

# EURO7: Carmakers' record profits made at expense of human health

Debunking carmaker's claims that EURO 7 is too expensive

April 2023

Air pollution from road transport continues to be a serious problem for air quality across Europe, **causing 70,000 premature deaths each year and a multitude of diseases including cancer, stroke and cardiovascular disease.** To tackle the problem the European Commission proposed a new pollutant emission standard for cars, vans, buses and trucks known as Euro 7 in November 2022.

Independent analysis by experts showed that significantly lower emission limits are feasible and affordable, but due to industry lobbying the final proposals require carmakers to do little to reduce the toxic pollution coming from sales of new internal combustion engine cars. Yet carmakers continue to fiercely oppose even the current weak Euro 7 proposals, claiming that compliance with Euro 7 is too expensive and will result in fewer car sales<sup>1</sup>, damaging the European automotive industry at a time when the industry is already struggling due to supply chain issues and rising costs. Yet, European carmakers have a long history<sup>2</sup> of exaggerating the cost of less polluting cars, using scaremongering tactics on policymakers to weaken environmental regulation ever since the Euro standards in the 1990s.

To check the veracity of carmakers' claims, T&E has looked into the financial data of Europe's five biggest carmakers: VW, Stellantis, BMW, Mercedes and Renault. The data<sup>3</sup> shows that while carmakers' sales, earnings and profits mainly decreased in 2020 due to the covid crisis, profits rapidly rebounded in 2021, to largely reach record highs:

- BMW increased 2021 profits 250% compared to 2019, from €4.9 billion to €12.4 billion. In 2022, profits increased again by another almost 50% to €17.9 billion.

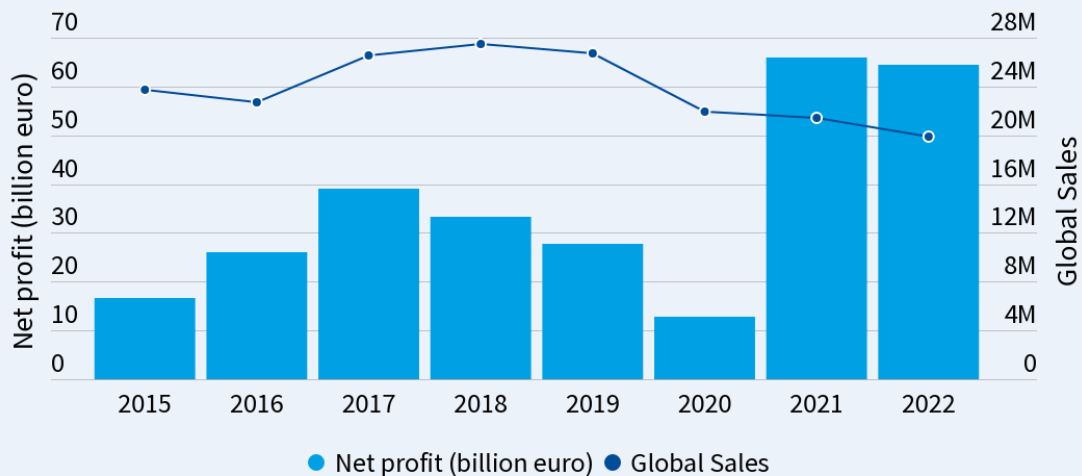
<sup>1</sup> Reuters. (2023, 03, 21) [Industry group says Euro 7 emission rules will raise car prices.](#)

<sup>2</sup> Automotive News Europe. (2005,10,17) [ACEA wants Euro 5 breaks.](#)

<sup>3</sup> Analysis of carmakers' financial data obtained from the Bloomberg terminal, carmaker announcements and annual reports. Analysis includes revenue, net profits, profit margins, vehicle sales, dividends and stock buybacks. Data is analysed for each carmaker based on the entire automotive group and is based on nominal values as per the approach taken in the carmakers annual reports.

- Mercedes 2021 profits stood at €23 billion, almost ten times 2019 profits (€2.4 billion), 2022 profits were €14.5 billion, 600% higher than 2019.
- Renault, which had not made a profit since 2018, made €890 million in profit in 2021, however due to the disposal of the Renault factory in Russia, the carmaker failed to return a profit in 2022. Without the disposal Renault would have almost doubled its profit to €1.6 billion.
- Stellantis more than doubled profits from €6.6 billion in 2019 to €14.3 billion in 2021, and in 2022 increased profits by a further €2.5 billion to €16.8 billion.
- VW increased profits 11% compared to 2019, from €13.9 billion to €15.4 billion in 2021, and in 2022 maintained record high profits of €15.4 billion.

## Carmakers are making record profits despite selling less cars



Source: Bloomberg terminal and carmaker's annual financial reports, data for BMW, Mercedes, Renault, Stellantis and VW, nominal values

**Together the five carmakers' 2022 profits (€64 billion) were more than double 2019's (€28 billion), despite selling 25% fewer cars than before covid and rising inflation.** While supply chain issues are blamed for lower car production volumes, carmakers have been vocal about their shift in strategy away from selling as many mass market cars as possible towards selling fewer but larger, premium cars with higher profit margins. This includes scrapping production of popular, more

affordable, small cars such as the Fiat Punto, VW Beetle and Citroën Picasso<sup>4</sup>. Due to a lack of supply and strong demand, carmakers have also been increasing prices<sup>5</sup>. This shift in strategy has resulted in:

- BMW's profit margin almost tripled from 4.6% in 2019 to 12.6% in 2022.
- Mercedes' profit margin increased from 6.8% in 2019 to 9.5% in 2022.
- Renault's profit margin increased from 0.4% in 2019 to 4.8% in 2022.
- Stellantis's profit margin more than doubled from 4.0% in 2019 to 9.9% in 2022.
- VW's profit margin increased from 5.6% in 2019 to 5.9% in 2022.

The increase in profit margins shows that carmakers are making more money on every car sold than prior to the covid crisis. This accounts for inflation, meaning that it is not due to increases in the costs of raw materials, energy or production but due to, for example, carmakers increasing prices above inflation or selling a higher share of premium cars with higher profit margins. Despite lower car sales, the increase in profit margins is resulting in higher profits than when vehicle sales were higher before the covid crisis.

