More Natural Gas Vehicles Hitting The Market

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DETROIT (AP) — More natural gas-powered vehicles will hit the market soon, as rising gasoline prices, booming natural gas production and proposed tax credits make them a more attractive option. But they're a long way from being a common sight in U.S. driveways.

Chrysler will sell a Ram 2500 Heavy Duty pickup that runs on compressed natural gas starting in July. The truck has both a gasoline tank and a natural gas storage tank, and its engine shifts seamlessly between the two power sources. The truck can run for 255 miles on natural gas and another 367 miles using gasoline.

Chrysler will have competition. Late this year, General Motors Co. will sell natural-gas versions of two pickups — the Chevrolet Silverado and GMC Sierra 2500 HD. The GM trucks will run on gasoline and natural gas for 650 miles. Ford Motor Co. has offered natural-gas ready pickups and vans since 2009.

Natural gas is appealing for a lot of reasons. It comes from domestic sources, for those concerned about importing oil. It produces 30 percent fewer greenhouse gas emissions than traditional gasoline or diesel. And it costs less than gasoline. Natural gas prices have dropped 18 percent so far this year, while regular gas prices are up 13 percent.

But U.S. buyers have been slow to adopt natural-gas vehicles, which make up less than one-tenth of 1 percent of the vehicles on American roads. Even the newest trucks aren't intended for average buyers. They're work trucks, capable of plowing snow and towing three tons or more. Chrysler will only sell its natural-gas Ram to fleet customers like local governments, utilities and construction companies. GM anticipates that 90 percent of its sales will be to fleets.

Here are some reasons that U.S. buyers have been slow to adopt natural-gas vehicles:

— Lack of fueling stations. There are around 1,000 natural-gas fueling stations in the U.S., but only half of them are open to the public. Most are operated by local governments or private companies to refuel buses and other fleet vehicles. California-based Clean Energy Fuels Corp., a natural gas provider backed by oil tycoon T. Boone Pickens, is planning a big expansion. It aims to install natural-gas pumps at 150 truck stops nationwide over the next few years. But that pales in comparison to the availability of gasoline, which is sold at 117,000 stations in the U.S. That's why natural gas is still primarily relegated to fleets, which can return to a central refueling station.

— Few choices. There is only one factory-built, natural-gas car sold in the U.S. It's the natural-gas version of the Honda Civic. Around 13,000 have been sold since the

car first went on sale in 1998, mostly to fleets. But Honda's making a bigger push to sell them to individual buyers. Last year, the company expanded the number of dealers selling natural-gas Civics to nearly 200 in 36 states, up 50 percent from 2010. The company expects to build nearly 4,000 natural-gas Civics in 2012, double the number it initially planned thanks to strong buyer interest. But regular, gas-powered Civics remain the overwhelming favorite. Honda sold 27,000 gasoline-powered Civics in February alone.

— Cost. Additional fuel tanks and parts, and small-scale production make natural gas vehicles more expensive. The CNG Ram, for example, starts at $47,500, almost $20,000 more than a base Ram 2500. The natural-gas Civic starts at $26,155, or $10,000 more than a base four-door Civic. GM won't announce the price of its natural-gas trucks until next month, but expect a premium.

It can also cost up to $18,000 to convert a gasoline vehicle to a natural gas one, according to Natural Gas Vehicles for America, a lobbying group.

Mary Barcella, director of North American Natural Gas research at consulting firm IHS CERA, said the economic benefits aren't compelling enough for most drivers. With gasoline prices of about $4 per gallon, it would take five years or more to recoup the extra cost of a natural gas vehicle. She thinks natural gas vehicles will only become more popular if pump prices rise and stay high for a long time.

It's the same story with hybrid cars, which have been on the market for more than a decade but have a price premium that is difficult to recoup, especially if gas prices are low. Hybrids only make up around 3 percent of the U.S. market.

The price for a natural gas vehicle could go down significantly if Congress approves a tax credit proposed in the Obama administration's 2013 budget. The administration has proposed replacing the current $7,500 electric vehicle tax credit with an advanced technology vehicle credit of up to $10,000. The credits would go to manufacturers in an effort to encourage lower prices and spur demand.

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