

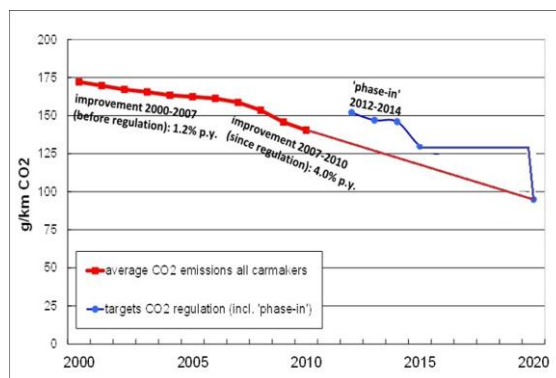
## Context

Proposals to lower CO<sub>2</sub> emissions are currently being considered by the Environment Committee of the European Parliament.<sup>1</sup> The amount of CO<sub>2</sub> cars emit is directly related to the amount of fuel the vehicle consumes – lower carbon vehicles therefore use less fuel and are cheaper to run. The regulation will therefore also determine how much future cars cost to run and the level of future EU oil imports that affects both balance of payments and energy security.

In 2009, the EU set legally-binding targets for new cars to emit 95g/km by 2020. The current debate concerns how this target should be met and whether it should be weakened through flexibilities. This briefing outlines why 95g in the regulation should mean cars on average achieve 95g on the road and why flexibilities are unnecessary and counterproductive.<sup>2</sup>

### 1. Carmakers are on track to achieve 95g in 2020

In the decade preceding 2007 when carmakers promised to voluntarily reduce CO<sub>2</sub> emissions from new cars the level of improvement averaged just 1.2%pa. Since the regulation was adopted the improvement has been 4.0%pa - the regulation is clearly needed and is effective! Most carmakers will achieve 2015 targets several years ahead of schedule and are on track to meet 2020 targets – without using supercredits, eco-innovations and other flexibilities. This was recently confirmed by Europe’s largest carmaker, VW.<sup>3</sup> European carmakers are also better placed to meet the target than their US and Asian competitors.<sup>4</sup>



Carmakers are on track to achieving 95g in 2020

### 2. Low carbon cars are cheaper to run and in demand

Low carbon cars burn less fuel which in turn saves drivers money. By adopting 95g in 2020 the average driver in Europe will save around €500 a year (compared to current vehicles).<sup>5</sup> If the regulation is weakened through generous supercredits it will cost new car drivers €223<sup>6</sup> more in fuel. A recent survey<sup>7</sup> found that fuel economy and running costs are the second and third most important criteria for new car buyers – after safety.<sup>8</sup> “Meeting the 95 g CO<sub>2</sub>/km standard in 2020 would lead to significant fuel savings for consumers,” said Monique Goyens, director of the European Consumers Organisation (BEUC).<sup>9</sup> More fuel efficient cars also have better second hand value.

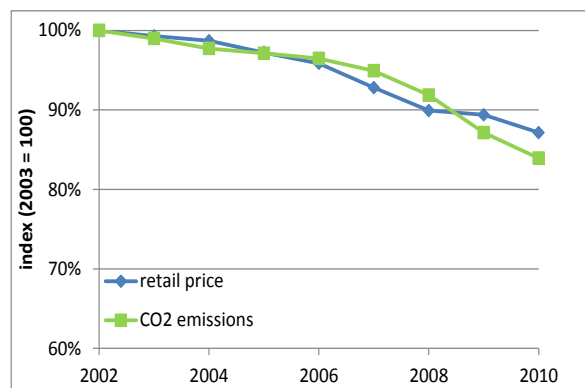
### 3. More fuel efficient cars are good for jobs, economic growth and energy security

A range of authoritative studies demonstrate 'employment benefits are likely'<sup>10</sup> to result from CO2 regulations including the Commission's Impact Assessment.<sup>11</sup> Work led by the European Climate Foundation<sup>12</sup> working in partnership with industry, unions and NGO's estimates 350k jobs will be created through the need to design and deploy new technology and boosting consumer spending with the money drivers save in lower fuel bills. If an ambitious long-term target was adopted for 2025 an additional 100k jobs would be created. There are also economic benefits including €12-16Bn of growth by 2025-30. Fuels savings of €36Bn pa (2025-30) also increases the EU's resilience to oil shocks.

### 4. Fuel efficient cars need not be more expensive and vehicles are available NOW to meet the 95g target

Carmakers scaremongering in 2007 that cars would become 'unaffordable' if the 130g target was adopted have been proved to be entirely wrong. As cars have become more efficient their retail price has also fallen in real terms. There is broad consensus the cost of achieving the 95g target will be no more than €1000 and fuel savings will payback any additional costs within around 2 years.

