



Brussels, 19 December 2007

European auto industry insists on need for balanced and constructive CO2 legislation

The European Commission's legislative proposal on reducing CO2 emissions from cars, adopted today, does not offer the proclaimed balanced framework to cut CO2 emissions and to safeguard EU competitiveness and growth. The system, if implemented, would effectively reduce the competitive strength of the European automobile sector and put car manufacturing in the European Union at risk. The proposal would also lead to disproportioned costs compared to the environmental gains and the costs of carbon reduction facing other sectors.

"The proposal is very disappointing and both its content and the way it was adopted are in stark contrast with the 'better regulation' principles of the European Commission", said Sergio Marchionne, President of the European Automobile Manufacturers Association (ACEA) and CEO of Fiat. "All our efforts are focussed on further reductions of carbon from cars. The upcoming regulatory framework should support us in a constructive and sustainable way. We urge the EU governments and European Parliament, who will have the final say, to take up this challenge in the months to come."

The car industry insists on the need for a fair and realistic system with objectives it can meet in an appropriate timeframe. Investments in eco technologies should be recognised and rewarded. The legislative framework system must offer enough flexibility to help manufacturers comply. "We should not be unduly punished for the nature of our production process, which includes long development and production cycles and unpredictable variations in consumer demand," added Marchionne. "The penalties being proposed are of an unprecedented high level. We are not looking to buy our way out; we invest 20 billion euro a year in R&D and want to continue doing so. If at all, penalties should be reasonable and defined in relation to the market price of CO2 applied widely to other sectors."

The European automobile sector, one of the most innovative and valuable industries in the EU, is fully committed to reducing CO2 emissions from cars and supports the EU objective of reaching a level of 120 grammes CO2 per kilometre. Improved car technology has delivered significant results over the past decade and will continue to be a major source of further CO2 reduction. The challenge of climate change can, however, not be solved by one sector, one technology or one measure; solutions will be multiple and may differ per region and consumer. As far as CO2 from cars is concerned, the car industry advocates an integrated approach, combining the efforts of all relevant parties involved: auto industry, fuel sector, policy makers and drivers.

The European automobile industry is key to the EU economy. The sector employs 2.3 million people directly and indirectly supports the jobs of another 10 million families. The industry is the largest private investor in research & development in the EU, with R&D expenditure of 20 billion euro annually. The ACEA members are: BMW Group, DAF Trucks, Daimler, FIAT, Ford of Europe, General Motors Europe, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Volkswagen and Volvo. Toyota Motor Europe will join from January 2008.

Note to the editor:

- There is no link between the penalties being proposed for the car industry and the price of carbon applied to other industries through the European emissions trading scheme (ETS). The proposed penalties price a tonne of carbon produced by cars at up to 475 euro(*), whereas the ETS market price will evolve towards about 33 euro per tonne, according to Commission estimates, coming from today's price of less than 5 euro.

**Based on the assumption that a car drives 200,000 km over its lifetime, one gramme of CO₂ emitted above target corresponds to 200 kg of excess emissions, or 0.2 tonne of CO₂. If the car industry were to be fined €95 per gramme-above-target, this would equal paying €475 (5 X 95) for each tonne of CO₂, far more than any other sector.*

- Penalties for the car industry would be significantly higher than any cartel fine paid in EU competition cases, where such fines concern illegal competition law infringements with huge damages for consumers.
- Compensation payments in the US & Japan are much lower:
US CAFE at about 10-15 euro per gramme CO₂ and Japan at about €6000 per manufacturer