CARS 21 HIGH LEVEL GROUP – 2ND MEETING

2 DECEMBER 2011

<u>SUMMARY REPORT</u>

<u>**In short:**</u>

The High Level Group CARS 21 met in Brussels on 2 December and adopted its Interim Report. The meeting, attended by high-level representatives from industry, the Commission, Member States and other stakeholders, stressed the importance of industry, the automotive sector in particular, as backbone of the EU economy. Many participants underlined the challenge to obtain competitive benefits for the vehicle industry from trade negotiations. Several others called for a coordinated approach across the EU to electromobility. The Interim Report covers concrete and specific recommendations on a number of policy areas impacting the automotive industry. CARS 21 will continue in the coming months, addressing additional topics in working group meetings, and aims for the adoption of the final report in spring 2012.

Following the re-launch of the CARS 21 High Level Group (HLG) in 10 November 2010, a **second meeting** of the HLG took place to finalise the work on the first period of the process. The meeting took place in the Berlaymont building of the European Commission in Brussels and was chaired by VP Tajani.
Virtually all institutions and organisations participated in the meeting[1]; the majority of participants were Government members or their representatives, Commissioners or CEOs. A small number of HLG members were unable to attend and were replaced.

1. Introductory statements

VP Tajani started the meeting by underlining the **importance of the automotive industry for the EU economy**, especially in times of financial crisis. Unprecedented changes are foreseen in the sector, amounting to **a third industrial revolution**. The key to maintain industrial leadership will rely on **combining ambitious social objectives with industrial needs**, which requires close cooperation among stakeholders concerned. This is the fundamental drive of the CARS 21 process, which has achieved very positive results in the past year.
Market growth for vehicles is expected mainly in third markets, which renders the **improvement of market access** for EU industry essential for its future competitiveness. Trade negotiations should therefore aim at a clear reduction and eventually the deletion of tariffs. This needs to be complemented by **regulatory cooperation**. The intended reform of the 1958 Agreement should help in this respect by creating a platform for the adoption of international vehicle rules. Continued support from Member States is needed to deliver on this issue.

2. Discussion on the European automotive industry in a globalised economy

Commissioner De Gucht stated that **trade policy is clearly supportive of EU industrial competitiveness** and referred to negotiations with Korea, Ukraine, India and cooperation with

[1] Except for the Committee of the Regions, whose member was apologised and not represented at the meeting

the US. Commissioner Oettinger highlighted a number of issues to be discussed in the remainder of the process, such as a **common roadmap for fuels and powertrains**, in order to guide **standardisation and innovation** activities. He also announced ongoing work to organise a conference on harmonisation and transparency in fuel labelling and compatibility. Vice-President Kroes underlined the business opportunities created by **making vehicles digital and connected**, which requires public support for funding and standardisation. The eCall system will contribute to establishing a digital platform for such services, while improving road safety.

Poland expressed support for the recommendations in the Interim Report on trade negotiations, in particular **the need for impact assessments**. Also France is satisfied with the Interim Report and insisted that **competitiveness should remain central** for the remainder of the process. This implies appropriate timing for new regulation and a trade policy supporting export opportunities. The negotiations with India are seen as particularly important in this respect.

Vehicle manufacturers expressed satisfaction on the results achieved so far in CARS 21, but insisted **more work was needed** in the second phase. They also said the crisis has demonstrated the importance of industry, including the automotive, as the backbone of the economy. Although the current situation of the car market is not problematic, **the outlook is at best uncertain**. Vehicle manufacturers need **fair policies, based on smart regulation principles**. The industry expressed general support for free trade, but recent figures were mentioned showing that Korean imports have surged significantly, among other reasons due to the FTA. It was stated that **full trade liberalisation should be the goal** of trade negotiations, including the one with India, and that appropriate safeguard clauses could be useful. Also the conditions on the heavy-duty market are worsening. The **specific characteristics of trucks** need to be taken into account for future CO_2 measures.

The supplier industry highlighted the **increased importance of trade issues** for the industry and, in order to improve access to third markets, asked for action both on tariffs and non-tariff barriers. The work on the **reform of the 1958 Agreement** is seen as particularly important for the latter. The tyre industry feared that the **EU lost competitiveness to Asian companies** and expressed concern over the **absence of a real level-playing field** in world markets. Trade barriers and market surveillance should be addressed to improve the situation. The petrol industry expressed support for the CARS 21 process and highlighted the need for **a joint approach of vehicles and fuels**, relying on technical cooperation.