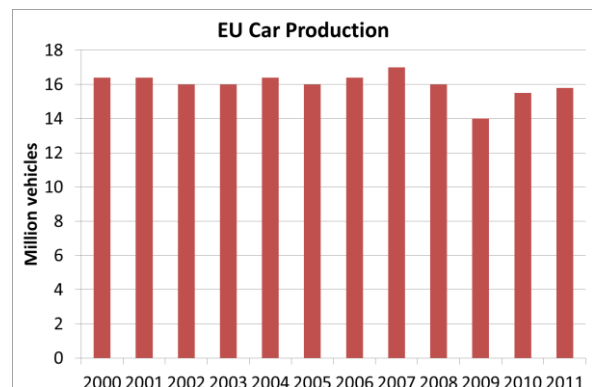
Expensive electric cars won't be needed to achieve the 95g target that will be met through improving the efficiency of engines, better aerodynamics, transmissions and some hybrids. Cars on the road TODAY achieve an average 95g's without any need to shift to smaller cars.<sup>13</sup>



Cars have become both more efficient and cheaper

### 5. Car-production is back to pre-crisis levels and levels of profitability are high

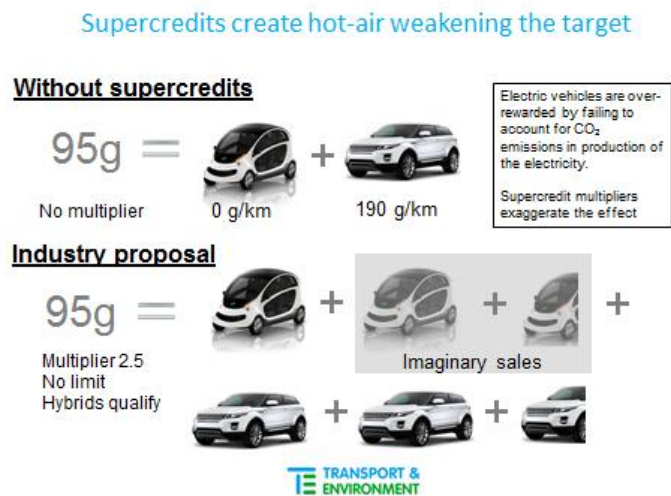
Whilst sales of cars in some EU markets are currently weak, the global motoring industry is booming with sales growing 5.8% in 2012.<sup>14</sup> The global growth in sales is building EU exports<sup>15</sup> and consequently car production in Europe grew by 5% to nearly 16 million vehicles in 2011, back to pre-crisis levels close to past levels.<sup>16</sup> Global carmakers are hugely profitable. Recent statements including that, "The BMW Group experienced the best year of its corporate history in 2011..." and "The Volkswagen Group ...recorded an operating profit of €11.3 billion in fiscal year 2011, surpassing the record figure of the previous year by 57.8%..." Even Ford that has closed unproductive plant in Europe commented recently that "Overall, it was our most profitable year since 1998." Companies making huge profits in a growing global market can afford the investment in research and development to produce more fuel efficient vehicles in demand globally.



EU car production levels have almost returned to pre-crisis levels

## 6. Supercredit incentives for electric vehicles weaken the regulation and reduce the benefit

Supercredits earn manufacturers additional emissions credits for every ultralow carbon vehicle they sell. They do this by creating imaginary sales of vehicles that enable carmakers to continue to sell gas guzzlers and achieve their targets. The cost of electric vehicles is so high manufacturers are still not encouraged to supply larger numbers. But the amount the regulation is weakened can be significant - the Rapporteurs proposal increases the target by 15g. Supercredits should be scrapped or the amount of weakening limited by a cap and preventing banking of credits.<sup>17</sup> Electric vehicles are not needed to achieve the 95g target and supercredits reduce the benefits of the regulation.

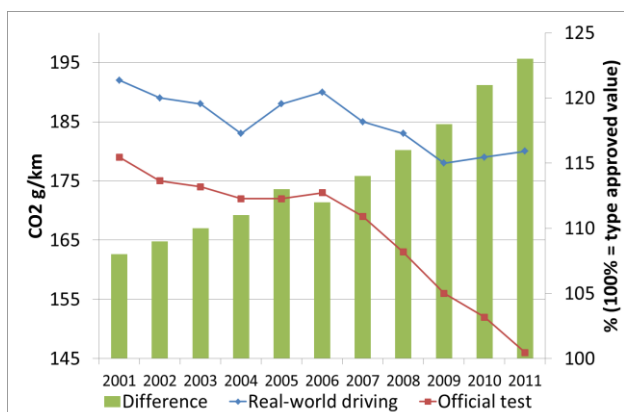


## 7. Adjustments to the targets for individual companies are small compared to the level of flexibilities being demanded by affected companies

The Commission Proposal updated the way targets for individual manufacturers are set leading to slightly tougher targets for makers of heavier cars (of between 2 - 3.5g/km) but easier targets (by 1 - 2 g) for makers of the lightest vehicles. The Rapporteur has justified generous supercredits that weaken the regulation by around (15g/km) to compensate for adjustments to targets it is clear the compensation is entirely disproportionate.

