"Electric vehicles - challenges of the new mobility" Conference Sofia, Bulgaria, 11.02.2011

10:45 – 11:15 European Policy on Electric Vehicles

Speech by Mr. Philippe Jean, DG Enterprise and Industry – European Commission

INTRODUCTION

- Ladies and gentlemen, good morning, thank you for inviting me to this conference. I was looking forward to coming here, especially that it seems to me that discussion on electro-mobility in Bulgaria now enters into a fast lane.

- The timing of this conference is right. The first electric vehicles arrive on the European markets and on the European roads, the automotive industry reinvents its traditional position of technological leader on the ground of green technologies (including electro-mobility) and the policy-makers must now take the right decisions to create conditions conductive for deployment of electric vehicles.

- Earlier today, the Vice-President Tajani stated very clearly that
    - the European debate on electro-mobility advanced visibly in the last year,
    - that the benefits to be brought by electrification of road transport are beyond questioning,
    - and that the European Commission has already set up a strategic orientation and a number of dedicated policies in support of electric vehicles.
- As stressed by the VP Tajani our strategic goal beyond the promotion of electro-mobility is not only transport decarbonisation and climate change

fight but also ensuring that European industry, in a broad sense, will be well placed to benefit from these new developments.

MARKET POTENTIAL

- Before I go into the details of European policy in support of electric vehicles, let me share with you some reflection on their market potential – underpinning policy priorities and the sequence of actions we have to take.

- Electric vehicles are not new, but over last two years they have come into the spotlight as the battery performance considerably improved in terms of range, reliability and power and the transport decarbonisation concerns become more pressing across the world. The electric vehicles are now becoming a valid - but not yet compelling - choice for the consumer.

- Yet we have to remain pragmatic. The arrival of electric vehicles will be rather a gradual evolution rather than radical change. The current sales of hybrid vehicles worldwide amount to a little below 1 million units – which means 2% of the global sales and they are expected to grow to 5.5% of the world market.[1]

- For fully electric vehicles the figure of world sales is some 20.000 units (needless to present it as a percentage) growing to 1.8% of the market.

- If we now look at the EU market: hybrid vehicles are supposed to grow from 100.000 units today to 1 m units in 2020 and fully electric vehicles sales from some 2.000 units today to 750.000 units.

[1] Figures taken from the report "Drive Green 2020: More Hope than Reality" by J.D. Power

EUROPEAN POLICY

- Interestingly, the EU market will be the leading one in terms of fully electric vehicles sales and that is perhaps the clearest recognition of a favourable policy framework the EU, together with several MS and regions have put in place. Let me here state it clearly that the European Commission is committed :
    - to maintain this favourable policy framework,
    - to provide business with certainty
    - and thereby to enable the electric vehicle market and production reach its this potential.

- I stressed before the need to be realistic. With the high hopes attached to electric vehicles, our analysis reveals that for at least next 20 years the bulk of our daily travel will be performed with conventional vehicles powered by the internal combustion engines.

- This is why stimulating, further developments of this technology, creating incentives for consumers to switch to more efficient vehicles and ensuring that manufacturers will deliver those efficient vehicles to the market is still very important in the European policies.

- The double challenge of constant improvement in conventional vehicles environmental performance and capitalising on breakthrough technologies is mirrored by the twin-track approach taken by the European strategy adopted in April, which was earlier mentioned by the VP Tajani.

- This strategy, which is the European master plan in support of the clean vehicles (including electric ones), comprises over forty concrete actions in the following fields: legislative programme on vehicle emission reduction;

support for research and innovation in green technologies; demand-side incentives and international cooperation.

- Today I would like to focus on three areas of policy in support of the electric vehicles:
  - demand-side measures
  - infrastructure
  - education and training
- In each of them a European action has been taken but it needs to be complemented by actions taken on national and regional level.