Carmakers are engaged in a disinformation campaign to frighten policy makers, simultaneously claiming that Euro 7 will make cars unaffordable for consumers, while hiking prices and scrapping smaller models in favour of higher profits on larger, more expensive premium models. The true cost of these business decisions will be paid by millions of Europeans who have to breathe unnecessarily high levels of toxic pollution.

### **Carmakers are spending their profits on dividends and stock buybacks**

Carmakers claim that they cannot afford to invest in pollution control upgrades to meet even the weak European Commission proposal for Euro 7, claiming this will syphon investments away from the transition to e-mobility<sup>6</sup>. While it's true that carmakers are investing in retooling factories and producing electric models, carmakers are also spending large sums on dividends for shareholders and stock buybacks aimed at boosting their share price. All five carmakers will be paying out dividends on their 2022 earnings, totalling €19.7 billion, more than the GDP of Malta. BMW, Stellantis and Mercedes are spending another €7.5 billion on stock buybacks. At the same time CEO pay has increased 50% since 2019.

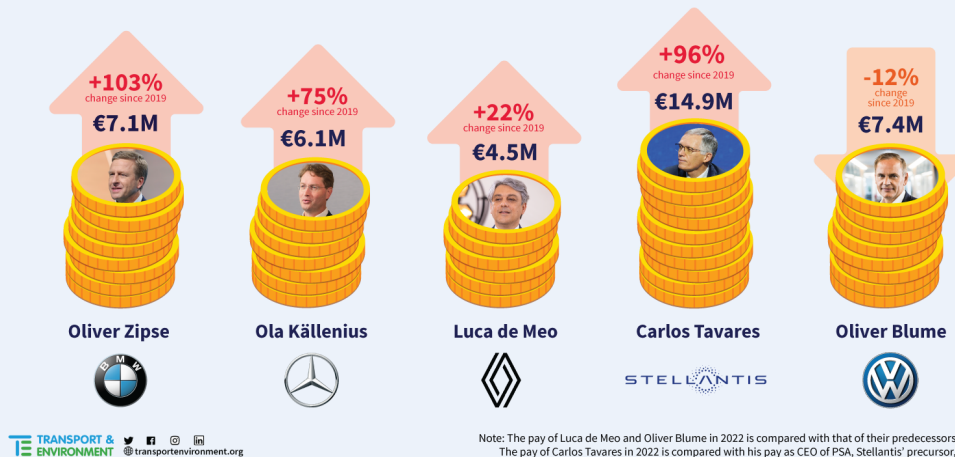
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<sup>4</sup> Euoractiv (2022, 12, 08) [Why are small European cars disappearing?](#)

<sup>5</sup> Reuters. (2023, 02,22) [Stellantis sees car price pressure ahead as profit beats forecasts.](#)

<sup>6</sup> ACEA. (2022, 11,10) [New 'Euro' pollutant emission proposal risks slowing down the transition to zero-emission transport.](#)

## CEO pay is ballooning while car companies fight pollution rules



### A more ambitious Euro 7 is affordable for carmakers

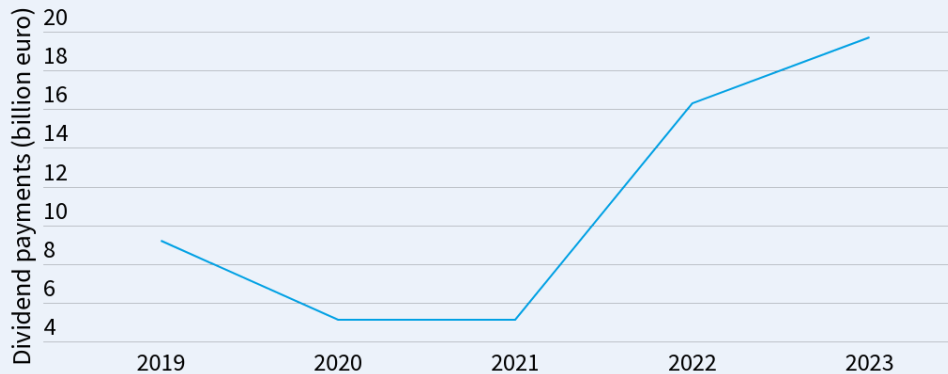
The European Commission's Euro 7 Impact Assessment finds a more ambitious Euro 7 (than proposed by the Commission) as the optimal policy option for reducing pollution from cars. This includes reducing the limit for toxic NOx pollution from 60 to 30 mg/km and for dangerous particles from  $6 \times 10^{11}/\text{km}$  to  $1 \times 10^{11}/\text{km}$ .

The total cost of such a Euro 7, **over the entire lifetime of the regulation**, for the two biggest carmakers is €5.7 billion and €5.1 billion each. **For VW this would be 37% of 2022 profits, 30% more than the €4.4 billion which VW plans to pay out in dividends this year. For Stellantis this would be 30% of 2022 profits, or less than the €5.7 billion that the carmaker plans to spend on dividends and stock buybacks.** For smaller carmakers the total cost of Euro 7 is much lower at €0.5 to €2.7 billion<sup>7</sup>, as fewer cars are impacted. In the worst case, for BMW the cost would be 15% of 2022 profits and 19% for Mercedes, or around half of this year's dividend. As the 5th biggest carmaker in Europe, Renault's costs are likely to be lower than those of BMW or Mercedes.

<sup>7</sup> European Commission. (2022, 11, 10) Euro 7 Impact Assessment Report, Part 1.



## Carmakers are paying out billions to shareholders, but claim they can't afford pollution fixes



Total normal dividends paid out by BMW, Mercedes, Renault, Stellantis (2022 and 2023 only) and VW, nominal values. PSA+FCA dividends not included. Source: Carmakers annual financial reports and announcements.

