

Bianco On Cars: The Diesel Solution

Thursday, July 10, 2008 - Cars By Todd Bianco, West Hollywood

West Hollywood, California (Thursday, July 10, 2008) - Diesel fuel is in demand worldwide. In the European Union and the United Kingdom, more than half of all cars sold have a diesel engine.

The reason is simple. A diesel-powered vehicle is easily 25-50% more efficient than one with a gasoline engine. In addition, diesel fuel in most E.U. countries is taxed differently and it's less expensive than gasoline.

Diesel also fuels construction equipment, heavy trucks, freight trucks and cargo ships which are the economic engines of the worldwide economy. As we are frequently reminded, the so-called BRIC countries (Brazil, Russia, India and China) are growing and expanding rapidly. Accordingly, diesel demand is through the roof.

Unfortunately, the diesel and gasoline refining capacity of the world hasn't nearly kept pace with worldwide demand. The oil and refining companies aren't building any new refineries in the US, which means that supply isn't going up anytime soon.



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The usual economic rules apply and a static supply combined with increased demand means higher prices at the pump. Those higher prices affect construction, manufacturing operations and transportation costs and thereby the retail price of just about everything we buy.



2009 VW Sportswagon TDI front

In Los Angeles, diesel fuel prices have jumped substantially and they now hover at around \$1 per gallon - a 20% premium - above the price of regular or mid-grade gasoline. That's a steep premium which may scare buyers away from the new crop of clean, efficient diesel automobiles.

Don't give up yet - keep reading!

Volkswagen, BMW and Mercedes-Benz will be the first in the market in 2008 (as 2009 models). The Audi Q7 SUV and the Acura TSX will have a diesel engine option in 2009 (as 2010 models). Nissan (using a Renault diesel engine) and (surprise) Subaru will have diesel offerings in 2010.

Let's do the simple math. Diesel fuel, as stated above, sells for about a 20% premium over regular gasoline. However, with a 25% or greater increase in fuel economy, a diesel vehicle still may make sense - that is if you can get over the sticker shock at the pump and the diesel engine premium.

Now let's look at some specific examples:

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2008 VW Jetta Sedan 2.5 - 2009 VW Jetta Sedan TDI 2.0

EPA estimates: 21/29, 24 combined, 29/40, 33 combined

The diesel (TDI) offers a 37% increase in fuel economy (using the combined estimates)

Annual mileage: 15,000 miles

Annual fuel consumption: 625 gallons, , 455 gallons

Annual cost @ \$5.00/gallon \$3,125, , @ \$6.00/gallon \$2,730

Annual savings: \$395

Years to payback \$2,000 diesel engine premium: 5 years



2008 MB E320 Bluetec full

2008 Mercedes E350, 2009 Mercedes E320 CDI Bluetec

EPA estimates: 17/24, 19 combined, 23/32, 26 combined

The Bluetec diesel offers a 37% increase in fuel economy (using the combined estimates)

Annual mileage: 15,000

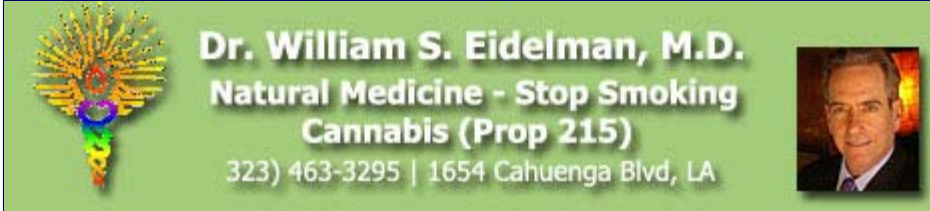
Annual fuel consumption: 789, , 577

Annual cost @ \$5.00/gallon = \$3,945, @ \$6.00/gallon = \$3,462

Annual savings: \$483

Years to payback \$1,000 diesel engine premium: 2 years

2008 Mercedes GL450 4Matic, 2009 Mercedes GL320 CDI Bluetec 4Matic



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EPA estimates: 13/18, 15 combined, 18/24, 20 combined

The diesel offers a 33% increase in fuel economy (using the combined estimates)



2008 MB E320 Bluetec Badge

Annual mileage: 15,000

Annual fuel consumption: 1,000, , 750

Annual cost @ \$5.00/gallon = \$5,000, @ \$6.00/gallon = \$4,500

Annual savings: \$500

Years to payback \$1,000 diesel engine premium: 2 years

In all the examples, diesels come out ahead of their gasoline counterparts. However, the VW's diesel premium, a whopping \$2,000, really extends the payback period. In addition, previous VW TDIs have achieved much better fuel economy.



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VW had originally promised fuel economy in the range of 40 m.p.g. city, 50 m.p.g. highway. With those kinds of numbers, the TDI would be a no-brainer. As it stands, the \$2,000 premium may be hard to sell given the high price of diesel fuel in the U.S. market.

The most interesting proposition is the gigantic Mercedes GL, a seven passenger SUV with a big V8 engine. Mercedes' diesel engine premium is only \$1,000 and the diesel savings pays for itself in only two years. That's pretty good if you need the size, passenger and cargo capacity of a big beast.

If you do lots of long-distance highway driving, the excellent highway fuel economy of a diesel makes even more sense and the payback is faster.



Volkswagen has another stealth offering that will likely 2008 MB GL320 CDI full show up in Europe before it makes its way to North America. The VW Golf TDI Hybrid is equipped with a 74-horsepower three-cylinder TDI engine - (probably the 1.4-liter used in the VW Polo BlueMotion) - mated to a 27-horsepower electric motor and a seven-speed double-clutch DSG transmission.

There's a nickel-metal hydride battery in the trunk; a regenerative braking system helps keep it charged. The car has engine stop/start capability and a full-electric mode at low speed. An "energy monitor" display on the dashboard, like the one found in the Prius, keeps tabs on what the powertrain is doing.



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VW projects that its hybrid Golf will get around 70 m.p.g. and have very low emissions. If VW builds the Golf (a.k.a. Rabbit) hybrid and imports it to the U.S., it's a guaranteed hit and a potential Prius killer.



2009 VW Sportswagon TDI rear

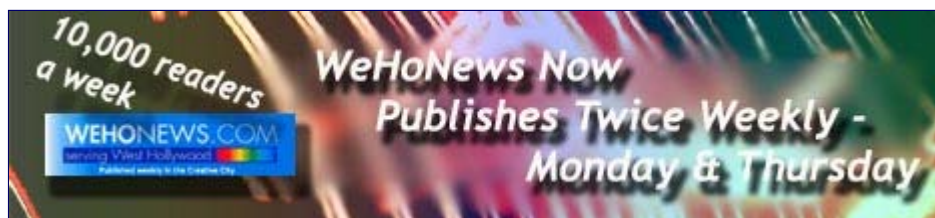
The prototype uses nickel-metal hydride batteries; however, VW engineers may use lithium-ion batteries if the economics and software works out.

It will be very interesting to see how clean diesel-powered vehicles are received by U.S. customers.

Most people still remember the black clouds and slug-like performance of the diesel cars from the late 1970s and early 1980s.

Those days are gone with modern vehicle electronics, emissions-scrubbing systems and turbo chargers that eliminate lag.

There may be a diesel solution in your future!



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