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THE WALL STREET JOURNAL

WSJ.com

EYES ON THE ROAD | SEPTEMBER 9, 2009, 9:05 A.M. ET

Pushing Diesel as an Energy Saver

By JOSEPH B. WHITE



Terry Aust regularly drives about 250 miles from Louisville, Ky., to Columbus, Ohio. He is a BMW fan, and needs a larger vehicle for his family. His choice: A BMW X5 diesel.

In its gasoline-powered versions, the BMW X5 is a fuel-thirsty beast, rated at just 15 miles per gallon in the city—22 on the highway for the 5.0-liter V-8. With his diesel, Mr. Aust says, "I'm doing 30 on the highway. One of my neighbors has an X5 5-liter. He said, 'What are you getting for mileage?' I said, 'About 30,' and he said, 'I hate you.'"

The brief cash-for-clunkers mania may have given a timely boost to the efforts by German manufacturers to promote European diesel technology as an alternative for energy-conscious American consumers.

Many of the vehicles BMW AG sells in the U.S. were too expensive to qualify for the cash-for-clunkers program. But BMW decided to offer \$4,500 off its X5 and 335d diesel models anyway, promoting the discount as an "eco-credit." The result: BMW dealers had just eight days' supply of 335d sedans in stock at the end of August, and only 14 days' worth of diesel X5s. (Mr. Aust bought his X5 before the promotion, but he's good natured about it, saying he did fine on his deal.)

The promotion helped boost total sales of BMW diesels from 305 vehicles in June, before the promotion, to 482 vehicles in August. No, that's not a lot of diesels—just under 2% of BMW's total sales for August. But it was encouraging enough for BMW to continue the diesel "eco-credit" promotion, and allow dealers to use the discount to write orders for diesel models not in stock, says company spokesman Tom Kowaleski. Long term, BMW's goal is to boost diesels to about 10% of its total sales.

Separately, [Volkswagen](#) AG is promoting its diesels, including the Jetta and Jetta wagon, on a new Web site, TDI Truth and Dare, <http://tdi.vw.com/>. The site aggregates positive reviews of diesel VWs, along with videos and product information about the new TDI (turbocharged direct injection) technology.

VW has done relatively little conventional advertising of its latest diesel models, but word is getting around. About 70% of the cash-for-clunkers sales done at VW dealerships were for diesel models, the company says. Company executives expected that about a third of Jetta sedans and about half of Jetta wagon models sold in the U.S. would be diesels. The actual figures have been

closer to 40% of the sedans sold with diesel engines, and 80% of the wagons, says VW spokesman Steve Keyes. The Jetta TDI diesel wagon is rated at 30 miles per gallon in the city, and 41 on the highway. Buyers may qualify for a \$1,300 tax credit that helps offset the roughly \$2,000 price premium compared with the gasoline four-cylinder model.

VW's U.S. sales arm has now called for more diesel Jettas, and is considering offering only the TDI diesel Jetta wagon—dropping the gasoline model, Mr. Keyes says.

BMW, Volkswagen and Daimler AG's Mercedes-Benz brand are fierce rivals that share one common goal: They want—make that need—to convince more Americans to identify diesel passenger cars and SUVs as green transportation, on par with Japanese hybrid models such as the Toyota Prius or Honda Insight.

Modern diesel technology is now clean enough to pass environmental muster in all 50 states, and quiet enough for application in luxury cars. For people who drive long distances on freeways—that is to say, a great many people in the continent-spanning U.S. market—diesel makes more sense than electric vehicles or hybrids, which are at their best when running short hops in congested cities.

But diesel's big moment in the U.S. market never seems to arrive. It almost did when gasoline prices shot up to about \$4 a gallon in 2008. Suddenly, the extra \$2,000 or more that diesel power plants and the associated hardware added to the price of a car made sense, given the potential fuel-cost savings. Then gas prices collapsed, and diesel prices in many parts of the country drifted higher than the price of regular gasoline. (The two fuels currently are about even, on average, at about \$2.64 to \$2.65 a gallon, according to the Energy Information Administration's weekly fuel-price report.)

Mercedes-Benz shows the challenges. The brand has been selling diesel cars in the U.S. for years and has a loyal diesel fan base. Still, Mercedes says it sold just 670 diesel models in the U.S. last month.

Selling American consumers on the benefits of paying more up-front for an energy-efficient technology that costs less to operate over the long haul is no easy task. Just consider the ups and downs in demand for the Prius and the resistance to compact fluorescent light bulbs. Diesel technology faces other obstacles, including growing buzz over all or partially electric vehicles.

Cash for clunkers, and the related focus on fuel efficiency, gave European brands another chance to put diesel back in the environmental conversation. VW and BMW's results suggest a small but potentially meaningful cult following is building, albeit slowly.

European car makers would prefer that the diesel cult not remain exclusive or small for long.

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