Carmakers' high profits and large spend on dividends and share buybacks this year, which in many cases exceed the total lifetime cost of the Euro 7 regulation, casts doubt on claims that they cannot invest in the minimal upgrades (mostly better exhaust emission control and calibration, not new engines) needed to make the almost 100 million ICE cars expected to be sold before 2035 less polluting. The technology to do so is cheap and available, at €90-€150 per vehicle for the Commission's Euro 7 proposal and €300 for greater ambition in line with the findings of the Euro 7 Impact Assessment. **Euro 7 will cost carmakers just a fraction of 2022 profits over the entire lifetime of the regulation, even if the stringency of the standard was increased beyond the Commission's Euro 7 proposal.**

Europe's biggest carmakers can afford to make cars less polluting. Instead they prefer to put profit before people's health. The potential allowance of the sale of e-fuel ICE powered cars after 2035 - subject to upcoming legislative debate - means that Europe may no longer be on a trajectory to completely eliminate tailpipe pollution from new cars by 2035. European policymakers need to put air quality and public health first, and adopt a Euro 7 standard which delivers ambitious reductions in air pollution so that every citizen in Europe can breathe cleaner air.

## 1. Introduction

Air pollution from road transport continues to be a huge problem for air quality across Europe, causing 70,000 premature deaths each year<sup>8</sup>. To tackle the problem the European Commission proposed a new pollutant emission standard for cars, vans, buses and trucks known as Euro 7<sup>9</sup> in November 2022. However, for cars, the Euro 7 proposal is weak and falls far short of the Commission's own expert recommendations and the finding of its Impact Assessment. Crucially, it maintains the same weak emission limits for cars that were set for petrol cars more than a decade ago and due to technological progress are far outdated.

Despite the weak proposal which requires carmakers to do little to reduce the toxic pollution coming from sales of new internal combustion engines cars, carmakers continue to fiercely oppose Euro 7. A recurring claim made by carmakers is that compliance with Euro 7 is too expensive and will result in fewer car sales<sup>10</sup>, damaging the European automotive industry at a time when the industry is already struggling due to supply chain issues and rising costs. Yet, European carmakers have a long history of exaggerating the cost of less polluting cars<sup>11</sup> and using scaremongering tactics on policymakers to weaken environmental regulation, while at the same time circumventing rules and cheating on emissions tests. By 2019, this resulted in 51 million grossly polluting diesel cars on EU roads<sup>12</sup>.

This briefing examines the financial data of car companies and exposes how carmakers are making record profits while making unsubstantiated claims about their financial inability to comply with more stringent Euro 7 rules.

## 2. The car industry is making record profits

T&E has analysed financial data from Europe's five biggest carmakers: VW, Stellantis<sup>13</sup>, Mercedes, BMW and Renault based on data obtained from the Bloomberg terminal<sup>14</sup> with a specific focus on carmaker revenues, profits and vehicle sales.

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<sup>8</sup> European Commission. (2022, 11, 10) Euro 7 Impact Assessment Report, Part 1.

<sup>9</sup> European Commission. (2022, 11, 10) [Commission proposes new Euro 7 standards to reduce pollutant emissions from vehicles and improve air quality.](#)

<sup>10</sup> Reuters. (2023, 03, 21) [Industry group says Euro 7 emission rules will raise car prices.](#)

<sup>11</sup> Automotive News Europe. (2005,10,17) [ACEA wants Euro 5 breaks.](#)

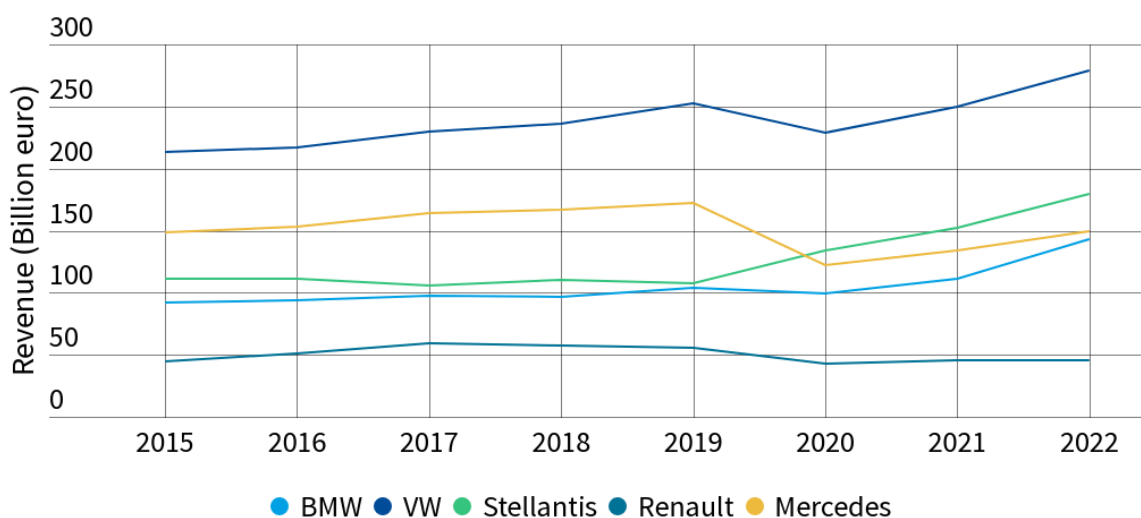
<sup>12</sup> T&E. (2019) [Dirty diesels grow to 51 million across EU, as carmakers still put profit before clean air.](#)

<sup>13</sup> Revenue, profit and profit margin data for Stellantis prior to the merger is combined data for PSA and FCA as reported on the Bloomberg Terminal.

<sup>14</sup> Data analysed refers to the whole automotive group, values are nominal as per the automakers annual financial reports.

## Revenue

Revenue (the total amount of money brought in by the company's operations) of the five carmakers has increased or remained largely steady in the seven years since the current Euro 6 emission standard was introduced in 2015. All carmakers apart from Stellantis recorded a drop in revenue in 2020 of between 5-29%<sup>15</sup> due to the covid crisis. However, VW, Stellantis and BMW's revenue recovered rapidly in 2021 with all three carmakers achieving higher revenues in 2022 than prior to the covid pandemic. **By 2022 BMW increased revenue by 37%, VW by 11% and Stellantis by 66% compared to 2019, reaching record levels.** Mercedes' and Renault's revenues have not recovered to pre-pandemic levels however, a further analysis of their profits shows that both carmakers are not struggling financially.



