

**CARS 21 MID-TERM REVIEW**  
**STOCKTAKING AND STAKEHOLDER INPUT**  
**GUIDANCE PAPER**

**PURPOSE, ORGANISATION AND TIMING**

This paper seeks to provide a basis for stakeholders to provide written input into the CARS 21 mid-term review stock-taking and review process. It tries to provide a structure for written contributions and outlines the main issues to be considered in the framework of the mid-term review. Written contributions will play an important role in the mid-term review and comments submitted by stakeholders will provide a strong input for the drafting of the conclusions for the High Level Conference on October 15<sup>th</sup> and for any subsequent follow-up by the European Commission.

Stakeholders are kindly asked to provide their **written contributions by 9<sup>th</sup> September 2008 at the latest.**

This review has been divided into two sections both of which will be addressed by the conclusions. Part 1 is a straightforward topic-by-topic stock-taking of progress and developments in each individual policy area covered by the original CARS 21 exercise. It follows the framework set out in the CARS 21 High Level Group final report and in the Commission Communication on a Competitive Automotive Regulatory Framework.

Part 2 focuses on a few core subjects (energy and environment, globalisation and external competitiveness, better regulation) and is more conceptual and forward-looking. Its focus is more on identifying possible scenarios for the future, looking at how policy could respond and assessing which related issues should be investigated in more detail during the coming years. The onus of this section is on energy and environmental issues and the questions identified in Part 2 are intended as broad guidance. There are obvious overlaps between Part 1 and Part 2 in areas of environment, trade and better regulation and stakeholders may find it more convenient to consolidate their inputs for these areas into a single format.

Stakeholders are free to provide input on relevant areas in any format they prefer, but are encouraged to follow the structure outlined below as this will significantly facilitate the organisation of information and will make the drafting and discussion process easier and more structured. Stakeholders are encouraged to share any relevant analyses which they may have on the subject areas being considered. As different stakeholders have a varying level of involvement in different policy areas, they can also limit their comments to those areas which are of particular interest to them.

## **PART 1: STOCK-TAKING AND REVIEW OF INDIVIDUAL CARS 21 POLICY AREAS**

The CARS 21 High Level Group final report<sup>1</sup> and the Commission Communication on a Competitive Automotive Regulatory Framework<sup>2</sup> made recommendations and outlined policy actions in the following policy areas related to the automotive industry.

- Better Regulation and regulatory simplification
- Internal market
- Environmentally sustainable road transport
- Road safety
- Trade and overseas markets
- Research and development; intellectual property
- Taxation, fiscal incentives and competition issues
- Framework operating conditions; restructuring

Part 1 of the mid-term review seeks comments on all the above policy areas with focus on the application of conclusions from the original CARS 21 exercise. Broadly the CARS 21 mid-term review will seek to answer the following questions with respect to each policy area:

### **1. KEY QUESTIONS**

1. Have the main recommendations and actions outlined in the CARS 21 final report and CARS 21 Communication been implemented? What remains to be done?
2. What, if any, have been the positive aspects with regard to individual policy areas and how could these be strengthened further?
3. What, if any, have been the negative aspects with regard to individual policy areas and how could these be improved?
4. Are there any new considerations (regulatory, market, technological, societal etc.) which should be taken into account or investigated further (e.g. in-depth studies) with regard to individual policy areas?
5. Should the policy direction outlined in the CARS 21 final report and the CARS 21 Communication be modified in any individual policy area? How should this be done and what are the key reasons for doing so?
6. Are there any specific recommendations or actions which should be added to the existing set of measures under CARS 21?

Stakeholders are asked to provide their written contributions with these questions in mind and (to the extent possible) structure them along the above lines to facilitate further discussion on individual policy areas and the drafting of the mid-term review conclusions.

---

<sup>1</sup> CARS 21: A Competitive Automotive Regulatory System for the 21<sup>st</sup> Century, Final Report

<sup>2</sup> A Competitive Automotive Regulatory Framework for the 21<sup>st</sup> Century: Commission's position on the CARS 21 High Level Group Final Report. A Contribution to the EU's Growth and Jobs Strategy COM (2007) 22.

