



European Federation for
TRANSPORT and ENVIRONMENT



Public Consultation of the European Commission¹:

The Automotive Regulatory Framework of the Next 10 Years

Reply from

European Federation for Transport and Environment (T&E)

Verkehrsclub Deutschland / German Traffic Club (VCD)

Stichting Natuur en Milieu / Netherlands Society for Nature and Environment

European Environmental Bureau (EEB)

Transport 2000, The National Environmental Transport Campaign (UK)

TRANSform Scotland, the Campaign for Sustainable Transport

Swedish NGO Secretariat on Acid Rain

“The conflict between environmental protection and economic competitiveness is a false dichotomy based on a narrow view of the sources of prosperity and a static view of competition”.

Michael E. Porter, Harvard Business School

¹ Background document from the European Commission (DG Enterprise):
http://europa.eu.int/comm/enterprise/automotive/pagesbackground/competitiveness/stakeholder_consultation/

Introduction

The automotive industry is important to Europe in many respects: the sector employs millions and is important in terms of the EU' trade balance. Its products bring important benefits to hundreds of millions of Europeans.

There are, however, important downsides too, evidence for which are the external costs of road vehicles in the EU that are calculated as more than EUR 550 billion per annum. Air pollution, to which road transport is the major contributor, kills 310,000 EU citizens annually. Nature and cultural heritage suffer badly from acidifying and eutrophication caused by vehicle exhaust. Road transport is one of the most problematic emitters of greenhouse gases. One third of the population faces serious nuisance from road transport. In addition, oil imports needed to keep the vehicles rolling will cost the EU this year over 100 billion Euros. A consistent and effective regulatory framework for the automotive sector is therefore not only of interest to its shareholders and employees, but also to the European economy and for its EU citizens.

Only those European vehicles that demonstrate a "Vorsprung durch Technik" will compete with the growing number of competitors. Environmental damage, fuel security and traffic accidents are worldwide problems. The European automotive industry has the knowledge to contribute to their solution and provide solutions for an individual mobility.

The challenge of CARS 21 is to propose solutions that enable the sector to move forward more quickly. Based on the initiative of the car industry, Commissioner Verheugen set up the high-level group CARS 21. Key stakeholders² in the automotive sector should review the policy framework for the next 10 years and help to restore sustainable dynamic growth and jobs, in accordance with the Lisbon strategy. But already the nomination of the members has shown that the interpretation of competitiveness is heavily biased towards creating cost advantages for the car industry. But competitiveness of a knowledge-based economy cannot be boosted, if the car industry leans backward and is happy about their new lobbying instrument. Modernisation in a democratic society starts with a self-confronting and integrates all stakeholders equally. On this background we would like to submit the following comments to the consultation on the automotive regulatory framework. They fall into three categories: views on competitiveness, going lean and going clean.

Views on Competitiveness

Competitiveness too narrowly and statically defined

The focus of the CARS21 group is to improve the competitiveness of the EU automotive industry. We want to stress that this aim is too narrow – as better definition would be 'to maximise the contribution of the automotive industry to the EU's competitiveness'. In the dynamic global markets, competitiveness cannot be considered in isolation from the challenges that Europe and the world are facing. For example, it cannot be in the interest of the EU as a whole to become ever more dependent on oil imports. Also the turnover and profits of innovative sectors in the auto part industry, such as the electronics and catalyst firms, will be damaged if compromises are made over

² NGOs and other parts of the civil society are disappointed not to be invited as members of CARS 21. Representatives of the automobile industry stated proudly "CARS 21 is our idea, go and invent your own thing. This is ours and you have nothing lost in there". See www.t-e.nu for further information

environmental standards for vehicles. Innovative products are often developed outside the small group of global car manufacturers. But dominance of the global players is often considered as a market barrier. Competitiveness of a knowledge-based economy depends on utilising this potential.

Environmental policies are the opportunity to improve competitiveness

The key challenge for European competitiveness is to bring more innovative products onto the markets. Technological progress depends on the performance of engineering departments. In the past, the challenging EURO emission standards have boosted the productivity of the researchers. Costs of catalytic converters, for instance, are today only some ten per cent of the forecasted prices at the time of introduction. Further regulation will also give a boost to the most innovative elements of the industry, such as materials science, advanced engine management systems (including hybrid technology), and catalyst technology.

More generally, there is no trade-off between well-crafted environmental protection and economic growth. Following the work of Michael E. Porter, numerous case studies have provided evidence that strict regulations in one country do not inevitably hinder competitive advantage against foreign rivals. Indeed, they often even enhance it. Even when strict regulations impose cost on industry, firms could gain. There is evidence that strong environmental policy, indeed stronger than the rest of the world's, does not hurt the industry and but improves rather than deteriorates its competitive position.