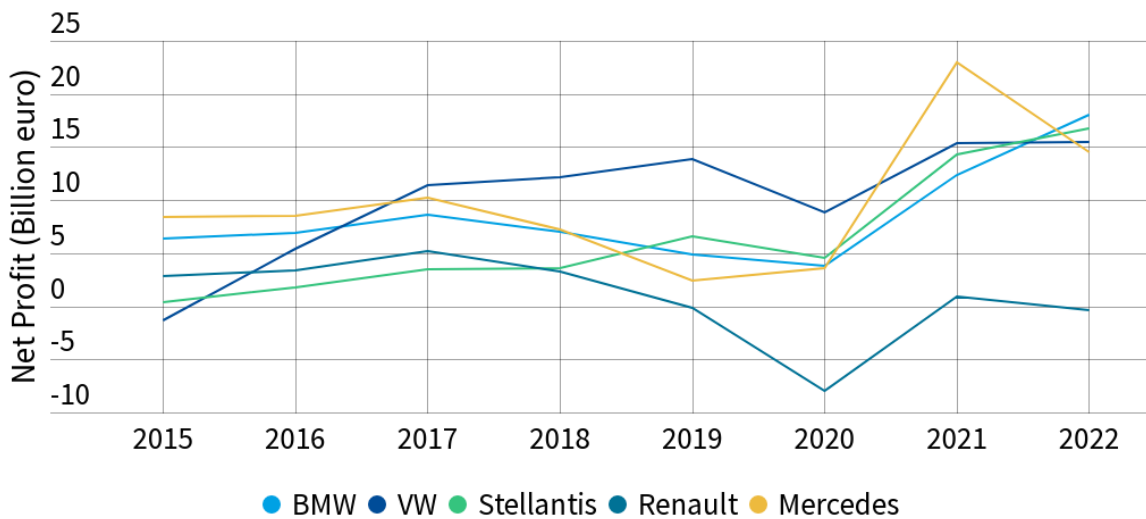
Source: Bloomberg Terminal, nominal values

**Fig. 1 Revenue of Europe's five biggest carmakers 2015-2022. By 2022 BMW increased revenue by 37%, VW by 11% and Stellantis by 66% compared to 2019.**

## Profits

Net profits (the profits after all business costs are accounted for) have grown rapidly in the last few years for most carmakers. While BMW, Stellantis and VW's profits decreased by a total of €8.1 billion in 2020 compared to 2019 or 23-36% per carmaker, they quickly recovered to exceed pre-pandemic levels in 2021.

<sup>15</sup> Compared to 2019.



Source: Bloomberg Terminal, nominal values

**Fig. 2 Net profit of Europe's five biggest carmakers. BMW, Mercedes, Stellantis and VW profits are at the highest level of the 2015-2022 period.**

BMW:

- 2021: Increased profits 2.5 fold compared to 2019, from €4.9 billion to €12.4 billion.
- 2022: Increased profits again by another almost 50% to €17.9 billion

Stellantis:

- 2021: More than doubled profits from €6.6 billion in 2019 to €14.3 billion,
- 2022: Increased profits by a further €2.5 billion to €16.8 billion.

VW:

- 2021: Increased profits 11% compared to 2019, from €13.9 billion to €15.4 billion.
- 2022: Maintained record high profits of €15.4 billion.

**BMW, Mercedes, Stellantis and VW's profits are at the highest levels seen in the last seven years.**

BMW's and Stellantis' large profits in 2021 and 2022 more than make up for the small drop in profits in 2020.

While Mercedes' revenues have not recovered to pre-pandemic levels, the carmaker has made large profits<sup>16</sup> (fig. 2) throughout the 2020-2022 period. Despite the challenges posed by covid, the carmaker

<sup>16</sup> For this analysis T&E refers to net profit i.e. profit after all business costs are accounted for.



increased profits by 53% in 2020 compared to 2019. Yet it is 2021 and 2022 which are the big profit years for Mercedes. **2021 profits stood at €23 Billion, almost ten times 2019 profits (€2.4 billion)**<sup>17</sup>. Despite a decrease in 2022, profits were still €14.5 billion, 6 times higher than 2019. These are record profits which were not seen in the years prior to the covid crisis.

Renault, after not making a profit since 2018, made €890 million in profit in 2021. Due to the disposal of the Renault factory in Russia, the carmaker failed to return a profit in 2022. Without the disposal, **Renault would have almost doubled its 2022 profit to €1.6 billion**<sup>18</sup> compared to the previous year. This is despite Renault's revenues not yet recovering to pre-pandemic levels.

**In total the five car makers made €64 billion in 2022, more than double their 2019 €28 billion profits.**

### **3. Carmakers are making record profits by selling fewer, more expensive cars at the expense of consumers**

Carmakers claim that Euro 7 will make new cars too expensive resulting in limited improvements to air quality due to lower car sales and slower fleet turnover<sup>19</sup>. While Euro 7 may make cars marginally more expensive while delivering better air quality (Section 4), it is unlikely to have a significant impact on sales as this was not seen with the current Euro 6 standards - **sales of new cars increased after Euro 6 came into force**<sup>20</sup>. However, carmakers are making today's record profits by pursuing a new corporate strategy which is driving up car prices and forcing drivers into larger, more expensive cars. Unlike Euro 7, the only benefit is to carmakers' profits and their shareholders.

As shown in Section 2, carmakers are, largely, making bigger profits today than before the covid pandemic despite selling fewer cars and rising inflation. Together, the five car makers sold 25% fewer cars in 2022 than in 2019 but made €37 billion more in profit (fig. 3). Car sales in 2022 were at the lowest levels seen for the 2015-2022 period. While supply chain issues are blamed for lower car production volumes and hence sales, **carmakers have been vocal about their shift in strategy away from selling as many mass market cars as possible towards selling fewer but larger, premium cars with higher profit margins.**

