TRANSPORT & ENVIRONMENT

September 2013

Briefing

Effect of the German phase-in proposal to the 2020 target

Context

Cars are responsible for an eighth[1] of Europe's carbon dioxide (CO_2) emissions. The amount of CO_2 produced is directly related to the amount of fuel the vehicle consumes – lower carbon vehicles are therefore more fuel efficient and cheaper to run. In 2009, the EU set legally-binding targets for new cars to emit 130 grams of CO2 per kilometre (g/km) by 2015 and 95g/km in 2020.[2] In July 2012, the Commission announced the outcome of its review of the modalities (ways) of achieving the 2020 target.[3] In June 2013,[4] a first reading agreement was reached on the proposal confirming the 95g/km target. Following the agreement, the German government successfully delayed a vote in Council[5] and has attempted to overturn the deal. The effect of Germany's latest proposal, a phase-in of the regulation, is described in this paper.

What is Germany Proposing?

The regulation requires that by 2020 the average new car sold in the EU should achieve CO_2 emissions of 95g/km. The German proposal will mean that in 2020 only 4 in every 5 cars sold (80%) must meet this level and that not until 2024 would the average of all new cars sold have to meet the 95g target. The proposed phase-in is that in each year from 2020, 5% more vehicles must achieve the 95g/km target as shown below.

What is the effect of the proposal?

The effect of the phase-in on the strigency of the regulation is tabulated below

Year	German Proposal	Effective target g/km
2020	80% of new cars must meet 95g/km	104
2021	85% of new cars must meet 95g/km	102
2022	90% of new cars must meet 95g/km	100
2023	95% of new cars must meet 95g/km	98
2024	100% of new cars must meet 95g/km	95

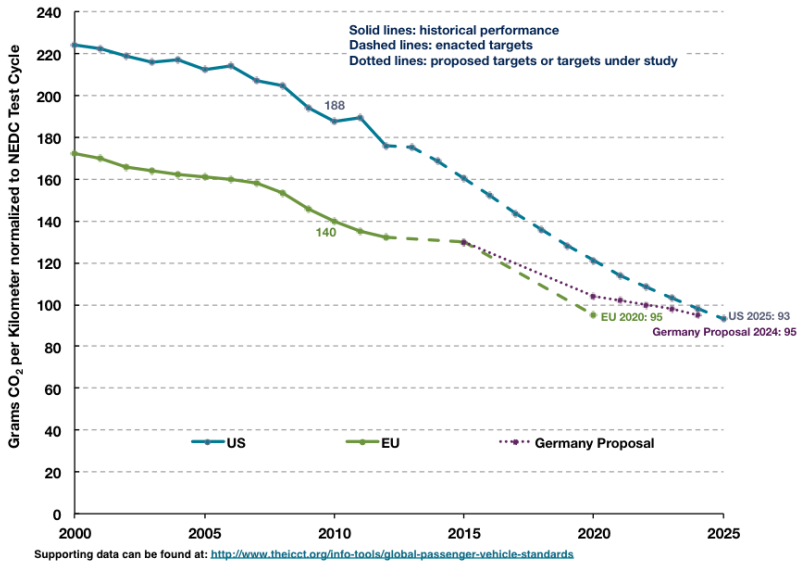
The key implications are:

1. The phase-in is simply a delay that results in the 95g target being met 4 years later, in 2024, NOT 2020.
2. The target in 2020 is raised by 9g to 104g - an increase of 9.5%.
3. The phase-in effectively halves the required rate of improvement to just 2.2% pa over the period from 2015-24. Since the regulation came into force, the average annual rate of reduction has been 3.6% pa.
4. The phase-in makes any 2025 target impracticable since 2025 will be only 1 year after 95g is met.
5. The phase in will cost the average new car driver an additional €138 pa in fuel[6] as a result of new cars being less fuel efficient.
6. By 2030 the phase-in would result in higher oil consumption and imports of 40 to 120 million tonnes of oil equivalent.

