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Lawmakers Set Deal on Raising Fuel Efficiency

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WASHINGTON, Nov. 30 — Congressional negotiators reached a deal late Friday on energy legislation that would force American automakers to improve the fuel efficiency of their cars and light trucks by 40 percent by 2020.

The proposal, which would require automakers to achieve 35 miles per gallon on average, is similar to a measure that was passed in the summer by the Senate but was bitterly opposed by the auto companies, who argued they did not have the technology or the financial resources to reach that goal.

The auto companies gave up their long-held opposition to fuel- economy increases not long before the Senate version was passed, but proposed a much weaker alternative. In recent weeks, the chief executives of General Motors, the Ford Motor Company and Chrysler visited Capitol Hill in an effort to fend off a stronger measure, but the compromise announced Friday showed those efforts had little effect.

The compromise emerged after days of difficult negotiations between House and Senate members and their staffs. The final deal was hammered out by the two main antagonists, the speaker of the House, Nancy Pelosi, Democrat of California, and Representative John D. Dingell, the Michigan Democrat who is the auto industry’s most effective advocate on Capitol Hill.

The compromise should ensure passage in the House, although the Senate may insist on changes. It does not appear to include provisions, like $16 billion in new taxes on the oil industry, that drew a veto threat from President Bush.

The latest version of the measure, if it becomes law, will force wrenching changes on the American car companies, from design studios to new-car showrooms to executive suites. Automakers now have to achieve 27.5 miles per gallon on cars, a figure that has not changed since 1984, and 22.2 miles per gallon for light trucks, including minivans, sport utility vehicles and pickups. Under the compromise, the companies will retain the distinction between the classes of vehicles, but must still meet a combined 35 m.p.g. fleetwide standard.

Ms. Pelosi called the compromise on mileage “an historic advancement in our efforts in the Congress to address our energy security and laying strong groundwork for climate legislation next year." She said that she was confident it would win the backing of environmentalists, auto makers and labor and would clear Congress by the end of this year.

Mr. Dingell, in a statement, called the new mileage standard "aggressive and attainable."

"After weeks of productive discussion and negotiation, we have achieved consensus on several provisions that provide critical environmental safeguards without jeopardizing American jobs," he said. Critical to his agreement, he said, were incentives to the American auto industry for producing small cars in the United States and cars that run on a combination of gasoline and ethanol.

The Big Three automakers have warned that complying with the new fuel economy rules will cost them tens of billions of dollars and rob consumers of choices. But even if they meet the law's mandate, the fuel efficiency of the American car fleet will still lag far behind that of other major industrialized countries.

European auto companies, for example, must average 40 miles per gallon and China requires a 35 m.p.g. standard. Automobiles sold in those countries are generally smaller and less powerful than the most popular models in the United States, however.

Lawmakers and aides were still ironing out the other major parts of the pending energy legislation Friday night, including details of a provision calling for a huge increase in production of fuels made from corn and other renewable sources.

The package will also include a requirement that most electric utilities produce 15 percent of their power from renewable sources, like wind and solar, by 2020.

A multibillion-dollar package of tax measures to pay for the other provisions was still under discussion Friday night but was not expected to be in the legislation to be brought to the House next week.

The energy bill faces opposition from segments of the auto, oil and utility industries, among the best organized and well financed lobbies in Washington. But House and Senate leaders expressed confidence on Friday that they could win passage before the end of the year.

The energy package, intended to reduce the nation's dependence on fossil fuels and slow the production of the gases that contribute to global warming, would bring major changes to America's highways, farms, factories, refineries and power plants. It contains not only the fuel-economy rules, which will alter the American auto fleet, but will divert vast tracts of farmland to produce ethanol and other renewable fuels and bring a bonanza for solar and wind power.

Under terms of the auto mileage deal, the cars and trucks sold in the United States must meet a fleetwide average of 35 miles per gallon by 2020. The Senate passed a bill with this standard in June, but the House version of the legislation, passed in August, did not include any new mileage mandate because of opposition led by Mr. Dingell.

Speaker Pelosi supported the new mileage standard and vowed that she would restore it in the final bill. She appears to have prevailed but Mr. Dingell won some important concessions.

The package nearly fell apart this week when Mr. Dingell insisted on leaving sole authority to regulate automobile mileage standards with the National Highway Traffic Safety Administration, an arm of the Transportation Department. That would have weakened the power of the Environmental Protection Agency and the states, led by California, to regulate auto emissions of carbon dioxide, which are in large measure a function of the amount of fuel burned.

Federal court rulings this year have decided this so-called pre-emption issue in favor of the E.P.A. and the states, decisions that Mr. Dingell hoped to undo by Congressional action. The traffic safety administration has had authority over fuel-efficiency standards since 1975 but has not imposed any significant increase since 1985. The E.P.A. is currently writing rules to comply with a Supreme Court ruling this year that gave it the authority to regulate carbon dioxide emissions and is weighing an application by California and 14 other states to set their own emissions standard.

The authority of the E.P.A. to regulate tailpipe emissions and the right of California and other states to set their own, higher standards were considered deal-breakers by Ms. Pelosi and her fellow California Democrat, Senator Dianne Feinstein. Arnold Schwarzenegger, the Republican governor of California, weighed in late in the week to tell negotiators that he would oppose the bill if the Mr. Dingell’s preemption language stayed in.

Mrs. Pelosi and Democratic leaders in the Senate rejected Mr. Dingell’s preemption effort, but softened the blow by agreeing to allow the car companies to retain a credit for vehicles capable of running on a blend of gasoline and ethanol. That credit was set to expire in 2008 but now will begin to decline in 2014 and be eliminated entirely by 2020.

The compromise also contains incentives for American auto companies to continue producing small cars in the United States, a measure that the autoworkers union has estimated would save 17,000 autoworker jobs.