, design, development, testing and certification before a vehicle enters production. New technologies carry significantly higher costs, at least initially, as they are developed and refined for use on the various types of vehicles needed by American consumers. For example, the government estimates that complying with the 2012-2016 fuel economy standards will require an upfront investment of more than $50 billion. The Alliance supports Section 102's expansion of the Advanced Vehicle Technology Manufacturing Incentive Program, which will help manufacturers and suppliers – large and small – obtain access to the capital needed to help accelerate the production and deployment of these advanced technologies. Extending the existing authorization from 2012 to 2016 will provide the Department of Energy (DOE) a sufficient amount of time to review and issue loans for deserving projects.

Automakers support the efforts in Section 101 to expand DOE's existing Section 1703 loan guarantee program to include alternative fuel production and distribution infrastructure. As I mentioned, Alliance members are investing in diverse vehicle technologies and fuels. These investments will rely on expanding the existing infrastructure or, in the case of hydrogen and CNG, creating a new refueling infrastructure. Also of critical importance are efforts to provide state and local governments technical assistance to help with the deployment of these vehicles

and infrastructure. Section 104 provides an effective means to provide such assistance and would encourage public-private partnerships with governments to work on these efforts.

Additionally, the Alliance supports Section 105, which would provide grants for programs to train workers in various aspects of design, manufacture, maintenance and installation of alternative fuel vehicles and refueling infrastructure. Automakers have also begun working with first responders to develop training programs to respond to accidents involving advanced technology vehicles, particularly as it relates to EVs and CNGs. The Alliance recommends that first responder programs be eligible for Section 105 funds.

Finally, the Alliance supports efforts in Section 107 to identify and eliminate barriers to alternative fuel deployment in existing distribution systems, and we recommend hydrogen be included as well. Hydrogen is viable fuel that automakers believe offers the opportunity to achieve long-term and widespread oil and greenhouse gas emission reductions. Hydrogen infrastructure has been successfully built and operated, including delivery via pipeline. Economic modeling has demonstrated that efficient, central hydrogen reforming with regional and local distribution by pipelines can offer economic advantages over other hydrogen delivery methods. Its inclusion in Section 107 will provide industry with the opportunity and resources to continue to make these investments in the public's interest and in support of Federal and State policies.

Automakers support enhancing energy security, promoting fuel diversity, and increasing fuel efficiency through accelerating the availability of advanced technology and alternative fuel vehicles in the market. These diverse technologies and fuels will help our nation address the concerns about U.S. gasoline consumption and oil imports. We commend Senators Wyden and Stabenow for their leadership in promoting a technology neutral approach in S. 1001. The Alliance looks forward to working with them and the Committee on further improvements that can be made to accelerate the deployment of these vehicles and the related infrastructure. Thank you for the opportunity to offer our views on S. 1001 and I will be happy to answer any questions.

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