European
Automobile
Manufacturers
Association

Market mechanisms for tackling climate change
- The road transport perspective -

Brussels Economic Forum

Brussels, 25 May 2010

Ivan Hodac

Secretary General, ACEA

Introduction: The "Engine of Europe"

ACEA represents the whole European auto industry

- 15 major international companies & 29 associated national organizations

ACEA MEMBERS

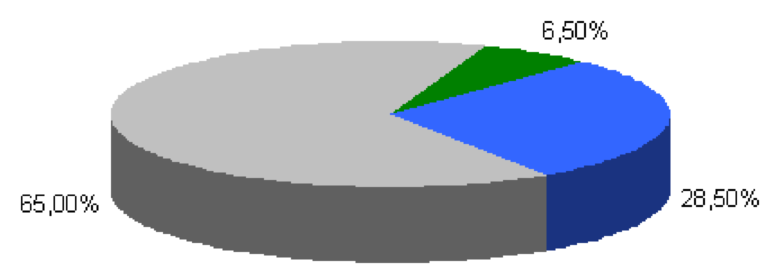
BMW Group | DAF | DAIMLER | FIAT GROUP | Ford | GM | Jaguar Land Rover
MAN | PORSCHE | PSA PEUGEOT CITROËN | RENAULT | SCANIA | TOYOTA | VOLKSWAGEN | VOLVO

An industry crucial for economy…

15.2 million vehicles produced in 2009	Over € 26 billion in R&D spending, largest private investor	€ 42.8 billion of net trade contribution	€ 377 billion of tax revenues

… and employment

- 35% of EU manufacturing employment
- 2.2 million direct jobs
- Indirect employment for another 9.8 million families



Keeping the 'Engine' running: What comes next?

Main trends & developments:

- **Global competition** leading to further **consolidation**
  - Powerhouse China
- Global **economic crisis** leading to a revival of the **value of manufacturing**

- Growing demand for (individual) mobility; urbanisation
- Mobility needs to be **sustainable**

Translation at EU policy level:

- A focus on **sustainable growth** in a broad(er) sense:
  - Environmental protection
  - Jobs & innovation

Market mechanisms for road transport?

International aviation has been integrated into EU ETS

- It does not pay fuel taxes (1944 Chicago Convention)
- Operators are large companies

Price on carbon in road transport: fuel taxation

- Over € 208 bn annually in EU-15 alone

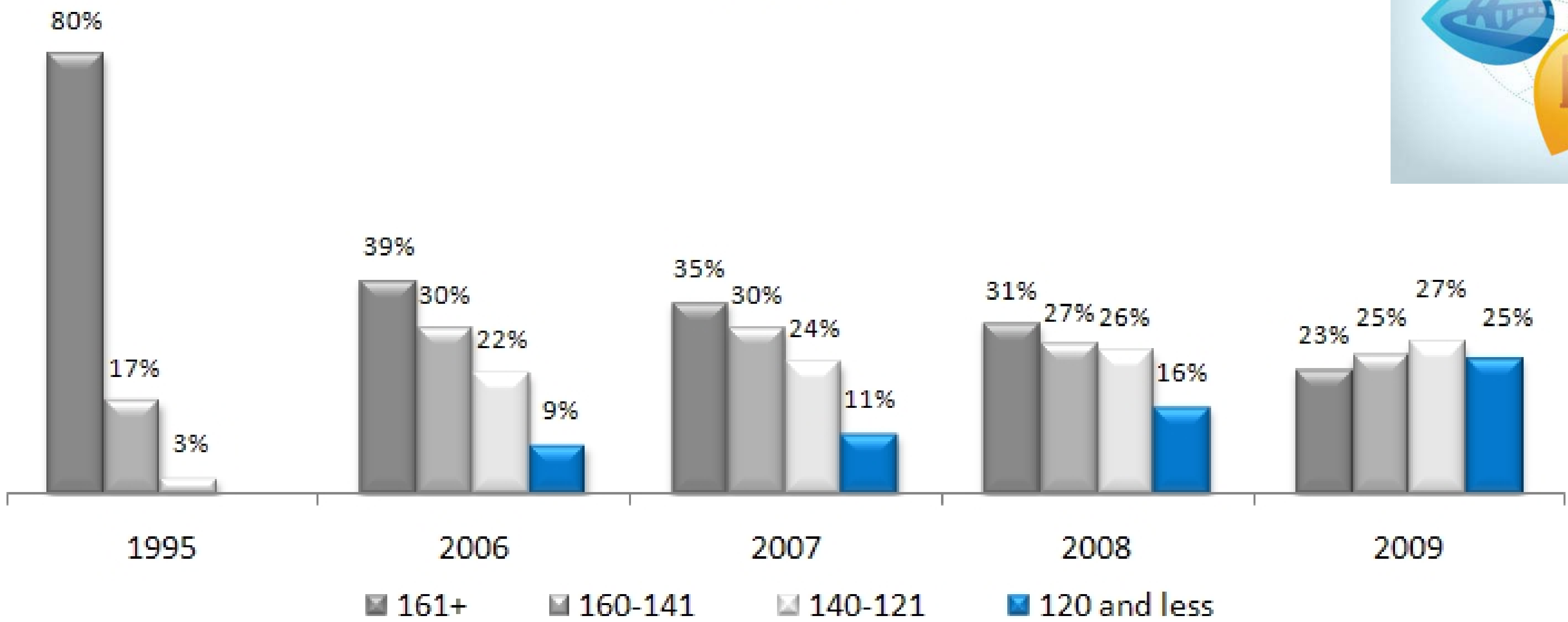
Revision of Emission Trading Scheme

- Including road transport will remain unlikely
- Most road users are individual customers
    - fiscal measures more applicable

