



European Federation for
TRANSPORT and ENVIRONMENT

Speech by Jos Dings, Director of the European Federation for Transport and Environment (T&E) to the United Nations Environment Programme and DaimlerChrysler 4th Environmental Forum, Magdeburg

17 November 2005

Ladies and gentlemen,

It is a great honour to be invited today to represent T&E, the European Federation for Transport and Environment.

We are a Brussels-based NGO and represent some 40 NGOs across Europe that promote sustainable transport.

I want to thank DaimlerChrysler and UNEP. I understand that it took courage to ask an NGO to fill this slot, I would like to thank you for showing that courage.

Over the 15 years of my organisation's existence, EU policies to clean up vehicles and fuels have been a top priority for us because they represent one of the most important powers the EU has in the field of environmental protection.

I would like to start my presentation with my key message for today:

Climate change is not going to go away unless the powerful players show real leadership.

These are the two key elements:

Climate change is not a bad dream. It is not hype. And it is very likely to get worse.

But perhaps more relevant to this audience – it is not just the weather that will get more extreme and less predictable. The responses to Climate Change will also get more extreme and less predictable.

A lot will depend on how we act over the next decade. If the really powerful players show real leadership then the worst might still be avoided. And that, I'm sure you will agree, is in everyone's best interests.

A matter of urgency

I hope we all agree on the urgency of the matter.

Decision-making takes a long time but cars last even last longer (at least I hope DaimlerChrysler's do).

A simple analysis reveals that today's decisions will still be affecting greenhouse gas emissions in 2040. Over the next 20 years, more cars will be sold than all cars produced so far.

Ladies and gentlemen, I cannot stress enough how urgent today's decisions on the fuel efficiency of cars are for the future of the planet given these simple facts.

Sometimes it is argued that biofuels are more important than energy efficient cars because biofuels can be introduced now. But the fact that cars last so long is exactly the reason action is needed sooner rather than later.

Linked to this longevity is the global imbalance in sales and ownership of vehicles. Car sales are focused on the wealthiest elements in western society – business and relatively wealthy individuals.

But 'affordable mobility' is a much more important topic for second- and third-hand buyers and people in developing countries. For these people low fuel costs are much more important than for Western business.

We now have a situation whereby the car preferences of western businesses are, to a large extent, determining what vehicles will be driven in the developing world 20 years from now. We are exporting a carbon and fuel cost timebomb to the developing world. We must be aware of this and take responsibility for the problem here and now.

The responsibility of the global players

I would now like to share with you some thoughts about climate change and the responsibility of the global players in the transport sector.

My organisation's perspective is of course a perspective from Brussels – where we often meet representatives of the car industry to discuss regulation, for example Euro 5 emissions standards and CO2 reduction targets. I will talk mainly about the cars – and about the position of DaimlerChrysler in public policy matters.

As I have said, Climate Change will not go away unless business take a proactive role in solving the problem. Business as usual is not an option.

The question for today should not be whether the global industry has a responsibility. Of course it does. Cars and oil combined cause some 20 per cent of global warming.

But this responsibility goes further. The oil and car industries are extremely powerful and extremely large players. With power comes responsibility and the biggest players in climate change have the biggest responsibility to solve the problem.

Leadership

At some point in time – maybe in one year's time, maybe in ten – it will be clear who the real leaders are. Those who have been able to anticipate and act, and the ones that have not.

It is much better to be one of these leaders and co-determine what will happen than to have to wait and react - you will be too late.

And the real question is: will the car industry be one of these leaders?

Well...at the moment, to be frank, it does not look good. Real change is needed.

Let us see what a real leader does in general and whether the global industry fits with that picture.

Problem recognition

A real leader *recognises* that there is a problem out there that needs to be solved. This is the very first step.

Sadly enough this hurdle was only just cleared at the Gleneagles G8 summit. A large part of industry has, some after many delays, finally recognized the problem. The sheer fact that this seminar is held proves it, and the previous speaker pointed this out very eloquently. But of course there remains plenty of work to be done.