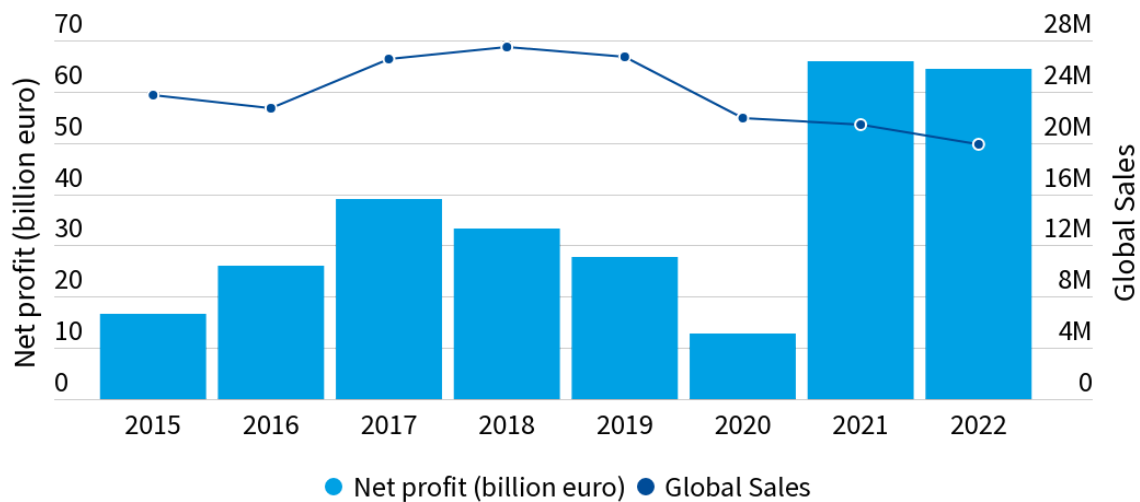
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<sup>17</sup> Some of the increase in profit in 2022 is due to the spin-off of the Daimler commercial vehicle business.

<sup>18</sup> Renault. (2022, 02, 16) [Renault Group delivers: doubled profitability, record free cash flow, resumed dividend & further performance improvement expected in 2023](#).

<sup>19</sup> Reuters. (2023, 03, 21) [Industry group says Euro 7 emission rules will raise car prices](#).

<sup>20</sup> T&E. (2021) [The seven \(dirty\) air pollution tricks of the auto industry](#).



Source: Bloomberg terminal and carmaker's annual financial reports, data for BMW, Mercedes, Renault, Stellantis and VW, nominal values

**Fig. 3. Total combined net profit and vehicle sales<sup>21</sup> of BMW, Mercedes, Renault, Stellantis and VW. Together the five carmakers increased their profits from €28 billion in 2019 to €64 billion in 2022 while selling 25% less cars.**

VW has changed its aspiration from being the world's largest carmaker to now focusing on 'quality and margins, rather than on volume and market share'<sup>22</sup>. BMW's chief executive claims that they 'are not driving a volume strategy'<sup>23</sup> and BMW's 2021 revenues were 'boosted by favourable product mix effects due to increased sales of high-revenue models'<sup>24</sup>. Renault is doing the same and even coined the word 'Renaulution' to describe its transition from 'volume to value'<sup>25</sup>. Mercedes has been even clearer, outlining a target for this strategy: 'increase the sales of its priciest cars some 60% by 2026 and boost its operating margin to 14%'<sup>26</sup>.

The shift to more expensive models is not the only cause of carmakers record profits; restricted supply and sustained demand from consumers has allowed carmakers to also raise prices<sup>27</sup>. BMW's 2022 financial report claims that the company is still benefiting from a 'favourable pricing and product mix'<sup>28</sup>. Analysts at Citi bank have recently said that Mercedes' 'strategy for higher pricing and mix continues to

<sup>21</sup> Based on automotive segment deliveries for BMW, unit sales of Mercedes-Benz cars, Renault group sales of passenger cars, Stellantis: 2021 and 2022 figures based on vehicle shipments. Figures prior to 2021 are FCA and PSA combined sales figures as reported in the relevant annual financial reports, deliveries to customers for VW group.

<sup>22</sup> Financial Times. (2022, 04, 6) [VW to scrap dozens of models to focus on profitability.](#)

<sup>23</sup> Financial Times. (2022, 04, 6) [VW to scrap dozens of models to focus on profitability.](#)

<sup>24</sup> BMW. (2021) [BMW Group Report 2021.](#)

<sup>25</sup> [www.renaultgroup.com/wp-content/uploads/2022/02/rg\\_2021\\_fy\\_earning-report.pdf](#)

<sup>26</sup> Bloomberg ( May 25, 2022) [Mercedes Makes High-End Luxury Moves That Pose a Few Risks.](#)

<sup>27</sup> Reuters. (2022, 02, 22) [Stellantis sees car price pressure ahead as profit beats forecasts.](#)

<sup>28</sup> BMW. (2022) [BMW Group report 2022.](#)

take shape<sup>29</sup>. The average price of a Mercedes is now 43% higher than in 2019<sup>30</sup>. Renault has also increased prices and, if demand were to fall in the future, plans to ‘adapt production capacity’ i.e. reduce production to keep prices high<sup>31</sup>. Last year it was reported that Stellantis was able to raise prices and sell more high-end vehicles due to production constraints<sup>32</sup>, and that in 2022 high vehicle prices and lucrative models helped drive its strong earnings<sup>33</sup>. VW says its higher profits are ‘mainly attributable to improved price positioning and the product mix’<sup>34</sup>.

Overall, this strategy has resulted in carmakers scrapping production of popular, small, more affordable cars such as the Fiat Punto, VW Beetle and Citroën Picasso<sup>35</sup>, forcing consumers who would normally purchase these cars into either purchasing larger, more premium models (such as SUVs) with higher profit margins, or towards the second hand market for drivers who can no longer afford new cars. For carmakers the shift to more premium cars and higher prices has resulted in:

- BMW’s profit margin almost tripled from 4.6% in 2019 to 12.6% in 2022 while car sales have dropped from 2.5 million in 2019 to 2.4 million in 2022<sup>36</sup>.
- Mercedes’ profit margin increased from 6.8% in 2019 to 9.5% in 2022 while the number of cars sold dropped from 2.4 million in 2019, to 2.0 million 2022<sup>37</sup>.
- Renault’s profit margin increased from 0.4% in 2019 to 4.8% in 2022 despite selling 1.4 million fewer cars in 2022 (1.7 million) than 2019 (3.1 million)<sup>38</sup>.
- Stellantis’s profit margin increased from 4.0% in 2019 to 9.9% in 2022. This is a higher profit margin than the carmaker’s is targeting to achieve in 2030<sup>39</sup>. The carmaker sold 5.8 million cars in 2022 compared to 7.9 million in 2019<sup>40</sup>.
- VW’s profit margin increased from 5.6% in 2019 to 5.9% in 2022. Over the same period car sales dropped by 2.7 million from 10.7 million to 8.0 million in 2022<sup>41</sup>.