[1] European Environment Agency, 2011, Transport sector contribution to total GHG emissions, 2009 (EEA-32)
[2] Regulation (EC) No 443/2009 of the European Parliament and of the Council of 23 April 2009 ….
[3] European Commission Climate Action 2012, COM/2012/393, Proposal for a Regulation to define the modalities for reaching the 2020 target for reducing CO2 emissions from new passenger cars
[4] http://ec.europa.eu/clima/news/articles/news_2013062501_en.htm
[5] http://www.europeanvoice.com/article/imported/emissions-impossible-/77774.aspx
[6] Assumes 20,000 km pa; fuel costs of €1.6/l and real world emissions 23% higher than test results

7. It would cause 110 to 310 million more tonnes of CO_2 being emitted by 2030.
8. It would reduce EU GDP by €3.4 - 5.1 billion pa as a result of higher driver fuel costs reducing disposal incomes and local expenditure.
9. The delay would result in EU cars being no more efficient that those in the US by 2025.[7]

If this new German proposal were to be adopted, the EU would lose its advantage over U.S. passenger cars in terms of vehicle efficiency (as illustated by the ICCT – chart opposite). In 2010, U.S. passenger car emissions were a third higher than EU car emissions. Under the German proposal, the EU would be overtaken. This is because the U.S. standards require annual improvements of 4.8%. In contrast the German proposal requires just 2.2% from 2015.



The 95g target was set back in 2008 and most carmakers are on track to achieve their targets.[8] The delay to the target will delay the introduction of technology to make cars more efficient that in turn will increase emissions and fuel costs. It is notable than even ACEA, the European representative body for the car industry, has not asked for a delay to the 95g target.

What might happen next?

This is the 6th German proposal to weaken the regulation. None of these proposals has received the support of more than 3 other Member States, which, cumulatively with Germany, amass no more than 60 votes in Council. This is far short of the 96 votes required to secure a blocking minority and prevent a qualified majority. At the most recent Council meeting discussing the regulation, no other Member State supported the German proposal. If this continues, Germany is unable to prevent the deal being finalised.

However, it is clear Germany is exerting considerable pressure on other member states to block and weaken the agreed deal. If Germany were successful in blocking a deal, then Council will need to make a new proposal to the European Parliament that will be considered in a Second Reading in which all aspects of the regulation could again be amended. This was confirmed by Mattias Groote, Chair of the Lead Environment Committee, who commented:

"A deal is a deal. If not, the usual in European Legislation would be a Second Reading"[9]

What should be done?

The European Commisison has commented,[10] "After yesterday's #IPCC report, not the moment to water down the deal on new EU CO2 cars legislation. Time to approve the deal!" The European Parliament is clearly of a similar view.

Council should reject this new German proposal and support in a vote the deal negotiated under the Irish Presidency.

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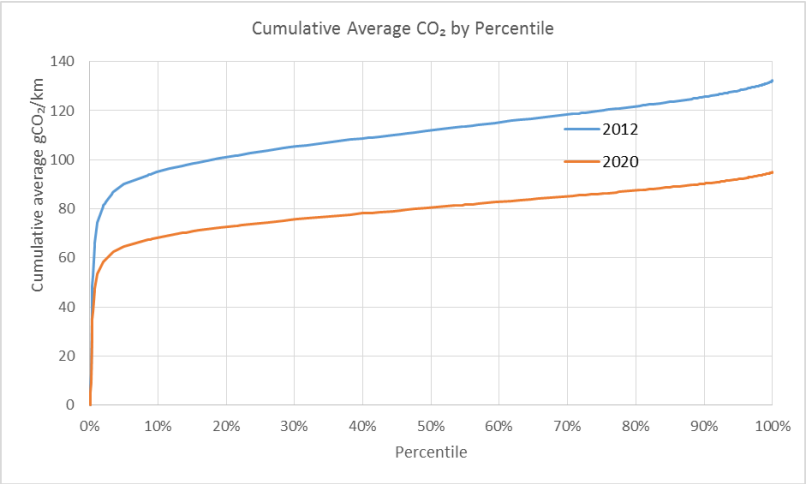
[7] http://theicct.org/blogs/staff/eu-co2-standards-thriller-continued
[8] http://www.transportenvironment.org/press/carmakers-can-free-wheel-fuel-efficiency-targets-te-report-shows
[9] Mattias Groote Twitter 27th September 2013 14.57
[10] Connie Hedegaard (@CHedegaardEU) Twitter 28/09/13 08.50

How did T&E perform the assessment?

T&E has looked at the European Environment Agency official database[11] of all new cars sold in 2012 to see how much the phase-in is likely to affect the stringency of the regulation. We calculated the average emissions of the 80th, 85th, 90th, 95th percentile vehicles and compared these to the average of all (100%) of the new cars sold in 2012.



To assess the effect on the 95g 2020 target, T&E assumed the distribution of the market will remain the same between 2012 to 2020 and adjusted the average CO_2 of all cars sold in 2020 (132g/km) to the 95g/km used in 2020. Based upon this analysis we conclude that the effect of the phase-in on the stringency of the regulation.

Where can I get further information?

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[11] http://www.eea.europa.eu/publications/monitoring-co2-emissions-from-new