

EU spending €1 billion a day on oil imports as leaders backtrack on efficient cars



European Federation for
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Briefing

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Brussels – For the first time in history European Union member states are spending over €1 billion every day on imported oil, four times more than in 2003 and smashing all previous records, according to analysis by Transport and Environment (T&E). But European leaders are failing to make the connection between rocketing oil prices and worrying levels of oil dependence on the one hand, and the need to tackle Europe's gas guzzling car fleet on the other.

Cars are the single biggest consumer of oil in the EU, using around 4.4 million barrels every day, and responsible for 40 per cent of imports. Oil imports for cars now amount to €140 billion a year, more than the value to the economy the entire European car industry creates each year. According to figures from Eurostat, the 'value added' of the European automotive industry, including vans and trucks as well as suppliers, was €132 billion in 2005.

The annual import bill represents 3% of the region's gross domestic product (GDP), or the equivalent of €750 for every EU citizen every year.

Germany is the biggest importer of oil for cars (€25 billion annually), followed by France, Italy and the UK. Denmark is the only EU member state that still exports oil.

In 2007, the EU imported 79% of its oil needs, i.e. the continent is 79% dependent on foreign oil. The main beneficiaries of Europe's billions are the Middle East and Russia, each responsible for a third of the EU's imports. Slovakia, Hungary, Latvia, Poland, and Lithuania are all more than 90% dependent on Russia. Greece, Italy, Portugal and Spain are more than 40% dependent on the Middle East¹.

The biggest importers per head of population² are the Netherlands (€1,690), Belgium, Ireland, Finland, Greece and Sweden.

What the EU can do

The European Commission's 'five point plan to react to the surge in oil prices' of September 2005 did not mention the word transport once, despite the fact the sector is responsible for two thirds of EU oil consumption³. In oil policy, transport is 'the elephant in the room'.

Given the fact that cars form the single biggest category of oil use and that there is an impressive technological potential to make them more fuel efficient, the single most effective measure the EU can take to reduce its rapidly rising oil import bill is to introduce mandatory fuel efficiency targets.

Such a policy would decrease the value lost from oil imports and is very likely to increase value added in the car industry⁴.

The European Commission proposal – December 2007

A law to this effect is currently working its way through the legislative process. In December 2007, the European Commission proposed that new cars should become 19% more fuel efficient in 2012 than they were in 2006, emitting 130 g/km CO₂ on average in 2012, compared to 160 g/km in 2006. Fuel efficiency and CO₂ emissions are directly linked, the more fuel a car burns, the more CO₂ it emits.

1 EU Energy Policy data, Commission staff working document, October 2007

2 Apart from the very small member states: Luxembourg, Cyprus and Malta

3 <http://tinyurl.com/6bynbo>

4 http://ec.europa.eu/environment/air/transport/co2/pdf/sec_2007_1723.pdf, p.62, "the total value of sales will rise slightly"

But this proposal already represents a weakening of an EU target first proposed in 1994 by the then environment minister of Germany, Angela Merkel. The target of 120 g/km was initially set for 2005. Again, the current legal proposal is weaker, proposing only a weaker target for 2012, in four years' time. Environmental groups, including T&E, have said a target of 80g /km by 2020 is necessary.

Car fuel efficiency law under attack

Despite the weakness of the current proposal, the car industry and now with support from car producing countries, particularly Germany and France are attempting to undermine the law still further.

'Eco-innovations' - What the industry propose sounds reasonable: that solar-powered sunroofs and other auxiliary green technologies should be counted towards the target. While such innovations are a good thing in principle, the targets are based on the fuel efficiency new cars achieve under an official testing procedure that does not currently account for them. Including technologies unrelated to engine performance, aerodynamics and weight in the targets currently under discussion is, therefore, a way of cheating the system.

'Phase-in' - In another cunning bit of word play, the car lobby has started talking about a "phase-in" of the targets, rather than a postponement. Either way, the result would be the same. Europe's drivers, already paying higher fuel prices than they are used to, would have to wait longer for fuel-efficient cars that could be made now and with existing technology.

The economic benefits of fuel-efficient cars are underestimated

On a number of fronts the European Commission has failed to highlight the economic benefits of saving oil when it proposed the law to cut new car fuel consumption.

Firstly, fuel prices are now more than 50% higher than assumed in the official impact assessment⁵, which means the economic benefits of the policy are also 50% higher than assumed. Secondly, the impact assessment does not take into account that oil imports represent value lost to the EU economy, while low carbon car technology developments represent value added to the EU economy (both oil imports and better car technology are seen as costs). Finally, the impact assessment ignores the fact that lower oil demand in Europe would lead to lower oil prices overall, another considerable economic benefit.

Note: how we calculated the EU oil import figure

The calculations have been made as follows: the amount of daily oil imports is assumed to be the same as in 2007. This is a cautious assumption, 2007 oil imports were 9% higher than in 2000, for example. In 2007 EU net oil imports (imports minus exports) stood at 571 Mtoe (Mega tonnes of oil equivalent)⁶. This equals 11.5 million barrels per day⁷. The price of Brent crude on 6 June 2008 was \$136 per barrel of oil⁸. At an exchange rate of 1.56⁹, this equals to €88 per barrel. 11.5 million barrels per day multiplied by €88 per barrel is exactly €1 billion of net oil imports per day for the EU27.

Media contacts

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5 The IA assumed a pre-tax price of diesel of €40/l (now €0.75) and a pre-tax price of Euro95 petrol of €0.50 (now €0.65). Source: Oil Bulletin http://ec.europa.eu/energy/oil/bulletin/2008_en.htm

6 Source: Eurostat, *Energy – monthly statistics*, Issue number 4/2008, 23 April 2008, http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BX-08-004/EN/KS-BX-08-004-EN.PDF

7 Using a conversion factor of 1 tonne of oil equivalent (toe) = 7.33 barrels (bbl). See e.g. http://www.spe.org/spe-app/spe/industry/reference/unit_conversions.htm

8 Derived from <http://www.nymex.com>, taken on 6 June 2008

9 Derived from <http://www.ecb.eu/stats/exchange/eurofxref/html/eurofxref-graph-usd.en.html> on 6 June 2008