Trade unions **welcomed the social dimension** in CARS 21 and expressed concern on the negative impact of liquidity constraints and trade evolutions on EU jobs. Also the Economic and Social Committee stressed that the overall aim should be to find ways to **maintain automotive employment in the EU**. In addition to manufacturing, the distribution and repair of vehicles also provides for many jobs. For dealers, where profitability is low, the vertical agreements in the sector should be addressed. The **prospect of new technologies and related skills has to be anticipated**, also in these areas. For safety campaigners, **road safety** is indeed an area where Europe has a clear technology leadership and therefore represents a competitive asset for the EU industry in third markets.

3. Discussion on the transition to clean vehicle technologies

Introducing the second debate, VP Tajani underlined the **strong position of EU industry in environmental technologies**. This goes together with policies supportive of clean and energy-efficient vehicles, which need to **take a holistic approach**. Support for research is needed and a particular initiative for innovative technologies such as electric mobility should be foreseen. For the latter, the interoperability of recharging needs to be ensured, at least throughout the EU. The VP encouraged all stakeholders to cooperate and step-up their efforts to find voluntary solutions swiftly. If there is no agreement among industry on standards, the Commission will consider proposing legislation in order not to sacrifice EU's competitive edge.

Commissioner Hedegaard welcomed the broad recognition of long-term climate targets, but reminded that **technological lead should not be taken for granted** as Asian competitors are moving fast. **Support for innovation and infrastructure roll-out**, such as for electric mobility, are needed. She welcomed the **progress achieved on CO2** from cars and stressed the need to set goals beyond 2020 and **improve measurement procedures**. Commissioner Poto•nik congratulated the group for the successful outcome and underlined the need to **deliver solutions for air quality problems** and to be vigilant to timing issues in the Euro 6 legislative/implementation process. The detailed test procedure and compliance factors will be key and need to be discussed in depth. He also acknowledged the important role of the vehicle industry for technical innovation and R&D.

Germany underlined the importance of a **joint strategy for transport fuels**, including standardisation and infrastructure. Also effective R&D funding and the work on a standard interface for electric vehicles were mentioned. Austria stated that **innovation and R&D** are indeed essential, and that hybrids and fuel cell vehicles should not be left out. Italy mentioned the potential benefits of methane as fuel and the role of **Intelligent Transport Systems** in improving safety and mobility and reducing CO2 and fuel consumption. UK reminded that **policies should not be technology-prescriptive** and follow smart regulation principles, including impact assessments and due account for SMEs. Also for standards, a voluntary approach by industrial stakeholders seems preferable. When providing for R&D support, it should not be forgotten that combustion engines remain key for delivering CO2 reductions for many years to come.

Industry recognised the role of regulation in achieving environmental progress, but urged a careful approach that supports and does not harm competitiveness. The leading principle should be technical neutrality, **setting policy targets** and **leaving flexibility to industry on the means** to achieve those. As innovation is essential, appropriate support and procedures should be available for the sector, through the next Horizon 2020 Programme and the European Investment Bank. Standardisation is also key for fostering new technologies, such as EVs, and the vehicle manufacturers are keen to develop a broad consensus on the recharging interface. The **role of powered two-wheelers in greening road transport** was also mentioned. These vehicles should be included in support policies, such as Horizon 2020, with **specific attention to the SME dimension**.

For environmental experts, the **reduction of CO2 should be the priority** and regulatory measures on cars and trucks need to be further developed. Alternative energy can contribute, but continuous attention has to be paid on concerns regarding availability and acceptability. In particular **for biofuels, a careful review of sustainability is needed** before increasing targets beyond those defined for 2020. The **improvement of the test cycle** is also important for delivering real-world reductions and an EU process may be needed if the international effort does not deliver.

Electricity providers also highlighted the need to come towards **solutions for the recharging interface which are acceptable throughout the EU**. The role of smart grids and charging is essential in making sure electric vehicles are properly integrated in the electricity network and help reducing total CO2 emissions**. Investments in infrastructure and large demonstration projects**, such as Green eMotion, are helpful in speeding up the market deployment of these technologies.

4. Adoption of the Interim Report

VP Tajani stated that the group has produced balanced and concrete results, in the form of policy recommendations contained in the Interim Report. **The Interim Report was adopted by unanimity** by the High Level Group. VP Tajani thanked all members for the active involvement of their organisations in finding meaningful compromises.

5. Next steps

Upon the closure of the meeting, VP Tajani said that important topics will be addressed in the coming months, such as road safety, CO2 from cars and issues related to electric mobility. The secretariat will organise further meetings with the aim of **adopting the Final Report by spring 2012**.

NB: Further information and statements delivered available on the following website:
http://ec.europa.eu/enterprise/sectors/automotive/competitiveness-cars21/cars21/index_en.htm