

June 8, 2000

U.S. Department of Transportation
Docket Management
Room PL-401
400 Seventh Street, SW
Washington, DC 20590

Docket No.: NHTSA-2000-7087

To Whom It May Concern:

These comments are submitted by the Clean Fuels Development Coalition (CFDC) in response to the "Request for Comments" issued on May 9, 2000 by the National Highway Traffic Safety Administration, "Automotive Fuel Economy Manufacturing Incentives for Alternative Fuel Vehicles."

The CFDC is an innovative not-for-profit organization that actively supports the development and production of fuels that can reduce air pollution and lessen our dependence on imported oil. For more than a decade, CFDC has been combining the efforts of a variety of interests and played a crucial leadership role in the development of a national energy strategy, passage of clean fuel legislation and regulations, and the fostering of new fuel technologies and manufacturing processes. CFDC membership includes both automobile manufacturers and ethanol producers, making the issue of CAFÉ Credits for dual fuel vehicles an important issue for our organization

If there are any questions with this information or these comments, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Durante". The signature is written in a cursive, flowing style.

Douglas Durante, Executive Director
Clean Fuels Development Coalition

Clean Fuels Development Coalition Comments on Extension of CAFE Incentives for Dual Fuel Vehicles

49 CFR Part 538

Docket No.: NHTSA-2000-7087

The Clean Fuels Development Coalition (CFDC) is pleased to submit these comments in support of the National Highway Traffic Safety Administration (NHTSA) extension of the Corporate Average Fuel Economy (CAFE) incentives for the production of dual fuel vehicles. These credits have been extremely successful in the promotion of dual fuel vehicles across the country, especially the development of vehicles powered by clean-burning renewable ethanol fuel, and should be extended to the full extent of the law.

CFDC is a broad-based coalition supporting the development of cleaner fuels, and counts both ethanol producers and automobile manufacturers as part of its membership. Therefore the issue of CAFE credits for dual fuel vehicles is important to our group. While these comments address some of the specific concerns of CFDC, the group is in full support of comments submitted on this issue by the individual automakers and the Alliance of Automobile Manufacturers.

The CAFE incentives for dual fuel vehicles have been instrumental in increasing the number of ethanol-powered flexible fuel vehicles on the road today. Virtually every major automaker has produced one or more vehicle models designed to run on ethanol or other alternative fuels. The automobile manufacturers in the U.S. have produced about two million alternative fuel vehicles since 1990. This unprecedented growth in vehicle availability has made it more palatable for refueling stations to consider the addition of ethanol fuels to their product offerings.

Currently, the following vehicles are able to operate on E-85:

- All 1999 and 2000 Ford 3.0-L Ranger pickups
- All 1999 and 2000 Mazda 3.0-L B3000 pickups
- All 2000 General Motors 2.2-L S-10 pickups
- All 2000 GMC 2.2-L Sonoma pickups
- All 1998, 1999 and 2000 Chrysler 3.3-L minivans
- All 1998, 1999 and 2000 Dodge 3.3-L minivans
- All 1998, 1999 and 2000 Plymouth 3.3-L minivans
- Selected 1995-2000 Ford 3.0-L Taurus sedans

The negative pollution and economic impact of fossil fuel use demands that the nation move towards alternative fuels. Congress recognized the problem and took action to change it. The Alternative Motor Fuels Act of 1988 was the first real attempt to break the “chicken-and-egg” cycle with respect to which comes first, the fuel or the vehicles.

As is the case with many products and programs, when congressional leaders want the private sector to develop something, they know that carrots rather than sticks, and incentives rather than mandates will provide results in a more constructive manner. Thus, Congress challenged the auto industry to produce alternative fuel vehicles with the

promised reward for that investment being higher fuel economy calculations, which can then be averaged across the entire fleet. The industry responded and now is producing hundreds of thousands of vehicles capable of running on renewably derived, domestically produced ethanol rather than imported, polluting, non-renewable fossil fuels. This program is to be applauded and should be extended so the job can be completed.

Significant progress has already been made in the efforts to increase the number of refueling stations available to alternative fuel vehicles, but much more work is still needed. In the past four years, the number of refueling stations offering ethanol fuels has increased dramatically. It is expected that there will be as many as 200 ethanol refueling stations in operation in the U.S. by the end of 2000. Add to this total the number of stations offering other alternative fuels, such as methanol or natural gas, and the growing number of alternative fueled vehicles on the nation's highways have more options for their fuel needs. When all types of alternative fuels are included, there are more than 6,000 stations currently providing alternative fuels across the U.S. (see Attachment 1).

While E-85 refueling stations tend to be located mostly in the Midwest, there is an effort to increase the geographic diversity of the stations. The government has provided funds to add stations in Maryland, Virginia, New Mexico and Utah. The ethanol industry itself is also working to increase the number of refueling stations available and the automakers have put funds toward the development of the necessary infrastructure as well.