DEMAND-SIDE MEASURES

- First of all, I'd like to speak about measurers directed at convincing the consumers that electric vehicles are the product that want to buy. As I said before the electric vehicles are a valid but not yet compelling choice for the consumers.

- In this field of consumer acceptance (or "consumer pull"), the European Commission has one important action to accomplish – establishment of a harmonised solution for charging of electric vehicles. A harmonised solution will give the European consumer confidence that they can charge their electric vehicles in all EU countries. The work on such a harmonised solution has already started - the European Standardisation Organisations bodies have been given the mandate to develop a common charging system for electric cars, scooters and bicycles and are expected to deliver still this year.

- We hope very much that a pan-European standard will provide some reassurance to consumers but still more has to be done to make them electric vehicles attractive.

- Here again we have to be realistic. For the next several years, the purchase price of a hybrid or fully electric car will be several thousand euros higher than an average price of the gas-fuelled vehicle. This price difference is largely due to the cost of battery, its depreciation and insurance costs. The current studies indicate that the cost of batteries will decline by 6-8% annually together with improved chemistry and the economies of scale.

- Does this mean that we have to wait till 2020 to consider the purchase of an electric vehicle? Not necessarily. First of all, when analysing the cost we should look into a total cost of ownership, which includes the price of fuel. The most recent analyses indicated that the cost of charging of electric car will be (on average) - around 30% of refuelling a petrol vehicle. This is without counting the recent spike in the price of oil and its possible impact on gas prices. Other interesting option of reducing the vehicle cost is leasing of the battery or battery swap projects. The only problem that remains is the purchase price.

- A powerful tool, which is at a disposal of national and regional authorities are purchase incentives and tax rebates for the customers. The European Commission is recognising the important role of those incentives and is currently preparing the guidelines for their design and implementation.

- Importantly, in the years of austerity and fiscal tightening ahead of us, also more innovative solutions for boosting the “consumer pull” should be

considered on national or regional level such as: the free parking spaces for electric vehicles, free lanes, access to green zones, free consumption of electricity of vehicles recharging, etc.

INFRASTRUCTURE

- Secondly, I would like to comment on infrastructure necessary for electric vehicles. It is often (and rightly) stressed that in order to encourage the consumers to purchase and drive electric vehicles, a dedicated recharge infrastructure is necessary. The good news is that this recharge infrastructure is, in large part, already available – in the form of domestic socket. Domestic socket already makes it possible to do the slow-charging of vehicles – most likely overnight with additional benefit of balancing the electricity consumption fluctuations.

- In the next years, the establishment of rapid-charging infrastructure will be of key importance with interesting opportunities of using electric vehicles as storage of electricity.

- In this field, the European Commission has just started an electromobility demonstration project, which will enable us to gather useful experience from several European regions already engaged in electro-mobility and identify a possible European approach. The Commission wishes to play in this field a coordination role and employ the financing tools of Structural Fund and the EIB.

- The key action will be, however, taken on the national and regional level (in line with the subsidiarity principle).

EDUCATION AND TRAINING

- Finally, I'd like to speak about the skills and knowledge so that electric vehicles will not only be sold but also assembled in Europe. As mentioned earlier by the VP Tajani, there is tremendous business opportunity for the European companies to develop the production of electric vehicles and their components but for that they will need skilled workers.

- It is important to see that education is a long-term process and therefore in order to ensure that we have a qualified workforce in few years time, we need to take decisions on school curricula and training programmes already today. The Commission wishes to play here an active role by facilitating the information exchange via the European Skills Council. The core work will have to be, however, done on the national and regional level.

CONCLUSIONS

- As you can see, in all these three areas actions taken by the European Commission must be complemented by the actions of the national and regional actors.

- I strongly believe that with national and regional governments, vehicle manufacturers and European citizens cooperating, this project will have to succeed.

- The outcome we are counting on, are clean vehicles for European citizens and the European car industry maintaining its leading role in production on clean and energy-efficient technologies.