

Mr Chairman, Ladies and Gentlemen,

Thank you for inviting me to this highly topical event.

I would like to start by sharing with you a few facts about the recent evolution of passenger cars in the EU.

- ❖ Since 1995, the average fuel consumption of new cars in Europe has decreased by more than 12%
- ❖ Over the same period, the average power of new cars has increased by almost a THIRD and average weight by 15%. So European cars have never been bigger and more powerful! They are also safer and better equipped. You certainly remember the time, not so long ago, when airbags were an expensive option rather than a more or less standard feature?
- ❖ One last thing: over recent years, car prices have increased significantly less than the retail price index.

These facts show that it has been possible to improve fuel efficiency, while at the same time increasing the safety, performance and equipment of cars, and making them more affordable for EU citizens.

This is quite an achievement, but there is much more that can be done on fuel efficiency.

The Commission does not have the intention to tell consumers what they should buy and what they should not. But it certainly has the intention and the mandate from European citizens to ask manufacturers to deliver cleaner, more fuel-efficient cars for the benefit of present and future generations.

Before looking at future options, I would like to remind you what we set out to achieve and what we have done so far.

[Past: what we wanted to achieve and why]

There has clearly been remarkable progress in the reduction of emissions of air pollutants and greenhouse gases from individual cars. Yet the fact is that road transport remains a major burden on human health and the environment.

Climate change is one of the gravest challenges facing our societies today, and passenger transport's contribution is considerable. It represents about 10% of EU greenhouse gas emissions.

And things are not improving. The trends are worrying: while the EU as a whole has reduced overall emissions of greenhouse gases by just under 5% since 1990, CO₂ emissions from road transport have increased by 26%.

In other words, road transport is offsetting the emission cuts achieved in almost all other sectors. This is making it harder for the European Union to meet its Kyoto targets.

The EU strategy to reduce CO₂ from cars is based on the Community objective of bringing average emissions from new cars down to 120 grams of CO₂ per kilometre. This is equivalent to fuel consumption of 4.5 litres of diesel or 5 litres of petrol per 100 kilometres.

Both the Council and Parliament supported the 120 grams objective and the three-pillar strategy the Commission proposed for achieving it.

The Commission has delivered on all three pillars.

To start with, we established voluntary agreements with the car industry as the cornerstone of the strategy. Manufacturers have committed to bringing down their average new car fleet emissions to 140 grams of CO₂ per kilometre, by 2008 for European carmakers and by 2009 for Japanese and Korean manufacturers. These commitments have contributed the bulk of the reductions achieved so far. This voluntary agreement is an innovative approach working hand in hand with industry. One could even say that it is an experiment of a voluntary agreement at EU level. Its success - or failure - will largely determine how the Commission makes use of similar types of agreement with other sectors in the future.

- ❖ Secondly, consumer information has been improved as a result of the adoption and implementation of the car fuel efficiency labelling Directive. This requires any car sold in a dealership to carry a label showing its fuel consumption and CO₂ emissions.
- ❖ Finally, the Commission has proposed a Council Directive on taxation. This requires Member States that apply car taxation to include a CO₂ element in the calculation of those taxes, as a way to promote more fuel-efficient cars.

In 2004, which is the latest year for which we have validated data, the average new car sold in the EU's 15 Member States emitted 163 grams of CO₂ per kilometre – this is 12.4% below 1995 levels.

This is progress, but the situation is certainly not satisfactory. We are still very far from reaching the 140 gram target of the voluntary agreements.

I have emphasized on several occasions that if car-makers fail to deliver on their commitments, the Commission will not hesitate to take measures to ensure that the necessary reductions are reached. The options open to us include legislation.

In the CARS21 group last year, the Commission began discussing with some stakeholders what should be done in the future. Our objectives remain valid, and are fully feasible to the car industry. CARS21 is about how we get there. One recommendation made by this high-level group was to adopt an "integrated approach" that would involve not just the car industry itself but also other associated industries, like fuel suppliers, tyre manufacturers and lubricant makers ... and consumers too.

[Future: Where do we go from here?]

As you will know, the Commission is now reviewing the "CO₂ from cars" strategy with a view to making revisions.

It is too early to say in detail what the changes will be, but our intention is to outline an overall strategy using the "integrated approach" at the end of this year. This will set out the measures we envisage and the CO₂ reductions expected from them.

Taking into account the views of the Parliament and Council, the strategy will be followed next year by specific initiatives that will apply to both passenger cars and light commercial vehicles.

A number of different tools will be considered.

The Commission will certainly consider using the legislative route. Only last year the European Parliament called for "*mandatory emission limits in the order of 80-100 grams of CO₂ per kilometre in the medium term to be achieved through trading amongst manufacturers*".

Initiatives in other parts of the world show how fuel efficiency requirements are becoming common practice, setting standards that all manufacturers must meet. As part of the review we will obviously be seeing what lessons these hold for us.

For instance, California has adopted an ambitious programme to cut greenhouse gas emissions from light vehicles. The same approach is being followed by 9 other US States, together representing about a third of new vehicle sales in the USA. As recently as last month, there was a call from both sides of the US Senate to increase new car fuel efficiency.

Japan is also determined to reduce CO₂ emissions and improve fuel efficiency using the so-called "top-runner" approach. This defines future emission levels on the basis of current best available technologies. And China too is introducing energy efficiency classes for new cars.

All these initiatives indicate that innovation in fuel-efficient technologies is crucial to maintaining a competitive automotive sector in Europe.

Conclusion

Ladies and Gentlemen, let me sum up.

While it is too early to say what tools we will be putting in place to achieve further reductions in CO₂ emissions from cars, I would like to leave you with a few guiding principles we shall be considering when developing our future strategy:

- ❖ Moving to a low-carbon society is a must, not an option. The Community objective of having a new car fleet with average emissions of 120 gram CO₂ per kilometre must remain at the heart of our policy for the future
- ❖ We need to recognise the legitimate demands of consumers for better and safer cars, and we need to inform them better about fuel consumption and its impact on their wallet
- ❖ We must find ways to ensure that carmakers are asked to deliver reductions in a way that takes fair account of past efforts and the differences between car segments
- ❖ The integrated approach can only work if we adopt concrete and tangible measures.

These are in my view some of the most pressing challenges we face as we devise policies to promote low-carbon cars.

We need clean and efficient technologies to win the battle against climate change, and those who lead the way will reap the rewards. I am confident that European car-makers will be among them.

Thank you.