## **2. CORE REFERENCE MATERIALS**

The 18 recommendations of the CARS 21 High Level Group final report and the 41 actions presented by the Commission in its Communication on a Competitive Automotive Regulatory Framework form the basis of the stock-taking exercise and will be relevant reference materials throughout the review.

**The CARS 21 High Level Group final report can be found on:**

<http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/cars21finalreport.pdf>

All language versions of the Commission Communication on a Competitive Automotive Regulatory Framework (**CARS 21 Communication**) can be found on:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007DC0022:EN:NOT>

**Additional material relevant to CARS 21 can be accessed through:**

<http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/cars21.htm>

Links to information relevant to individual policy areas can be found in section 3 below.

## **3. INDIVIDUAL POLICY AREAS**

### **3.1. Better Regulation and regulatory simplification**

Main issues to be considered:

- a) regulatory simplification (replacement of selected EC directives by UN/ECE regulations, repeal of obsolete directives, introduction of self- and virtual testing)
- b) international harmonisation (continued international harmonisation in the framework of the 1958 and 1998 UN/ECE Agreements)
- c) cost of regulation (effects of interactions between different policy areas, cumulative cost of legislation, reduction of administrative costs)
- d) quality of legislation and the regulatory process (application of better regulation principles, regulatory analysis, impact assessments, stakeholder consultations, inter-institutional aspects)

Information on the Commission's Better Regulation policy, the automotive regulatory framework, individual legislation and international harmonisation can be found on:

[http://ec.europa.eu/enterprise/regulation/better\\_regulation/index\\_en.htm](http://ec.europa.eu/enterprise/regulation/better_regulation/index_en.htm)

<http://ec.europa.eu/enterprise/automotive/pagesbackground/regulatoryframework.htm>

[http://ec.europa.eu/enterprise/automotive/pagesbackground/global\\_harmonisation.htm](http://ec.europa.eu/enterprise/automotive/pagesbackground/global_harmonisation.htm)

<http://ec.europa.eu/enterprise/automotive/directives/index.htm>

<http://ec.europa.eu/enterprise/automotive/directives/proposals.htm>

<http://ec.europa.eu/enterprise/automotive/unece/index.htm>

*Note: Stakeholders should note that Better Regulation is also considered in Part 2 of the review. It may be useful to combine inputs for the two sections in order to avoid repetition.*

### **3.2. Internal market**

Main issues to be considered:

- a) whole vehicle type approval system (effectiveness and scope)
- b) barriers to the proper functioning of the internal market
- c) effectiveness of the internal market across parts of the automotive value chain not related to new vehicles (e.g. distribution and repair, used vehicles, spare parts)

Further information on the internal market in the automotive sector can be found on:

<http://ec.europa.eu/enterprise/automotive/pagesbackground/regulatoryframework.htm>

### **3.3. Environmentally sustainable road transport**

Main issues to be considered:

- a) Regulating pollutant emissions from light-duty vehicles (Euro 5 and 6 standards, public procurement)
- b) Regulating pollutant emissions from heavy-duty vehicles (Euro VI standards, international harmonisation)
- c) Regulating vehicle fuel efficiency and CO<sub>2</sub> emissions (regulation on CO<sub>2</sub> emissions from passenger cars; application of the integrated approach to reducing CO<sub>2</sub> emissions; review of measures under the integrated approach; application of principles related to measurability, monitorability and accountability; mobile-air conditioning systems, tyres, consumers/users; role of alternative fuels; role of information technology; regulating vehicle types other than passenger cars)
- d) Real-world emissions
- e) End-of-Life-Vehicles
- f) Noise emissions

Further information on the above policy areas can be found on:

[http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant\\_emission/index.htm](http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant_emission/index.htm)

<http://ec.europa.eu/environment/air/transport/index.htm>

[http://ec.europa.eu/energy/climate\\_actions/index\\_en.htm](http://ec.europa.eu/energy/climate_actions/index_en.htm)

[http://ec.europa.eu/environment/waste/elv\\_index.htm](http://ec.europa.eu/environment/waste/elv_index.htm)