The extension of the CAFE credits is vitally important to the continued progress toward this goal. If the CAFE incentives for automakers are removed in 2004, CFDC believes that the number of alternative fuel vehicles available will decline or at least grow much more slowly, making it more difficult for fuel providers to justify the additional logistic concerns and expense for handling the fuels.

The use of ethanol as a transportation fuel has proven benefits for the economy, national security and the environment. It is vital that this successful incentive to increase the production of alternative fuel vehicles is continued.

Over the last 20 years, every time the federal government looked at the issue of alternative fuels, it came to the same conclusion with respect to the importance of incentives and government leadership. As far back as 1991, the U.S. General Accounting Office analyzed the experiences of other countries using alternative fuels with respect to increasing the federal procurement of such vehicles. In that report (GAO/RCED-91-169, May 1991), they examined the practices of Brazil, Canada and New Zealand, all of which had some success with alternative fuels. The GAO found "remarkable consistency in the experiences and lessons reported." Among those findings were that "industry needs to have reasonable prospects for a favorable economic return," and that "Government needs to be the catalyst for encouraging consumers use of and industry's involvement in alternative fuels by providing leadership and a **consistent commitment**."

Continued development of the refueling infrastructure will only take place in the presence of public and industry confidence that the cars will continue to be available.

Answers to Questions Submitted in Request for Comments –

CFDC will leave the questions in the first two sections to the automakers and fuel providers, respectively, but would like to assist with the general interest questions submitted in the request for comments.

1) How difficult is it for consumers to find fueling locations for, and availability information on, alternative fuels? How do they seek alternative fuel locations?

There are numerous information sources available for locations of refueling stations for alternative fuel vehicles. The National Renewable Energy Laboratory oversees the Department of Energy's National Alternative Fuel Hotline (www.afdc.nrel.gov), which has a great deal of information on the subject. In addition, many industry trade associations, such as the American Coalition for Ethanol (www.ethanol.org) and the American Gas Association (www.aga.org), have nationwide lists of available refueling sites on their Internet sites.

2) What are the most common consumer complaints regarding problems or concerns related to the use of the dual-fuel vehicles or availability of the alternative fuels?

The availability of refueling sites remains the number one question about alternative fuels. Other concerns include cost and safety issues, most of which are adequately addressed by many sources, including the NREL website (www.afdc.nrel.gov).

3) Assuming an ample supply of alternative fuels and vehicles, would consumers be willing to use alternative fuels over conventional ones? Please provide the basis for this response.

Numerous studies and polls have been conducted that address this issue. Almost invariably the results show that the American public says it is willing to use products that are beneficial to the environment, even if it involves an additional cost. The key to ensuring a greater use of alternative fuels is to increase public awareness of the availability of the vehicles and fuels and their benefits to the environment.

4) What changes would be necessary to improve consumer awareness and acceptance of alternative fuel vehicles?

Many groups have been working on improving consumer awareness and acceptance of alternative fuel vehicles, especially ethanol flexible fuel vehicles, on a regional basis. This effort needs to be moved to the national arena. Increased efforts by the Department of Energy, the Department of Agriculture and other government agencies would be critical in increasing public awareness of alternative fuels.

5) What other efforts could government or industry take to increase the use of alternative fuels?

Public education is the key, but other incentive programs could also be used to increase the use of alternative fuels. For example, a program that offers incentives to retail gasoline station owners to carry alternative fuels could be extremely helpful in increasing the number of stations where alternative fuels are available.

6) Is there any information available on the approximate percentage of vehicle mileage for which an owner/driver of a dual-fuel vehicle uses the alternative fuel versus gasoline or diesel fuel? If so, should the “50/50 split” used in the credit calculation formula be revised to a value that more closely represents actual alternative fuel use?

While CFDC is not aware of any surveys or other information on how often dual fueled vehicles are run on alternative fuels, we believe that the 50/50 split should be continued. As the number of vehicles on the road and the number of gasoline stations selling alternative fuels both continue to increase, so will the number of miles driven using alternative fuels. Additionally, ethanol dual fuel vehicles are currently available at no additional cost to the consumer. Reducing the amount of credit received by the automakers (i.e., changing the “split”) could make it more difficult for the industry to justify not increasing the price of the vehicle.

7) Are there companion programs necessary to ensure that vehicles manufactured for purposes of complying with the CAFE requirements are actually using alternative fuels?

Several programs already exist that are complimentary to the current CAFE incentives for dual fuel vehicles, including the Clean Fuel Fleet Program, EPAct, Clean Cities, and the Alternative Motor Fuels Act purchase incentives. However, it is important to note that the CAFÉ credits themselves are doing the job they were designed to do – get the vehicles capable of using alternative fuels out on the road.