## 8. Test results are being manipulated resulting in much lower results than drivers achieve on the road

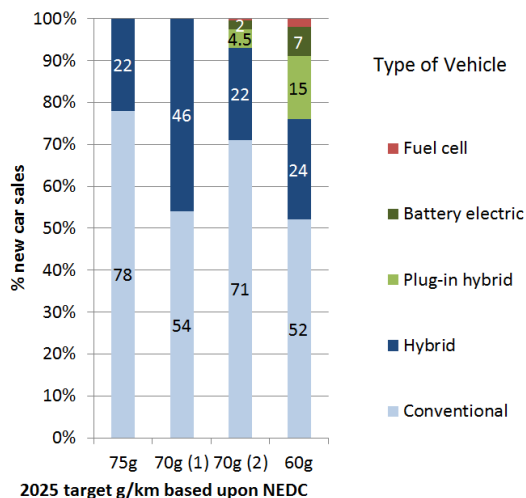
The gap between vehicle fuel efficiency achieved on the road and that measured in official tests is growing annually, up from 7 to 23% in a decade. A key reason is manipulation of testing results that is responsible for up to 30% of the CO<sub>2</sub> emissions improvement measured in new cars between 2002 and 2010. The outdated test, lax procedures and inadequate oversight of measurements are, and will continue to undermine the regulation and cheat drivers of the fuel savings official data promises. A new and improved test cycle should be introduced by 2016 at the latest and checks made on production cars to ensure these also achieve test results. The Rapporteur and carmakers in contrast want to be able to continue using and abusing the current system for another 8-years.



The gap between fuel efficiency measured in test and on the road is growing annually

## 9. The 95g target was set 13 years ahead - a 2025 target will provide a similar lead time

In 2009, the European Parliament introduced the 95g target to signal to the level of ambitious the automotive sector needed to plan for. A 60g/km, 2025 target should now also be introduced to provide planning and investment certainty; stimulate the market for ultra-low carbon vehicles; preserve the EU's global leadership in making cleaner fuel efficient cars; and, send a clear political signal to carmakers on the need for continued emission reductions. The Rapporteur wants to postpone discussions about 2025 until the end of 2017 but will this will add long-term costs and reduce short-term investment.



**Only targets below 70g/km require advanced technologies**

## 10. Cars are getting heavier because lighter cars receive tougher targets

Cars are still getting heavier and part of the reason for this is that carmakers target are based upon the average weight of cars they sell. This has two distinct disadvantages: cars getting heavier (and less safe), receive higher targets; and, lightweighting of cars is discouraged as these receive tougher targets! The solution is to base targets on the size (footprint), not weight of the vehicle. From 2015, carmakers should be allowed to choose whether the target is based upon mass or footprint. In this way those companies wishing to make use of lightweight materials in future models can receive the full benefit of their investment.

### Further information

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### References

<sup>1</sup> European Commission Climate Action 2012, COM/2012/393, Proposal for a Regulation to define the modalities for reaching the 2020 target for reducing CO2 emissions from new passenger cars

<sup>2</sup> Regulation (EC) No 443/2009 of the European Parliament and of the Council of 23 April 2009 ....

<sup>3</sup> VW release

<sup>4</sup> Cars 2012 report

<sup>5</sup> Positon paper

<sup>6</sup> Assumes weakening of 20g; €1.7/l; 20,000km pa

<sup>7</sup> FIA, 2011, eSafety Challenge study on Car Users' Acceptance of eSafety Technologies (2011), page 3

<sup>8</sup> T&E, 2013, Tired of Hot Air?, <http://www.transportenvironment.org/publications/tired-hot-air>

<sup>9</sup> Euractiv, 2013, Green cars legislation faces 'dilution', says Irish presidency <http://www.euractiv.com/climate-environment/co2-cars-legislation-faces-dilut-news-517165>

<sup>10</sup> CE delft

<sup>11</sup> Com IA

<sup>12</sup> ECF

<sup>13</sup> Paper on today

<sup>14</sup> [http://oica.net/wp-content/uploads/ventes\\_graph\\_2005\\_2012\\_PC.gif](http://oica.net/wp-content/uploads/ventes_graph_2005_2012_PC.gif)

<sup>15</sup> T&E, 2012, Commission bends to car industry pressure <http://www.transportenvironment.org/press/commission-bends-car-industry-pressure>

<sup>16</sup> ACEA 2012, The Automobile industry Pocket Guide

<sup>17</sup> T&E, 2013, Appraisal of the Ulmer Report on cars & CO2: <http://www.transportenvironment.org/publications/appraisal-ulmer-report-cars-co2>