<http://ec.europa.eu/environment/noise/sources.htm>

*Note: Stakeholders should note that energy/environment issues are also considered in Part 2 of the review. Combining inputs for the two sections may be useful.*

### **3.4. Road safety**

Main issues to be considered:

- a) Application of an integrated approach to road safety

- b) Implementation of vehicle technology measures outlined in CARS 21 (Electronic Stability Control, seatbelt reminders, brake assist systems, heavy-duty vehicle rear vision and conspicuity, Isofix, day-time running lights)
- c) Other elements of the integrated approach (infrastructure and users)
- d) Active safety (Regulation on the General Safety of Motor Vehicles)
- e) Pedestrian protection

Further information on road safety can be found on:

<http://ec.europa.eu/enterprise/automotive/pagesbackground/pedestrianprotection/index.htm>  
[http://ec.europa.eu/transport/roadsafety/index\\_en.htm](http://ec.europa.eu/transport/roadsafety/index_en.htm)

### **3.5. Trade and overseas markets**

Main issues to be considered:

- a) Improving market access
- b) Multilateral trade negotiations (Doha Development Agenda)
- c) Bi-lateral trade negotiations (e.g. South Korea, India, ASEAN)
- d) Trade relations with China (regulatory conditions, WTO, intellectual property)
- e) Trade relations with other key automotive markets (e.g. Russia)

Further information on trade-related issues can be found on:

[http://ec.europa.eu/trade/index\\_en.htm](http://ec.europa.eu/trade/index_en.htm)

*Note: Stakeholders should note that globalisation and external competitiveness are also considered in Part 2 of the review. Stakeholders may find it useful to combine inputs for the two sections.*

### **3.6. Research and Development; intellectual property**

Main issues to be considered:

- a) 7<sup>th</sup> Framework Programme and R&D co-operation between the EU and industry (collaborative research, Joint Technology Initiatives)
- b) Main R&D priorities and the role of research co-operation in supporting the EU's policy goals (clean renewable fuels and vehicles, intelligent vehicles and roads)
- c) Protection of intellectual property rights in Europe and world-wide

Further information on research in the automotive sector can be found on:

[http://ec.europa.eu/dgs/research/index\\_en.html](http://ec.europa.eu/dgs/research/index_en.html)  
[http://ec.europa.eu/enterprise/innovation/index\\_en.htm](http://ec.europa.eu/enterprise/innovation/index_en.htm)  
[http://ec.europa.eu/cip/index\\_en.htm](http://ec.europa.eu/cip/index_en.htm)

### **3.7. Taxation, fiscal incentives and competition issues**

Main issues to be considered:

- a) Taxation, fiscal incentives and the internal market

- b) Environmental performance-related taxation (e.g. CO<sub>2</sub>-based taxation)
- c) Access to vehicle repair and maintenance information
- d) Competition issues in the automotive sector (e.g. Block Exemption Regulation 1400/2002)

Further information on the above issues can be found on:

[http://ec.europa.eu/taxation\\_customs/taxation/other\\_taxes/passenger\\_car/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/other_taxes/passenger_car/index_en.htm)

[http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant\\_emission/index.htm#euro5](http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant_emission/index.htm#euro5)

[http://ec.europa.eu/comm/competition/sectors/motor\\_vehicles/overview\\_en.html](http://ec.europa.eu/comm/competition/sectors/motor_vehicles/overview_en.html)

### **3.8. Industry operating conditions and possible restructuring impacts**

Main issues to be considered:

- a) State of play on industry restructuring in the European Union
- b) Framework conditions (industrial policy)
- c) Use of Community funding to mitigate transitional effects (European Social Fund, European Regional Development Fund, Globalisation Adjustment Fund)
- d) Restructuring Forum and European Partnership for the Anticipation of Change

Further information on restructuring and industrial policy can be found on:

[http://ec.europa.eu/employment\\_social/restructuring/forum\\_en.htm](http://ec.europa.eu/employment_social/restructuring/forum_en.htm)