8) Has the AMFA CAFE program affected the total use of methanol/ethanol and compressed natural gas? If so, how?

The demand for renewable ethanol for use in E-85 is predicted to grow over the next twenty years, according to the U.S. Department of Energy’s Energy Information Administration (EIA). In its most recent Annual Energy Outlook report, EIA forecasts ethanol use for E-85 to grow to 0.06 quadrillion Btus by 2014, from a base of basically zero in 1997. While at first glance this may not seem like a significant amount of ethanol, the total for ethanol use in transportation is currently about 0.12 quadrillion Btus and it represents the current 1.5 billion gallons of ethanol production capacity.

9) What changes could be made to this program, either from the vehicle production aspect or the fuel industry aspect, that would be perceived as an even greater incentive to produce, distribute and market alternative fuels in the future?

Government incentives should be extended to the fuel industry to encourage greater availability of alternative fuels. In addition, incentives could be offered to consumers to influence their fuel choice.

10) In addition to energy conservation, energy security, environmental considerations, and the availability of alternative fuel vehicles and alternative fuels to the public, what other factors should be considered in the evaluation of the policy of providing additional CAFE credits for dual-fuel vehicles?

Another major consideration is the value to the economy, especially when ethanol fuels are considered. The increased production and use of ethanol boosts farm income and can have a positive impact on our nation’s trade deficit.

11) Do you believe the policy of providing additional CAFE credits for dual-fuel vehicles should be continued? Please explain the basis for your position.

CFDC strongly believes that the policy of additional CAFE credits for dual fuel vehicles should be continued. The program has proven to be very successful by dramatically increasing the number of alternative fuel vehicles available. However, complete success has not yet been attained and discontinuing the program could do irreparable harm. The process of switching from petroleum fuels is not an easy one – many programs have tried, and few have been successful. The process requires patience and nurturing to change the habits established by years of petroleum use.

**Attachment 1 -- US Refueling Site Counts by State and Fuel Type
As of 6/07/2000**

STATE	M85	CNG	E85	LPG	ELEC	LNG	ALL
Alabama	0	15	0	151	35	2	203
Alaska	0	0	0	12	0	0	12
Arizona	1	28	0	82	46	3	160
Arkansas	0	7	0	132	0	0	139
California	36	207	0	516	337	9	1105
Colorado	0	44	1	93	0	2	140
Connecticut	0	25	0	48	1	0	74
Delaware	0	6	0	2	0	0	8
Dist. of Columbia	0	3	0	0	1	0	4
Florida	1	40	0	109	5	1	156
Georgia	0	67	0	80	27	2	176
Hawaii	0	0	0	24	3	0	28
Idaho	0	8	1	29	1	0	39
Illinois	0	22	7	65	2	0	96
Indiana	0	34	1	45	1	3	84
Iowa	0	5	5	69	1	0	80
Kansas	0	5	1	123	0	1	130
Kentucky	0	6	2	24	0	0	32
Louisiana	0	14	0	25	0	0	39
Maine	0	0	0	58	0	0	58
Maryland	0	25	0	17	1	2	45
Massachusetts	0	15	0	69	4	0	88
Michigan	0	33	4	267	7	1	312
Minnesota	0	13	31	82	0	1	127
Mississippi	0	3	0	63	0	0	66
Missouri	0	7	4	295	0	0	306
Montana	0	10	1	59	0	1	71
Nebraska	0	5	7	44	0	0	56
Nevada	0	18	0	56	0	0	74
New Hampshire	0	1	0	68	1	0	70
New Jersey	0	22	0	25	0	0	47
New Mexico	0	14	1	243	0	1	259
New York	12	59	0	98	6	0	175
North Carolina	0	9	0	94	7	0	110
North Dakota	0	4	2	15	0	0	21
Ohio	0	48	0	57	1	1	107
Oklahoma	0	53	0	35	0	0	88
Oregon	0	15	0	30	0	1	46
Pennsylvania	0	54	0	100	1	1	156
Rhode Island	0	6	0	9	0	0	15
South Carolina	0	4	0	74	1	0	79
South Dakota	0	4	7	29	0	0	40
Tennessee	0	4	0	38	2	0	44
Texas	0	71	0	236	2	8	317
Utah	0	62	0	22	0	1	85
Vermont	0	0	0	62	7	0	69
Virginia	0	26	0	40	18	3	87
Washington	1	26	0	88	6	1	122
West Virginia	0	39	0	14	0	0	53
Wisconsin	0	22	1	114	0	0	137
Wyoming	0	18	0	34	0	1	53
TOTALS:	51	1226	76	4164	524	46	6088

Source: Alternative Fuel Data Center