A real leader is open about what he or she does and shares details of his or her performance with everyone.

A real leader does not just think internationally and long term – he or she also acts internationally and long term.

A real leader does not shift responsibility to others but also takes full responsibility for his or her deeds.

And last but not least, a real leader puts forward an ambitious plan, a plan that seems almost unfeasible, but is within their control - and goes on to realise their goal.

Openness

As you all know the car industry associations agreed in 1998 to cut their fleet average CO₂ emissions to 140 g/km by 2008. This graph is all too well known – it shows the progress per industry association until last year.

I am not going to focus on whether we believe that this target will be met or not – although the trendlines clearly suggest they won't.

But I do focus on the intransparency of this exercise. When, in the weeks before this conference, I asked DaimlerChrysler to provide their CO₂ performance figures, I was told it was company policy not to give them.

DaimlerChrysler is not alone in withholding these figures. It's a deliberate industry-wide policy. They also managed to persuade the European Commission not to publish company-specific figures.

Such a strategy is pretty risky. Creating a taboo makes people suspicious. It makes people dig. And the press loves it when such secrets are revealed. In the long run this strategy will fail. Be open and avoid trouble, that's my advice.

Don't just talk long term, act on it

Another oft-repeated call is for long-term targets and strategy. Not an event has passed by without such a call. And of course, this is an area where everyone can also easily agree.

The situation in the EU is one in which we have had a long-term objective since 1996: the 120 g/km CO₂ objective for passenger cars.

Originally this should have been achieved by now (ie in 2005) – or, OK, 2010 at the latest – and, informally, the date has shifted to 2012. So we are in a luxurious position of having a target stretching over 16 years. And let's face it – many people in this room are even now still allergic to the term '120' – they probably shut off as soon as I mention it.

Well I call on them to open up again. Shutting off will not make the problem go away. It does not make sense to argue that big cars can never meet it or that removing big cars would not help. Such comments are irrelevant as we are talking about a sales-weighted average across ALL manufacturers.

It is much better to think of how you could contribute to it in a meaningful way. Competitors within specific classes of vehicles would face similar rules so that is not the big issue. It may seem difficult now – but isn't that exactly what 16-year targets should be ? What is the use of a long-term target that is not challenging ?

We all know from the past that costs will come down by a factor ten as soon as technologies are mass-introduced. And everything that is done now does not require double future efforts at double costs.

Real leaders do not hide ...

A very critical point is that global industries such as the car and oil industries should not hide behind other stakeholders' responsibilities. Of course, other stakeholders should be addressed too, but this is too often used to shift the focus away from own responsibilities. Don't think you're the only ones who are being asked to take action.

Of course it is very human to claim in case of success and to blame in case of trouble.

Profits always seem to be the result of company performance while losses the fault of a sluggish economy or bad exchange rates - strange.

In the same way, the industry generally claims environmental success in the past, and shifts the blame to others when environmental challenges for the future are discussed.

The next slides are inspired by the car industry arguments against CO2 regulation we have seen in the Commission's CARS 21 High Level group on car regulation.

...behind each other ...

A first favourite place to hide is behind each other. The vehicles industry says that the energy industry should do more and vice versa.

The second option is to hide behind the consumer. This option has certainly gained popularity, in particular the idea that consumers should drive their vehicles better. But the second and the third one is popular too: "we produce what people want so don't ask us to change the consumers". The real challenge here is obviously to change the incentive structure of the car market. I will come back to that point shortly.

...behind alternative policies ...

A second favourite hiding exercise in the CARS 21 group has been to propose all sorts of alternative policy measures that are not the responsibility of the Commission Directorates at the table or that are not even EU responsibility. There are three on this slide:

- Synchronization of traffic lights
- Infrastructure management
- Yes, even fuel tax increases

...behind costs

A third favourite is the cost issue. There are badly-underpinned claims that going for '120' would cost EUR 4,000 per car, which in turn would obviously be more than enough to wipe the German car industry off the map, in a time when employment is the critical issue.