'Push' policies insufficient – 'pull' is also badly needed

A knowledge-based economy depends on the right incentives for engineers to develop better products. The billions that are going to be spent under the 7th Framework Programme constitute the necessary 'push' element of innovation policy; however, it is at least as important to have strong 'pull' policies as well in order to secure a welcoming market for the technologies. Such a 'pull' for the automotive industry could be introduced as a mixture of regulatory instruments and economic incentives and focus the sale of new cars as well as the usage of the vehicle stock. In the past, pioneering Californian legislation created also a strong pull effect for the global car industry. Guidelines for public procurement in the EU could be a first step to establish a European lead market for environmentally enhanced vehicles.

Standards: only EU level decision-making will deliver

In the field of environmental protection, the record of global standard-setting bodies has been very disappointing. T&E has had extensive experience with the aviation and shipping sectors in this respect; the environmental standards in these sectors are very weak or non-existent and have not fostered any sort of innovation. They follow rather than foster technology, or even worse, they follow the technology that the more backward producers can deliver.

The story on **noise** emissions from cars, primarily dealt with at UN-ECE level, is also discouraging. 'We celebrated the 30th anniversary of the noise legislation and are still waiting for the first results' as was noted during T&E's 'Clean Cars 2010' seminar 20 January 2005.

The key is the **unanimity** requirement in UN-level decision-making. It took the EU decades to introduce qualified majority voting in the Maastricht Treaty; it would be a big step backwards to return to it again. Stronger EU pressure or better scrutiny by the European Parliament will not make a big difference in this.

The story above does not just refer to environmental **standards**. It is also worth noting that decision making on test **procedures** can be seriously weakened and delayed if political pressure is absent, as the 'progress' on test procedures for noise has shown. Better exchange of information between UN-ECE and the EU bodies by itself will not be enough to keep this pressure. Real political involvement of Council and Parliament is the key.

Finally, we want to stress that the EU institutions' **environmental** departments (EC's DG Environment, the Environment Council and the EP's ENVI committee) should remain, or become, responsible for dossiers in which protection of the environment is the key topic. This might sound obvious, but the implications for environmental protection and consumer protection should be considered as dominant to single market issues. Furthermore, dossiers like the car noise standards provide an evidence for the needed shift of the leadership on these issue.

It should be acknowledged that it is strong EU-level decision-making that has pushed forward the innovation of the car industry, and that global decision-making, or decision making by the EU's 'internal market' bodies, will be a weak substitute.

Asia: an opportunity and a responsibility

In addition, the EU has an enormous responsibility, and opportunity, in setting ambitious environmental standards for its market. Virtually all Asian 'tigers' including China and India (Taiwan and South Korea are exceptions) adopt EU car emission rules. EU leadership pays off here – the more progressive the EU standards, the greater the "first mover" advantage will be. Road transport is in most Asian megacities among the major source for local air quality problems. About 16 of the world's 20 most polluted cities are in China. The rising awareness of the health problems from road transport and the induced social costs are a strong motivation to introduce stricter rules that might leapfrog EU standards in the next decade – if they are not delivering.

Going Lean: fuel efficiency makes the EU car sector competitive

One of the key objectives of CARS21 is to flesh out a possible roadmap on the future low carbon vehicle and the accompanying fuel. It is the NGO's view that **fuel efficiency** should have the absolute priority in such a roadmap. We have a broad range of reasons for this position.

Biofuels: only small sustainable potential

Second generation biofuels can have good well-to-wheel CO₂ performance, but land use and biodiversity concerns limit the application of such fuels. In addition, available evidence indicates that application of biomass in fixed sources yields greater environmental benefits and lower costs than converting them into biofuels. Therefore, increasing the environmental credibility of the biofuels directive is at this point in time much more important than raising the targets (5.75% by 2010) further.

Hydrogen / fuel cells: the 21st century electric car ?

