



ACEA: CO₂-based taxation of cars and alternative fuels is a crucial tool to reducing CO₂ emissions from cars and should be part of any future EU policy framework

CO₂-based taxation of cars and of alternative fuels has a significant CO₂ reduction potential by shaping consumer demand and setting economic incentives to which vehicle manufacturers and fuel suppliers will respond. A CO₂-based taxation system raises customer awareness and gives a political signal that society attaches a priority to reducing CO₂ emissions.

CO₂-related taxation: a large reduction potential

Recent experiences in some EU member states (the UK, the Netherlands and Sweden, for example) show that consistent taxation measures can have a significant influence on consumer behaviour and demand. In 2002, the European Commission ordered a study from COWI, a leading international consulting group, to assess the extent to which vehicle related taxes can be an effective means to reduce CO₂ emissions, influencing consumer choice in the direction of lower emitting vehicles. Main conclusion of this study was that CO₂ taxation measures could lead to 5% lower car park average emissions.

Already 11 EU countries took action...

Currently, eleven EU Member States (Austria, Belgium, Cyprus, Denmark, France, Italy, Luxembourg, The Netherlands, Portugal, Sweden, UK) have elements in their car and/or fuel taxation systems that are totally or partly based on the car's CO₂ emissions and /or fuel consumption. This follows from a survey by the European Automobile Manufacturers Association (ACEA), on the basis of information from the national car manufacturers' and traders' associations in the EU. The number of Member States with CO₂-related taxation schemes is rising; a year ago they were only nine.

...but no clear market signal yet

The current systems differ strongly across the EU and therefore fail to send clear market signals. Manufacturers face a fragmented EU market and are unable to exploit economies of scale.

ACEA advocates a harmonised taxation of cars and alternative fuels in the EU

- All existing car taxes/fees should be substituted by circulation tax to send simple and clear signals to consumers;
- CO₂ should be the key criterion for taxation to provide incentives to buy lower CO₂ emitting cars;
- Taxation should be technology-neutral to allow competition for the best solutions;
- There should be no discrimination against certain types, segments or classes of vehicles;
- There should be a linear proportionality to emitted CO₂ g/km without cap, or in other words: every gram of CO₂ emitted should be taxed the same, to avoid arbitrary thresholds;
- Tax revisions should be budget neutral in transition from old to new schemes and should be adjusted over time to ensure budget neutrality.

Background

The European car industry is committed to reducing CO₂ emissions from cars. Through technological improvements, the car industry has decreased CO₂ emissions from cars by 13% since 1998. For future reductions, a focus on vehicle technology will no longer be sufficient to reduce emissions in the way society demands: it is too expensive and not at all cost-effective, as shown by independent research conducted for the European Commission in 2006 (http://forum.europa.eu.int/Public/irc/env/eccp_2/library?l=/light-duty_vehicles&vm=detailed&sb=Title).

Making further progress should involve, apart from continuous technological advances, a larger use and availability of biofuels, the adjustment of infrastructure reducing bottlenecks and congestion, a change in driving style (“eco-driving”) and consumer behaviour. Within such an “integrated approach” towards reducing further CO₂ emissions, CO₂-related taxation of cars and of alternative fuels as outlined above, is essential.

At the moment, a majority of consumers do not want to pay for fuel-efficient solutions: they have not defined this a priority. Several highly CO₂-efficient cars, brought into the market in line with the 1998 ACEA CO₂ Commitment, met with very low demand despite considerable marketing efforts. CO₂-efficient applications are also confronted with hesitation. A good example is “Stop-Start” technology, a first-level of hybridisation, offering a high cost-efficiency ratio and a reduction of CO₂ emissions by 5% - 8%, but customers have been sluggish to accept.

Taxation

In 2003, taxes associated with the purchase and use of motor vehicles contributed over € 350 bn to the revenues of the EU member state governments. This represents 8% of total EU15 general government revenue and 3.8% of the EU's gross domestic product.

For more information, please visit http://www.acea.be/integrated_approach
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