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<sup>29</sup> Financial Times. (2023, 02, 17) [Mercedes-Benz posts profit rise but warns on ‘sluggish’ demand in Europe.](#)

<sup>30</sup> Bloomberg. (2023, 02, 17) [Mercedes Cars Become More Elusive After 43% Jump in Prices.](#)

<sup>31</sup> Financial Times. (2022, 10, 21) [Renault sticks with policy of higher priced cars in profits push.](#)

<sup>32</sup> Automotive news. (2021, 09, 09) [Stellantis bottom line boosted by pricing, product mix.](#)

<sup>33</sup> Bloomberg UK. (2023, 02, 22) [Stellantis Rises on Surprise Buyback, Strong Earnings.](#)

<sup>34</sup> VW. (2023) [Annual report 2022.](#)

<sup>35</sup> Euoractiv (2022, 12, 08) [Why are small European cars disappearing?](#)

<sup>36</sup> Based on automotive segment deliveries as reported in BMW’s annual financial reports.

<sup>37</sup> Based on unit sales of Mercedes-Benz cars as reported in Mercedes’ annual financial reports.

<sup>38</sup> Based on Renault group sales of passenger cars as reported in Renault’s annual financial reports .

<sup>39</sup> Financial Times (2023, 02, 22) [Stellantis chief forecasts car prices to fall this year as discounting returns.](#)

<sup>40</sup> 2021 and 2022 figures based on vehicle shipments. Figures prior to 2021 are FCA and PSA combined sales figures as reported in the relevant annual financial reports.

<sup>41</sup> Deliveries to customers as reported in VW’s annual financial reports.

For BMW, Mercedes and Stellantis, 2022 profit margins are at the highest seen in the period 2015-2022 despite much lower car sales.

#### 4. Carmakers are spending profits on dividends and share buy backs instead of on less polluting cars

Carmakers argue that they cannot afford to make cars less polluting as they have to make large investments into electrification to meet the EU car CO<sub>2</sub> standards. While it is true that carmakers are investing in developing new electric car models, battery factories and re-tooling old factories to produce new electric cars, **carmakers are also spending their record profits paying out dividends to shareholders and on share buyback schemes to boost their share price and ‘facilitate attractive capital returns to shareholders’<sup>42</sup>**. Table 1 shows the dividends paid out to shareholders by the five car makers. This table only includes normal dividends paid annually and does not include any one off ‘special dividends’ - these can be distributed under various circumstances such as mergers or sales of subsidiary companies. 2021 is the first year that dividends were paid out under the Stellantis brand.

**Table 1. Dividends paid out to shareholders since 2019. 2023 figures are based on carmakers announcements and may not have been paid yet<sup>43</sup>.**

€ Billion	2019	2020	2021	2022	2023
BMW	2.3	1.6	1.3	3.8	5.5
Mercedes	3.5	1.0	1.4	5.4	5.6
Renault	1.0	0	0	0	0.1
Stellantis	-	-	-	3.4	4.2
VW	2.4	2.4	2.4	3.8	4.4
<b>Total</b>	<b>9.2</b>	<b>5.1</b>	<b>5.1</b>	<b>16.3</b>	<b>19.7</b>

For comparison, dividends paid in 2019 (based on 2018 profits) are taken as the baseline for this analysis, since dividends paid in 2020 may have been affected by the covid pandemic e.g. carmakers may have decided to not pay or reduce the 2020 dividend on 2019 profits due to economic uncertainty. After covid, BMW, VW and Mercedes have significantly increased the dividends paid to shareholders. Compared to 2019:

<sup>42</sup> Stellantis. (2023) [Stellantis Approves Share Buyback Program](#).

<sup>43</sup> The year's dividends are based on earnings of the previous year i.e. the 2019 dividend is paid on 2018 profits. For Stellantis only two years of ordinary dividends have been paid. FCA and PSA dividends prior to the merger or special dividends in relation to the merger have not been taken into account. Data was collected from carmakers annual reports, financial statements and announcements.

- BMW's dividend increased by 66% in 2022, in 2023 the dividend was 2.5 times the dividend in 2019.
- Mercedes' dividend increased by 53% in 2022, the 2023 is 60% higher than the 2019 dividend.
- VW's dividend increased 56% in 2022, in 2023 the dividend increased further to 82% above the 2019 dividend.

In total, for the three German carmakers (BMW, Mercedes and VW) dividends paid to shareholders in 2023 had increased by €7.2 billion compared to 2019, almost doubling over this period. Since 2019 the three carmakers have paid, in total, €46.7 billion to shareholders. This more than the GDP of Latvia<sup>44</sup>. If 'special dividends' were taken into account this number would be even higher, for example, at the beginning of 2023 VW paid an additional 'special dividend' to its shareholders of €9.6 billion from money made from the stock market listing of Porsche<sup>45</sup>.

Stellantis' dividend in 2023 increased by 24% compared to 2022 (the first year in which the newly combined group posted a normal dividend). Renault plans to resume its dividend in 2023, which had not been paid since 2019, T&E calculates that Renault will pay out around €74 million in dividends 2023<sup>46</sup>.

In total the five carmakers are expected to pay out €19.7 billion to shareholders in 2023, this is more than the GDP of Malta<sup>47</sup>.

**Car companies are also buying their shares back** to boost their share price and generate additional value for their investors:

- BMW has announced that it is going to spend €2 billion to buy back its shares from July 2022 to December 2023, equivalent to 11% of 2022 profits. According to BMW 'The share repurchase is evidence of [BMW's] consistent financial strength and robust liquidity'<sup>48</sup>.
- Stellantis announced that it will buy back up to €1.5 billion in shares by the end of 2023 thanks to 'the company's significant cash flow generation and strong balance sheet'<sup>49</sup>.

<sup>44</sup> €39.2 billion. [IMF Datamapper](#). Accessed 05/04/2023. Based on Euro/U.S. dollar exchange rate on 05/04/2023.

