STATEMENT

OF

THE ALLIANCE OF AUTOMOBILE MANUFACTURERS

BEFORE THE:

U.S. SENATE COMMITTEE ON
ENERGY AND NATURAL RESOURCES

SEPTEMBER 23, 2008

PRESENTED BY:

The Honorable Dave McCurdy
President and CEO

Mr. Chairman,

Good morning, my name is Dave McCurdy and I am the President and CEO of the Alliance of Automobile Manufacturers (Alliance). The Alliance is a trade association made up of ten car and light truck manufacturers including BMW Group, Chrysler LLC, Ford Motor Company, General Motors, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota and Volkswagen. On behalf of the member companies of the Alliance I would like to thank you for giving me an opportunity to talk with you about the role clean diesel will play in reinventing the automobile. The principle challenge will be removing both the fuel and technology cost barriers that currently exist.

Last year, Alliance members supported a tough, new national energy law written in large part by this Committee that raises fuel economy to at least 35 MPG by 2020, a 40% increase. Higher mileage means lower carbon dioxide (CO2) emissions. Under the energy law, the auto industry will dramatically reduce CO2 by 30%, which makes us the first industry to commit to such challenging CO2 reductions.

Currently, there are close to 5 million diesel vehicles on U.S. roads and highways. Over the next year automakers will launch more than a dozen new clean diesel car and truck models that meet the world's strictest clean air standards.

By providing dramatic increases in fuel efficiency – 20 to 40 percent better than comparable gasoline engines – clean diesel vehicles can play a vital role in reducing U.S. oil consumption and reducing new vehicle CO2 emissions. The combination of outstanding

performance with significantly increased fuel economy is leading auto industry analysts like J.D. Power and Associates to forecast that diesels will account for 14 percent of the U.S. auto market in 2017, up from 3 percent today. That level of market penetration would save more than 29 billion gallons of gasoline, and reduce CO2 emissions by over 250 million metric tons, cumulatively over the lifetime of these vehicles.

The clean diesel engines of today bear no resemblence to conventional diesel engines. Today's clean diesel vehicles not only meet the performance demands of consumers – high torque, smooth and quiet-running engines, and significantly improved fuel economy – but also meet the most stringent Federal and state emissions standards. This environmental progress is the result of the new clean diesel system – combining clean diesel fuel, advanced turbo engines with improved injection systems and effective exhaust-control technology to reduce emissions more than 90 percent.

In fact, the Internal Revenue Service recently announced, and the Environmental Protection Agency certified, that clean diesel vehicles from Volkswagen and Daimler would qualify for the alternative motor vehicle tax credit and it is expected that several other currently available clean diesel models will also qualify for this credit.

The member companies of the Alliance applaud Congress for creating tax credits for clean diesel, hybrids, fuel cells, and all other advanced technologies. These credits will encourage consumers to purchase these vehicles by offsetting some of the price premium this technology requires. Upgrades to the fuel injection systems, turbochargers, electrical system

and mechanical components and emissions control system increase the cost of diesel vehicles by five to ten thousand dollars over their gasoline counterparts. Over the life of the vehicle, fuel savings from diesel engines potentially make up for the higher upfront cost, unless diesel fuel is significantly more expensive than gasoline.

Alliance members are concerned that the cost of diesel fuel could be a barrier to widespread acceptance of clean diesel technology by U.S. consumers. In Europe, almost 50% of all new vehicles are powered by clean diesel technology. In addition to superior fuel economy, a main reason Europeans buy diesel-powered vehicles is that fuel taxes are heavier on gasoline. In the U.S., diesel fuel is more expensive than gasoline and is taxed at a higher rate. Anything that can be done to lower the cost of diesel fuel will help encourage consumers to consider purchasing a clean diesel vehicle. Any policy that increases the cost of diesel fuel will most certainly negatively impact consumer acceptance of the technology.

Recently, Margo Oge, Director of EPA's Office of Transportation and Air Quality stated “Diesel passenger vehicles are one important piece of the future technology puzzle. Clean diesel is a viable, efficient technology to help improve our air quality and energy security." We agree. Given its outstanding combination of performance, low emissions and fuel savings, we are confident that the new generation of clean diesel is here to stay. We look forward to working with Congress to address barriers to expanding this exciting new technology in the U.S. market.

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