[http://ec.europa.eu/enterprise/enterprise\\_policy/industry/index\\_en.htm](http://ec.europa.eu/enterprise/enterprise_policy/industry/index_en.htm)

## **PART 2: FOCUS AREAS**

The CARS 21 mid-term review offers a good platform for looking at future development scenarios for the automotive industry and possible changes in global framework conditions, which may have an impact on its future. These relate primarily to the use of energy, increasing environmental concerns, technological perspectives and the implications of globalisation. It also offers the possibility to consider ensuing challenges, which the future automotive regulatory framework would have to address and identify the potential direction of work to help prepare for these challenges. Consequently, this section focuses on three key areas:

- Energy and Environment
- Globalisation and external competitiveness (trade issues)
- Better Regulation

The primary focus of this section is clearly on energy and environment while for trade and Better Regulation this section largely overlaps with Part 1. The aim is to establish a degree of common understanding among the main stakeholders regarding the main drivers of future change and possible responses thereto. Contributions received from stakeholders should provide significant input into identification of the main future challenges and steering the thinking and preparatory work for the next generation of automotive policies and regulations.

### **1. ENERGY AND ENVIRONMENT**

High energy and commodity prices are high on the political agenda globally. The recent increase in oil prices may be representative of a longer-term structural change in the oil market and the European economy may have to operate in a high-energy price environment for some time. Oil supply is struggling to keep pace with rising global demand, especially in China and India. Other factors of a temporary nature have also an impact on recently-high oil prices such as difficulties with specific pipelines and extraction capacity, the weakening of the dollar and inflows into commodity markets estimated at 70 billion dollars in the first quarter of 2008. Global energy demand could be 50% higher in 2030 than in 2007 while the European Union's energy import dependence is also projected to grow<sup>3</sup>. Vehicles are major consumers of oil-based products with petrol and diesel remaining primary automotive fuels across the world.

In parallel, environmental considerations (particularly relating to greenhouse gas emissions) remain a high priority for the European institutions<sup>4</sup>. The other major environmental concern relates to air quality which remains a problem in many urban areas globally (particularly in

---

<sup>3</sup> For further analysis on energy price developments, see COM (2008) 384 final. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Facing the challenge of higher oil prices.

<sup>4</sup> COM (2007) 1: An Energy Policy for Europe; COM (2008) 30: 20 20 by 2020, Europe's Climate Change Opportunity; COM (2008) 19: Promotion of the use of energy from renewable resources.

emerging economies). In the automotive field the main areas of environmental regulation correspondingly relate to CO<sub>2</sub> emissions/fuel efficiency<sup>5</sup> and pollutant emissions<sup>6</sup>.

There is a significant overlap between policy actions to address energy and environmental concerns; it is likely that they will remain one of the main political priorities world-wide in the longer term and adjusting to them may cause significant changes in our way of life.

As the Commission has recently adopted its proposals for a new generation of regulations for both pollutant emissions and CO<sub>2</sub> emissions, the CARS 21 mid-term review offers a good opportunity to look towards the longer term perspective (any future legislation in these areas is likely to come into effect around 2020).

Hence, the mid-review offers an opportunity to consider the future of the regulatory approach to fuel efficiency and CO<sub>2</sub> emissions. The Commission's policy to reduce CO<sub>2</sub> emissions from road transport is based on an integrated approach, which was discussed during the original CARS 21 exercise. The integrated approach is based on principle that measures included in it should be measurable, monitorable and allow accountability. Consequently, the main pillars of the integrated approach as proposed by the Commission in its Communications on CARS 21 and CO<sub>2</sub> and cars<sup>7</sup> are related to vehicle and component improvements as well as fuels. The CARS 21 mid-term review provides a good occasion to discuss the future of the integrated approach and regulation in this area.

The Commission is therefore seeking forward-looking and analytical stakeholder inputs on two main issues:

### **1. Assessment of longer-term scenarios for mobility and road transport in light of changing framework conditions in areas of energy and environmental protection**

In simplified terms, the main implied question on this issue is:

How vehicles, road transport and mobility are likely to develop in Europe in the 2020 timeframe (and beyond) and to what extent will it differ from the current situation?