Many still expect that hydrogen-powered fuel cell vehicles will more or less 'automatically' take over and rescue the planet from the harmful impacts of the car. NGOs want to stress the following:

- attention these long-term 'revolutionary' technologies should not divert attention from the far more certain and much-needed short and medium term improvements on more conventional drivetrains;
- optimism on the environmental benefits and economic feasibility of fuel cell-powered vehicles has waned, and that they may well appear to hold the 'eternal promise' of electric cars throughout the 20th century;
- Many of the technologies required for a fuel cell car are also found in hybrid engines, so different development paths are not mutually exclusive

Oil imports: increasing burden for the EU economy

With oil prices heading inexorably towards €60 a barrel, saving fuel will soon be an economic necessity for most consumers. The EU will import this year over EUR 100 billions worth of oil for its transport system, which is some EUR 250 per citizen and about 1 per cent of its GDP. This is a gigantic net loss to the EU economy. The International Energy Agency (IEA) agrees. In a dramatic policy turnaround, say now say that the industrialised world should promote oil conservation. The IEA even recommends a general speed limit of 90 km/h in an attempt to balance world markets and stabilise oil prices. The promotion of more fuel efficient vehicles in the EU seems a much less drastic way to achieve similar objective. Had stronger steps been taken in the past, then today's situation would at worst have been postponed and at best not happened.

GHG reduction commitments

At their Spring Summit on March 23, EU leaders for the first time committed to post-2012 GHG reductions in the order of 15 to –30 % by 2020. As many of today's new cars will still be on the road in 2020, a drastic and quick reduction of CO₂ emissions from new cars is needed if transport is to make anything like a meaningful contribution to this aim. This will not make cars unaffordable – on the contrary, it is likely to make driving a car even more affordable than it is today, and save the EU dozens of billions annually on oil imports.

Cost estimates exaggerated; benefits may even outweigh them

Fuel-efficient cars are more affordable than today's "gas guzzlers". The European Commission recently for the first time revealed its doubt over the car manufacturers' claim that moving to a 120 g/km target in 2012 would cost EUR 4,000 per car. At a T&E seminar 'Transport and climate change' on 1 April 2005 the Commission's Director of Air and Chemicals Jos Delbeke said that recent research indicates that that the costs are not as high as the manufacturers have claimed, and that benefits for society may outweigh costs.

Influencing manufacturers' choices just as important as consumers'

Many people seem to agree on the need to influence *consumer* choice towards clean and lean vehicles, for example by basing car taxation on environmental characteristics of the vehicle.

We want to stress that it is at least equally important to influence *manufacturers'* choices about which vehicles to develop to promote. Economic incentives to manufacturers influence the development and promotion policy much more directly than incentives to consumers. Besides, they can be framed in such a way that targets are certainly being met. For example, California's proposed 'tradable CO₂ performance' scheme is certainly worth further study and analysis; an adapted version could bring many benefits to Europe.

We urge CARS21 to flesh out an unambiguous and legally binding roadmap towards the 120 g/km CO₂ target, and dare to look further ahead to a time when 100 and 80 g/km values will have to be met. California-style CO₂ performance regulation is an inspiring example that could, in adapted form, bring great benefits to Europe. In addition, standards for individual vehicles are needed to avoid sales of vehicles with excessive fuel consumption,

At the very least, the group should not conclude that a voluntary approach is the best way forward to fuel efficient vehicles. Such a conclusion would be very premature in the context of the growing scepticism on the success of the current voluntary CO₂ commitment of the car manufacturers.

Going Clean

Air quality is a serious health problem. Some 310,000 people die prematurely in the EU alone annually. Fine particles such as emitted from diesel vehicles are the most important contributor. Air quality legislation sets levels of soot particles which can only be exceeded on 35 days in a year. In February a number of Italian cities saw car bans on certain Sundays as cities hit their 35th day of excessive levels within 60 days of 2005. Other cities, for example in Germany, are not far behind. An early introduction of stricter emission standard would help to reduce both health impacts and the pressure on local authorities. Similar problems will occur 2010, when new limit values on NO₂ will become legally binding.

It is therefore paramount that stringent standards for Euro 5 and, if necessary, Euro 6 are agreed that enter into force by 2008. For diesel, at least a 90% reduction of fine particulates is feasible from 'Euro 4' levels (to reach 2.5 mg/km). Even levels on 1 mg/km can be attained and will be measurable with the new 'Particle Measurement Protocol'.

As soon as this protocol is finalised, a standard for particle numbers should be included too.

In addition, the NO_x standard for diesel cars should be tightened by 70% to reach 80 mg/km. Petrol can and should be significantly tightened too.

This level and timeframe for a mandatory introduction gives the right incentive to improve existing products. Technological solutions for diesel cars are already available. A roadmap for clean cars will create a strong pull to improve existing products before their mandatory introduction.

Going Forward

Strongly improved fuel efficiency and air pollution standards for new cars will bring great benefits to the car industry and, even more importantly, the European economy and European citizens and the European environment. It is time to act.

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