



Brussels, 26 January 2007

## Car industry wants fact-based policy on CO2 reductions

The European car manufacturers share concern about global warming and are contributing actively to sustainable solutions. The current debate concerning CO2 emissions from cars unjustly portrays environmental and other important societal concerns, such as maintaining a healthy economy, as opposite interests. They are not: following an integrated approach to reducing CO2 emissions from cars will improve the environment and the competitiveness of the European economy.

An integrated approach would involve further improvements in vehicle technology, development and availability of low carbon fuels, infrastructure adjustments, a changing driving style and an increased demand for fuel-efficiency through harmonised CO2-related taxation of cars and alternative fuels.

The European car industry has reduced CO2 emissions by a significant 13%. But the sector has learned from its 1998 Voluntary Commitment that single-focussed measures are not enough. The industry's efforts have been hindered by counter-productive effects of new EU regulations and the persistent lack of consumer demand for fuel-efficiency. The European Automobile Manufacturers Association (ACEA) deplores the fact that calls to take into account these developments, as was agreed within the 1998 Commitment, have been neglected.

Reducing CO2 emissions further by vehicle technology only is the most expensive and least cost-effective option, as shown by studies ordered by the European Commission<sup>1</sup>. Much more can be done for the environment, at lower costs. Opting for vehicle technology only will lead to a prohibitive rise of production and retail costs, resulting in a loss of jobs and relocation of production outside Europe to countries that care less about global warming. Europe will need to weigh the consequences carefully.

The automotive sector is a key industry for the European economy, with at least 12 million employees and their families depending on manufacturing, research and development of vehicles in Europe. Technologies developed by the automotive industry are often adopted by other sectors, including ICT and health care. The highly competitive car industry is fundamental to the economic strength of the European Union and safeguarding the future prosperity of its 500 million inhabitants.

Global warming is a global problem. Solutions are complex in nature, and must involve all relevant parties concerned. The European automobile industry is determined to contribute and has a clear record of efforts to uphold its commitment. ACEA asks that its achievements and the current agreements be respected, and urges EU legislators to base future policy on transparent facts and impact assessment. Any policy measures must be designed and implemented with the industry, not against it.

ACEA represents the thirteen major European vehicle manufacturers. At the heart of the European industry, the automotive sector is the leading employer in manufacturing in the EU. The car industry provides increasingly high-skilled jobs to 2 million Europeans and indirectly supports another 10 million employees in related industries. Europe is the world's largest vehicle producer. Of the 46 million passenger cars produced globally, 38% are manufactured in the EU. The ACEA members yearly invest 5% of turnover (€20 billion) in R&D. The ACEA members are: BMW Group, DAF Trucks, DaimlerChrysler, FIAT, Ford of Europe, General Motors Europe, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Volkswagen and Volvo.

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<sup>1</sup> [http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant\\_emission/index.htm](http://ec.europa.eu/enterprise/automotive/pagesbackground/pollutant_emission/index.htm)

# ACEA Key Messages Concerning CO<sub>2</sub> Emission Reductions from Passenger Cars

26 January 2007

## 1. Voluntary Commitment (1998 – 2008)

- The European automobile industry lives up to its Commitment to reduce CO<sub>2</sub> emissions from cars. Between 1995 and 2004, CO<sub>2</sub> emissions have been reduced by 13%. This has been achieved through vehicle technology improvements only and happened despite a significant opposite trend of rising fuel consumption due to EU-regulation concerning safety and air pollution and due to consumer demand for larger, more comfortable and safer cars.
- The voluntary agreement to reduce CO<sub>2</sub> emissions was signed by both the car manufacturers, represented by ACEA, and the European Commission and covers a ten-year period (1998-2008). The automotive industry agreed to a target of 140 g/km on average for new cars by 2008. The agreement specifically stipulates that external developments such as new regulation, market developments and economic circumstances need to be taken into account when monitoring and assessing the results.
- The joined agreement states that policy measures covering the period after 2008 should be based on a full evaluation of the 1998 Commitment. With growing evidence of counter-productive effects due to new regulations and demand for larger cars, ACEA and the Japanese and Korean associations (which signed a similar agreement covering 1998-2009), have repeatedly asked for such a comprehensive evaluation.
- The Commission has until now chosen not to carry out a full analysis of the current Commitment results. The European Commission's strategy proposals concerning 2008 and beyond are therefore not in line with the policy agreed in the 1998 Commitment. The current proposals are not in line with this Commission's "better regulation" principles either. ACEA asks the Commission and other EU legislators to respect the Commitment in its full concept and content and to conduct proper and transparent impact assessments preparing further policy.