Managing the demand for mobility and transportation

Car, bus and truck manufacturers make a large contribution with technology

- Advanced internal combustion engines
- Alternative fuels
- Breakthrough technologies

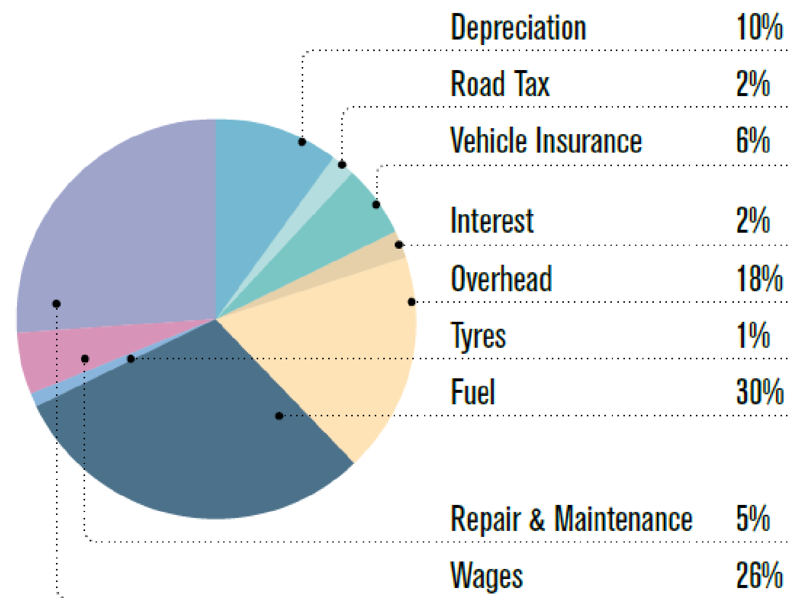


Benefits of technology and fleet renewal are largely offset by increase in transport demand: Need for an integrated approach

Freight road transport – a closer look

Market forces are already driving down emissions and continue to provide strong incentives

- **Fuel efficiency** is the **key purchasing factor** for trucks and vans
  - Largest part of truck operating costs (30%) is fuel
  - Businesses calculate rationally
- EU commercial vehicle manufacturers are **world leaders** in environmental and safety technologies
- A modern truck consumes just 1litre per 100 tonnekilometres



Freight transport measures

Policies must incorporate ‘work done’ principle

- Large differences in complete vehicle shape, purpose and use

City delivery		1
Delivery / communal		2
Heavy delivery		3
Long haul		4
One Overnight		5
On-road construction		6
Heavy construction		7

- Longer truck combinations should be allowed as they reduce CO_2 emissions per tonnekilometre

Caveat: Trade-off between Euro emission norms and fuel economy

The reality is co-modality

- Different freight transport modes do not compete, they are complementary
- All modes need to reduce their emissions and work together more efficiently

EU strategy on clean and energy efficient vehicles

The strategy facilitates market forces to work

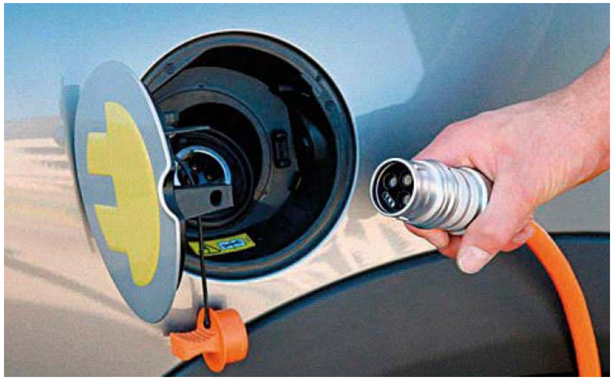
- Technology neutral

On the supply side:

- New technologies; R&D
- Infrastructure
- Standardisation

On the demand side:

- Consumer awareness and information
- Taxation; incentives



Governance

- Global harmonisation
- CARS 21, policy coordination
- Integrated approach

Final remarks

Manufacturers are determined to play their part

- Automobile industry is **largest private investor in R&D** in EU
  - The ACEA members invest more than **€ 26 billion** in R&D every year
  - **Six are in the Top 20** of investors in R&D (EU 200[illegible] Industrial Investment Scoreboard)
  - The sector files about **5,900 patents** every year

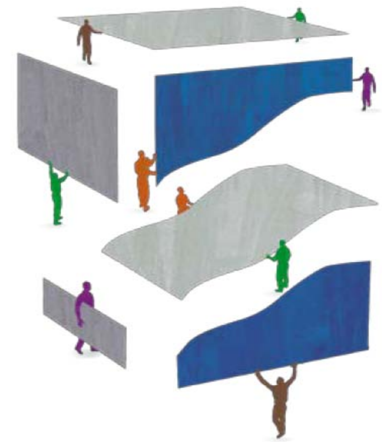
The auto industry is in transition

- Increasing **environmental needs** and demands
  - CO2 emissions will go down with or without regula
- Growing **global competition**
  - EU must defend its manufacturing base
- Pressure to build **alliances**
  - inside & outside the industry

Final remarks

Market forces play a large part

- Competition between manufacturers
- Taxation and incentives



Sustainable mobility requires a partnership of many

- Auto industry
- Energy sector
- Urban planning
- Drivers
- Policy makers

European
Automobile
Manufacturers
Association

Thank you for your attention!

ACEA