<sup>45</sup> Euro Financial Review. (2022, 12, 17) [Volkswagen shareholders approve €9.6bn dividend](#).

<sup>46</sup> Based on the announced €0.25 dividend per share (Renault. (2021, 02, 16) [Renault Group delivers: doubled profitability, record free cash flow, resumed dividend & further performance improvement expected in 2023.](#)) and the total number of issued shares (296, 722, 284) as of February 28, 2023 (Renault (2023, 02, 28) [Disclosure of the total number of voting rights and shares, provided pursuant to article L. 233-8 II of the French Commercial Code and the Article 223-16 of the Règlement général de l'Autorité des marchés financiers \(Regulation of the French stock market authority\).](#)

<sup>47</sup> €16.2 billion. [IMF Datamapper](#). Accessed 05/04/2023. Based on Euro/U.S. dollar exchange rate on 05/04/2023.

<sup>48</sup> BMW group [press release](#) from 30/06/2022.

<sup>49</sup> Stellantis. (2023) [Stellantis Approves Share Buyback Program](#).

- Mercedes has also announced that it will spend €4 billion in share buybacks over 2 years<sup>50</sup>.

The announcements of share buybacks by BMW, Stellantis and Mercedes totals another €7.5 billion.

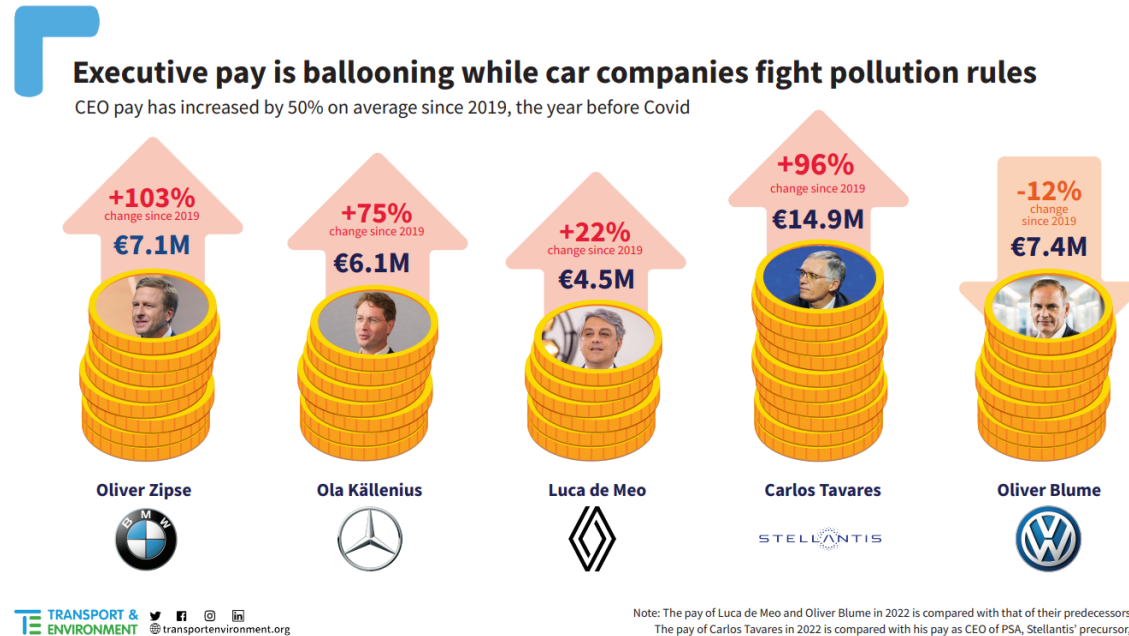


Figure 5. Increase in CEO pay of the five carmakers between 2019 and 2022.

The large dividends and stock buybacks are accompanied by **large increases in CEO pay since 2019 (fig. 5, table 2), increasing for the five carmakers by an average of 50%**. Stellantis CEO Carlos Tarvares was paid €14.9 million last year – almost twice as much as when he was head of its precursor, PSA, in 2019. Mercedes boss Ola Källenius made 75% more last year than in 2019. Only Volkswagen head Oliver Blume made less in 2022 than his predecessor in 2019, but the company is planning to increase his maximum pay by a quarter<sup>51</sup>.

<sup>50</sup> Mercedes [press release](#) from 16/02/2023

<sup>51</sup> Financial Times. (2023, 03, 29) [VW plans 25% pay increase for executive board members](#).

**Table 2. CEO pay in 2019 and 2022<sup>52</sup>.**

CEO pay (million €)	BMW	Mercedes	Renault	Stellantis	Volkswagen	Total
2019	3.5	3.5	3.7	7.6	8.4	27
2022	7.1	6.11	4.5	14.9	7.4	40
% change	+103%	+75%	+22%	+96%	-12%	+50%

## 4. EURO 7 is affordable for carmakers

The large spend by carmakers on dividends and share buybacks indicates that carmakers have large sums of money available to spend. Yet, at the same time, carmakers claim that compliance with Euro 7 is too expensive, would require ‘huge investments’<sup>53</sup> and result in fewer car sales<sup>54</sup>, damaging the European automotive industry at a time when carmakers are already struggling due to supply chain issues and rising costs. As of today, carmakers have not provided an analysis or given specifics on what they mean by ‘huge’ investments, but the European Commission has included an analysis of the total cost for the industry of various Euro 7 scenarios in its Euro 7 Impact Assessment<sup>55</sup>.

The European Commission’s Euro 7 Impact Assessment finds a more ambitious Euro 7 (than proposed by the Commission) as the optimal policy option for reducing pollution from cars. This includes reducing the limit for toxic NOx pollution from 60 to 30 mg/km and for dangerous particles from  $6 \times 10^{11}$ /km to  $1 \times 10^{11}$ /km.