## 2. Way forward after 2008: Integrated Approach

- Based on lessons learned from the 1998 Commitment, in particular the counter-productive effect of other regulation and the clear, persistent lack of consumer demand for fuel-efficiency, the European car manufacturers advocate an integrated approach to make further progress in CO<sub>2</sub>-emission reductions from cars, including CO<sub>2</sub>-related taxation of cars and low-carbon fuels to direct demand towards fuel-efficient solutions.
- An integrated approach involves the car industry and all other relevant parties concerned: the fuel industry, policy makers (infrastructure adjustments, taxation) and consumers and their driving style. This approach will achieve

larger CO<sub>2</sub>-emission reductions at lower costs, protecting the environment whilst safeguarding employment in Europe.

- Independent research ordered by the European Commission within the European Climate Change Programme shows that a combination of measures and efforts is by far the most effective way to reduce CO<sub>2</sub> emissions from traffic, both for the environment and for the European economy. Up to 20 times higher reductions are achievable.
- Signing the conclusions of CARS 21 in December 2005, Commissioners Dimas, Verheugen and Barrot recommended an Integrated Approach to CO<sub>2</sub> reductions. The main policy objective of CARS 21 was to define ways to making the industry more competitive and protecting the environment at the same time. In CARS 21, it was concluded that these important interests can and must go together. ACEA asks the EU legislators to respect CARS 21.
- In October 2006, The Commission's Energy Efficiency Action Plan recommended a "comprehensive and consistent approach" to fighting global warming and improving energy efficiency, involving all relevant stakeholders including the fuel industry. An ECTM study published this month calls implementing CO<sub>2</sub>-related taxation "top priority for Europe".

### **3. Conclusions**

- Reducing further CO<sub>2</sub> emissions through vehicle technology only is the most expensive and least cost-effective option for society. The prohibitive rise in production and retail costs will lead to a loss of jobs and relocation of production outside Europe. More can be done for the environment, at lower costs.
- The automotive sector is a key industry for the European economy, with at least 12 million employees and their families depending on safeguarding manufacturing, research and development of vehicles in Europe. Technologies developed by the automotive industry are often adopted by many other sectors, including ICT and health care instruments. The car industry is essential for sustaining and improving the competitiveness of the European Union and safeguarding future prosperity of its people.
- Global warming is a global problem. Solutions are complex in nature, and must involve all relevant parties concerned. The European automobile industry is determined to contribute and has a clear record of efforts to sustain its commitment. Any policy measures must be designed and implemented with the industry, not against it.

Link to ECCP/TNO study:

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

*The European Automobile Manufacturers Association (ACEA) represents the thirteen major European car, truck and bus manufacturers. They produce 38% of worldwide car production, provide direct employment to 2 million people and support the job of another 10 million workers. Members are: BMW Group, DAF Trucks, DaimlerChrysler, FIAT, Ford of Europe, General Motors Europe, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Volkswagen and Volvo.*

## Results of ECCP: report on costs and reduction potential of CO<sub>2</sub>-saving measures

Within the European Climate Change Programme (ECCP), a consultant for the Commission, the independent scientific research institute TNO, assessed costs and reduction potential of different measures (Task A). The final report was published on 31 October 2006 and is available on the ECCP homepage<sup>1</sup>.

### Vehicle technology:

ECCP concludes that costs of lowering average CO<sub>2</sub> emissions from 140 g/km to 120 g/km through vehicle technology would translate into a retail price increase of €2450 per vehicle. This is in addition to a retail price increase of €1200 from reaching 140 g/km in 2008. The consultant calculated societal costs, which include cost of technology but also savings from fuel-efficiency, of €132 - €233/tCO<sub>2</sub> abated for going from 140 g/km to 120 g/km. This figure is far higher than many other measures assessed.

### Biofuels:

The results on cost-effectiveness of biofuels differ strongly depending on production pathways. Some biofuels are highly cost-effective, as is shown by TNO. As a 1% increase in biofuels leads to annual CO<sub>2</sub> savings of 3.1 - 4 Mt per year in 2012, an increase of 5% would lead to savings of 15.5 – 20 Mt per year. This is a larger reduction than could be achieved by putting all the burden of reaching 120 g/km on vehicle technology (14.4 Mt per year, going to 120 g/km)

### Eco-driving:

ECCP data shows that eco-driving is very cost-effective compared to other transport measures – it actually leads to cost savings to society (in all scenarios studied). Measures aimed at existing and new drivers could lead to annual CO<sub>2</sub> savings of 7.8 Mt – more than half of what could be achieved by putting all the burden of reaching 120 g/km on vehicle technology.

### Infrastructure measures:

Infrastructure measures have not been considered within ECCP. This is disappointing, because the potential reductions are large. Japan, for example, counts CO<sub>2</sub> savings through infrastructure measures of 28.3 Mt in their Kyoto implementation plan.

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<sup>1</sup> [http://forum.europa.eu.int/Public/irc/env/eccp\\_2/library?l=light-duty\\_vehicles&vm=detailed&sb=Title](http://forum.europa.eu.int/Public/irc/env/eccp_2/library?l=light-duty_vehicles&vm=detailed&sb=Title)