



For Immediate Release

For further information:
Yifei Zhang
(617) 933-7200

Natural gas vehicles may be more cost-effective in fighting climate change than electric vehicles, especially with lower forecasted natural gas price, according to a recent study by LEI

BOSTON, February 18th, 2011 - Governments could more cost-effectively target transportation-related greenhouse gas emissions by focusing on the promotion of natural gas vehicles (NGVs), according to the most recent study by London Economics International LLC (LEI).¹ Because the purchase price of an EV significantly exceeds that of an NGV, LEI's study finds that NGVs are, in fact, under many scenarios, more cost effective at reducing greenhouse gases when compared to EVs. While EVs may produce fewer emissions overall, the overall additional cost of EVs may outweigh the benefits. Although EVs have zero emissions on the road, they indirectly cause emissions from fossil-fueled power plants, particularly in regions with intensive coal generation. The cost advantage of NGVs relative to EVs means that although NGVs emit some greenhouse gas emissions when driven, when subsidies are evaluated in terms of dollars-per-ton of avoided emissions relative to conventional gasoline vehicles, NGVs are more cost effective. LEI's study shows NGVs may be 66% less expensive on a macroeconomic basis than EVs if targeted subsidies are used to bring the costs of alternative fueled vehicles to the equivalent of conventional ones in order to reduce the same amount of emissions.

"Among the factors which need to be considered when comparing NGVs and EVs are the delivered costs of electricity and natural gas, the extent of coal fired generation in the region, fuel economy, vehicle purchase costs, and modifications to fuel or electricity delivery systems in the home," noted Yifei Zhang, one of the study's authors. "NGVs are particularly competitive in states like Illinois, where natural gas is relatively cheap and much of the electricity consumed is generated using coal. NGVs are less competitive in states like Florida, where natural gas price is high," she added. NGVs' cost advantage also increases as gas prices are expected to remain low in the near future due to oversupply.

¹ In its most recent study, LEI has updated major assumptions, including prices of car models selected, fuel prices, operating costs, etc. We have also updated the fuel economy and price of Chevy Volt (EV). The final fuel economy of Chevy Volt assigned by the EPA in late 2010 is significantly lower than what GM announced in 2009. The current price of Chevy Volt is also slightly higher than the original price estimated by GM, which has been adjusted in the study.

LEI's study found that on a national basis, a program designed to reduce greenhouse gas emissions from passenger vehicles by 20% would cost \$61 billion if targeted towards NGVs, but would rise to \$182 billion if targeted exclusively towards EVs. In either case, a quantum increase in the numbers of NGVs or EVs would be required relative to current levels. Presently, there are approximately 10 times as many NGVs as EVs on the roads in the US. LEI's study is available on their website, www.londoneconomics.com.

Ms. Zhang points out that the study was not produced with support from any particular industry participant. It is an example of LEI's ongoing commitment to sound economic analysis of energy industry issues.

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London Economics International LLC (LEI) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. The firm combines detailed understanding of specific network and commodity industries, such as electricity generation and distribution, water and wastewater provision, and natural gas distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results. For further information on LEI, please contact Yifei Zhang at (617) 933-7200 or go to www.londoneconomics.com.

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