The total cost of such a Euro 7, **over the entire lifetime of the regulation**, for the two biggest carmakers is €5.7 billion and €5.1 billion each. For VW this would be 37% of 2022 profits, only 30% more than the €4.4 billion which VW plans to pay out in dividends this year. For Stellantis this would be 30% of 2022 profits, or less than the €5.7 billion that the carmaker plans to spend on dividends and stock buybacks. For smaller carmakers the total cost of Euro 7 is much lower at €0.5 to €2.7 billion<sup>56</sup>, as fewer

<sup>52</sup> Data obtained from carmakers’ remuneration reports. Stellantis 2019 pay is based on PSA CEO 2019 pay as reported in PSA. (2020) [Universal Registration Document](#). Renault 2019 CEO pay was obtained from L’usineNouvelle. (2020, 02, 10) [Renault’s new boss will be better paid than Thierry Bolloré and... Carlos Ghosn](#). Renault 2022 CEO pay was obtained from Renault. (2022) [Universal Registration Document 2022](#).

<sup>53</sup> ACEA. (2021, 01, 31) [EU auto industry chief calls for ambitious automotive industrial policy](#).

<sup>54</sup> Reuters. (2023, 03, 21) [Industry group says Euro 7 emission rules will raise car prices](#).

<sup>55</sup> The costs for the industry depends on the kind of technology that new vehicles should be equipped with and, normally, increase with the level of ambition of pollution limits. Here we consider the costs incurred if EURO 7 is aligned with the medium ambition of the Commission’s Impact Assessment (PO3a).

<sup>56</sup> European Commission. (2022, 11, 10) Euro 7 Impact Assessment Report, Part 1.



cars are impacted. In the worst case, for BMW the cost would be 15% of 2022 profits and 19% for Mercedes, or around half of this year's dividend. As the 5th biggest carmaker in Europe, Renault's costs are likely to be lower than those of BMW or Mercedes.

**The numbers show that carmakers can afford to make cars less polluting, in line with the Commission's medium ambition of the Euro 7 Impact Assessment.**

## 5. Euro7 is affordable for consumers

Carmakers claim that stricter pollution standards will make cars too expensive for consumers<sup>57</sup>, but this won't be the case. The proposed Euro 7 standards are expected to add just €90-€150 to the cost of an average car<sup>58</sup>. If the ambition of the standards is increased to align the Commission's medium ambition scenario from the Impact Assessment<sup>59</sup> the additional cost per car would be €304<sup>60</sup>, cheaper than a paint job on a Peugeot 308 or Ford Fiesta<sup>61</sup>.

If we consider the small car segment which is more affordable for cost conscious or lower-income consumers e.g. the Renault Clio or a Fiat Panda, the additional cost of Euro 7 would be even lower, just €139 or only an additional 0.81% of the small petrol car's current price<sup>62</sup>.

The cost increase for all vehicles is limited as it does not require changes to the engine or for a vehicle to be electrified e.g. mild hybrid (MHEV), plug-in hybrid (PHEV) or full hybrid (HEV) to comply. Only upgrades to existing exhaust components are needed such as bigger and more efficient filters, three way catalysts and SCR NOx control systems, technology which is already available on the market today.

## 5. Conclusions

Financial data from Europe's five biggest carmakers (BMW, Mercedes, Renault, Stellantis and VW) shows that while carmakers are selling around 25% fewer cars than before the covid pandemic they are now, largely, making much bigger profits. The five carmakers' 2022 profits (€64 billion) were more than double pre-pandemic 2019 profits (€28 billion). The large increase is due to a shift in strategy towards selling fewer cars but more premium models with higher profit margins at the expense of high volume, mass market, more affordable cars. Small, popular car models such as the Fiat Punto, VW Beetle and Citroën Picasso have been scrapped and carmakers have raised car prices making cars less affordable for consumers.

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<sup>57</sup> Reuters. (2023, 03, 21) [Industry group says Euro 7 emission rules will raise car prices.](#)

<sup>58</sup> European Commission. (2022, 10, 10) [Euro 7 standard: new rules for vehicle emissions.](#)

<sup>59</sup> PO3a

<sup>60</sup> European Commission. (2022, 11, 10) Euro 7 Impact Assessment Report, Part 1.

<sup>61</sup> Price checked on [Peugeot website](#) and [Ford website](#) on 16/02/2023.

<sup>62</sup> European Commission. (2022, 11, 10) Euro 7 Impact Assessment Report, Part 3.



Carmakers are spending their large profits on shareholders through large dividends and stock buybacks. Based on 2022 profits, the five carmakers are paying out €19.7 billion in dividends (more than the GDP of Malta<sup>63</sup>) and spending €7.5 billion on stock buybacks.

At the same time carmakers argue that they cannot afford new Euro 7 rules to make cars less polluting to reduce the 70,000 premature deaths which occur every year as a result of air pollution from road transport. Yet a more ambitious Euro 7 which aligns with the findings of the Commission's Impact Assessment is affordable. For the two biggest carmakers, the total cost over the entire lifetime of the regulation is just €5.7 and €5.1 billion each. For VW the total cost of Euro 7 would be 37% of 2022 profits, only 30% more than the €4.4 billion which VW plans to pay out to shareholders this year. For Stellantis this would be 30% of 2022 profits, less than the €5.7 billion that the carmaker plans to spend on dividends and stock buybacks. For smaller carmakers the costs are even lower as fewer cars are impacted.

The data shows that carmakers can afford to make cars less polluting but would rather put profit and shareholders first before public health. Carmakers will sell at least another 100 million cars with an internal combustion engine in the decade before 2035 and a potential allowance of the sale of e-fuel ICE powered cars after 2035<sup>64</sup> - subject to upcoming legislative debate - means that Europe might no longer be on a trajectory to completely eliminate tailpipe pollution from new cars by 2035. Euro 7 is the only tool for reducing pollution from the large number of highly polluting ICE cars that will be sold. Policymakers should not repeat the mistakes of the past and fail to regulate an industry which is responsible for appalling air quality across Europe. For the sake of air quality and people's health, policymakers should, at the minimum, align Euro 7 with the outcome of the Commission's Euro 7 Impact Assessment which was found to be **'the most effective in achieving the identified objectives, while also being cost-efficient by bringing the highest health and environmental benefits for citizens at low regulatory costs for industry'**.

## Further information

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<sup>63</sup> €16.2 billion. [IMF Datamapper](#). Accessed 05/04/2023. Based on Euro/U.S. dollar exchange rate on 05/04/2023.

<sup>64</sup> T&E. (2023) [T&E reaction to the EU and German deal on 2035 zero-emissions car law](#).