At this point I need to make two comments.

The first is that this analysis is factually incorrect and that there is a paper which proves it. The most recent and comprehensive study on the topic to date says that the costs strongly depend on the way it is implemented, and says that the most flexible variant would cost an average of EUR 577 per car.

Well ladies and gentlemen, I assure you that with today's fuel prices you earn back this amount quickly, with an overall benefit to the economy.

But the second comment is more fundamental. The car and oil industries both have quite a history of presenting grotesque costs in response to regulatory threats.

When rules are finally agreed, suddenly the incentive changes from maximising the costs to minimising them, and then the industry time and again shows what it is capable of. And this is a lot, as we have seen over the last 15 years. Human creativity is almost infinite, it only needs a bit of a push in the right direction.

The car industry has a serious credibility issue in the field of costs.

I cannot resist citing some experience that our transatlantic colleagues gained in their discussions about Californian CO₂ or US federal fuel economy rules.

- In California: '*...the global warming regulation (a) increases the retail price of cars, and (b) provides no environmental benefit ...*' (AAM)
- At US Federal level (after again a rejection of CAFE tightening) '*reasonable and achievable process for increasing fuel economy standards*' (Daimler Chrysler)

A real leader comes up with a plan

So what is from our point of view, after all these observations, the outlook for the future ? What would represent a sensible set of measures and policies that the global players in the transport sector should commit to ?

In a nutshell, I will say that showing leadership is saying what you want and could accept rather than saying what you don't want and could not accept. And of course I am very willing to provide some suggestions.

Let's start with a relatively easy bit. There are a couple of tools that all together can made a difference to a cars' CO₂ performance without any sort of sacrifice in terms of the car.

- Low-resistance tyres
- Low-friction lubricants
- fuel economy meters
- gearshift indicators
- tyre pressure monitors

Now it gets a bit more difficult but still it does not represent a quantum leap in the business environment. Develop and apply principles for responsible advertising of your products. These should consist of two parts. First, some criteria that every ad should respect: refrain from commercialising aggressive features and the like. Second, make sure that your advertising efforts are at least representative of your sale, and that you cannot be accused of pushing people into gas guzzlers, as a survey by Friends of the Earth UK recently found out.

Now it becomes a bit more tricky, especially here in Germany.

Agree to add Intelligent Speed Adaptation in the type approval process. And before you all switch off (again): this does not automatically mean the end of speeding in Germany. But it does mean that cities that wish to do so can protect people in vulnerable places from speeding cars. Enforcement of speed rules becomes a lot easier. It's just technology that enables authorities to better enforce traffic law, nothing else.

And now for the key topic. Let's not make it more complicated than necessary: for the next two decades the car industry is primarily responsible for making its products more fuel efficient, the energy industry is primarily responsible for cleaning up the fuels. And of course there needs to be good coordination between the two.

Therefore, we invite the car industry to come forward at EU level with an acceptable framework for fuel economy rules that will certainly meet specific MJ/km targets. We don't ask the industry to think of targets – that is the job for politicians. We ask them to think of a system. Should it be like CAFÉ, California, China, or even something else ? A combination of the best elements ? Think of that. Otherwise others will unavoidably do it for you.

And the energy industry should obviously devote much more resources to renewable forms of energy. But before that, it needs to ensure that this energy is indeed renewable: for example that no rainforest was cleared for it. And it should fight for incentives to be based on these criteria. And also defend these criteria when they end up on the WTO table.

Ladies and gentlemen, I have come to the end of my speech. I hope I have been able to clarify that climate change is not going away. It will stay here to annoy us on all fronts, until the big players show real leadership. That means

- be open about your performance
- don't just talk international level but act on it
- don't hide behind others
- and come up with your own plan

Thank you