Examples of issues on which stakeholder views are sought include:

- Technological and research potential for improving fuel efficiency of conventional engines (potential and future market role of petrol- and diesel vehicles)
- Role and potential of break-through technologies and their likely market penetration (future role of electric batter-powered vehicles, hybrid vehicles, hydrogen and fuel cell

---

<sup>5</sup> COM (2007) 856: Proposal for a Regulation of the European Parliament and of the Council setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO<sub>2</sub> emissions from light-duty vehicles.

<sup>6</sup> Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information; COM (2007) 851 final: Proposal for a Regulation of the European Parliament and of the Council on type-approval of motor vehicles and engines with respect to emissions from heavy-duty vehicles (Euro VI) and on access to vehicle repair and maintenance information.

<sup>7</sup> COM (2007) 19 final

vehicles; role of biofuels, LPG and natural gas); possible complementary applications (e.g. solar cells); what do stakeholders consider to be the most promising options?

- Role of infrastructure and distribution networks
- Role of raw materials
- Role of public authorities at national and European levels (what do forward-looking trends imply for future co-operation between industry, infrastructure and policy)
- Cost implications and possible effects on the competitive position of the automotive industry (and other related industries)
- Possible risks

**2. Consideration of possible implications for the regulatory system, which should be assessed and taken into account in the 2020 perspective and future options for implementing an integrated approach to reducing CO<sub>2</sub> emissions from road transport.**

The above should lead to considering what the role of (and implications for) the future automotive regulatory system is likely to be. Examples of the issues which stakeholders are invited to consider include, *inter alia*:

- What are the likely impacts of future developments on the existing type-approval system? Are there aspects, which need to be analysed in more detail with a view to improving the system's ability to cope with possible future changes?
- Are there any issues which arise and should be addressed with regard to the existing test-cycle (e.g. real-life emissions, scope and coverage)? Should the currently proposed two-tier regulatory system for implementing the integrated approach to CO<sub>2</sub> emissions (i.e. 130 g/km through test cycle measures and an additional 10 g/km through complementary measures) be reviewed with a view to consolidating it and simplifying the integrated approach?
- What measures could be considered under the future integrated approach to reduce road transport CO<sub>2</sub> emissions? Do they meet the measurability, monitorability and accountability criteria and is there a need for further analysis with any individual area?
- What do you consider to be the other main effects on future developments on the regulatory framework and which specific areas should be considered in more detail?

**2. GLOBALISATION, EXTERNAL COMPETITIVENESS AND TRADE RELATIONS**

This section aims to consider impacts of globalisation and future market changes on the European automotive industry's competitiveness and look at the implications for future perspectives in trade policy.

The next decade is expected to witness a significant increase in demand for vehicles. Most of the global demand increase for the industry's products over the next decade will come from rapidly developing economies (e.g. China, India, Russia etc.) and European industry has already begun to prepare itself for the expected mass motorisation in emerging markets through increasing production capacity in these locations. As such, the automotive industry is already a globalised one in terms of its market presence, the level of co-operation between different international players and its supply chains.

Stakeholders are invited to elaborate on two basic sets of questions:

**1. What is the main likely impacts of increased global demand (and the nature of that demand in terms of vehicle cost and characteristics) from rapidly-developing regions on the automotive industry both globally and in Europe? What are the implications for the European home market (vehicle production, innovation, employment)?**

**2. How can trade policy facilitate European automotive producers and suppliers gaining access to overseas markets and contributing to their global competitiveness?**

**3. BETTER REGULATION AND INTERNATIONAL HARMONISATION**

This section largely overlaps with the stock-taking exercise in Part 1. There are, however, two issues in particular on which the Commission would welcome more detailed stakeholder input:

**1. Cumulative cost of legislation** (e.g. implementation of the integrated approaches in areas of environment and safety; cost implications for vehicle producers and suppliers, effect on vehicle prices)

**2. International harmonisation** in the future: the original CARS 21 exercise provided relatively specific conclusions on this issue and the Commission would be interested in stakeholder views on the future focus and direction of international harmonisation.