

Car CO2 regulation

The case and content of an effective proposal

October 2017

Summary

The Commission is urged to make an effective car CO2 proposal including:

- A binding sales target for zero emission vehicles of at least 15% in 2020 and 35% in 2030
- An overall level of emissions reductions should be at least 35% from 2021 – 2030 with a binding mid-term target in 2025
- An enforcement mechanism to ensure that the FULL emissions cut is delivered on the road

Following the unhelpful intervention of the Juncker Cabinet it would be preferable to delay the proposal and negotiate on key points to produce a stronger outcome. The alternative is to issue a weak proposal that does not put the EU on a track to meet its climate goals and the EU industry on a path to becoming globally competitive and manufacturing new technology vehicles in the EU.

1. Context

The 2nd Mobility package provides the opportunity for the EU to finally tackle its greatest climate criminal – transport. Transport emissions have [grown](#) more than 20% since 1990, are currently flat-lining and are likely to derail meeting climate targets unless aggressive action is taken. Three-quarters of transport emissions are from road transport and three-quarters of these from cars and vans. The proposed post 2020 car CO2 regulation is the single most effective measure for reducing emissions EU-wide.

The current 95g/km target for 2021 will be met in the laboratory– but the regulation has failed to deliver the anticipated progress on the road where emissions from new cars are projected to decline by just 22% far less than the anticipated 39% reduction. As final decisions are made T&E urges Commissioners to be bold and adopt ambitious targets and close loopholes in the regulation that has allowed carmakers to circumvent the rules. There are 3 key reasons to set aggressive targets:

- Member States need them to deliver their Effort Sharing targets particularly since cutting emissions in agriculture has proved challenging. Even with very ambitious targets post 2020 car CO2 regulations will deliver [less than half](#) of the emissions reductions needed in transport requiring very aggressive policies to reduce car use. In countries in which the vast majority of new cars are sold the average ESR cut is more than 35%. These countries need - and have asked for - a strong regulation;
- Europe has become a diesel island with just 5% of new cars sold outside of Europe a diesel. The EU must develop a strong home market for zero emission vehicles to ensure we remain globally competitive and remain a net exporter of new technology vehicles and do not import these vehicles from China that seeks to become a major global producer. A growing share of ZEVs has benefits for [jobs; for energy security; for growth](#) and for the environment. Even in countries with a high share of coal generated electricity electric cars produce [half the CO2 emissions throughout their lifecycle](#)
- By 2050 is climate goals are to be met light vehicles [need to be fully decarbonised](#) as it is unlikely aviation, shipping and possibly trucks can be. With a typical car in use for 15 years Europe needs to sell its last new car engine by 2035 at the latest which requires substantial progress to be made towards zero emission vehicles by 2030.

2. Elements of an effective proposal

2.1. A binding sales target for zero emission vehicles of at least 15% in 2020 and 35% in 2030.

The car industry wants to delay the introduction of ZEVs in Europe for as long as possible to secure returns on its flawed investments in diesel. [It is failing to make models available](#) (just 20 are on sale); it is failing to market these (just [1-2% of marketing spend](#) is on zero emission vehicles); it is failing to meet demand from consumers with long waiting times. A ZEV target will force the industry to supply and manufacture ZEVs in Europe as the scale of the market will require manufacturing close to market whereas a niche market can be let through imports. If this is the outcome [a third of manufacturing jobs could be lost by 2030](#). In contrast if the EU becomes a net exporter of the vehicles jobs will be created in manufacturing cars, battery packs and cells.

T&E would prefer a simple sales target but would [support a flexible system](#) of crediting so long as the companies failing to meet the target are required to do more to improve the efficiency of conventional cars as well as rewarding companies over-achieving. There must be a bonus **and** malus - otherwise the target is optional - together with a cap on the benefits of overachieving the target to ensure there is some improvement in the efficiency of conventional cars. A sales target is not only necessary, it is also acceptable to Europe's carmakers. Evidence obtained by T&E (we can share this upon request) clearly shows Volkswagen, the EU's largest carmaker could accept a credit target of up to 34,5% in 2030. Other carmakers had indicated similar openness. Removing the malus, as in the last draft, is therefore not only counterproductive but completely unnecessary.

2.2. An overall level of emissions reductions should be at least 35% from 2021 – 2030 with a binding mid-term target in 2025

35% is the upper end of the range under discussion and MUST include a binding intermediate target for 2025 set based on a linear reduction trajectory between 2021 and 2030. A 30% reduction without a 2025 target only delivers 21% of the emissions reductions needed in transport to meet ESR goals; [a 35% target \(including 2025\) delivers 35%](#). A weak proposal requires cuts to transport emissions from other measures member states will be unable to deliver. T&E would prefer a 45% cut that is still affordable and would [pay-back in 2 years](#) in lower fuel costs.

2.3. A binding mechanism to ensure that the FULL emissions cut is delivered on the road

The failure of the 95g target that has only delivered about [half of the emissions savings on the road measured in the lab](#) resulted from the car industry abusing flexibilities in the test. But analysis shows similar flexibilities exist in the new WLTP protocol so the gap between test and real world performance will again grow to more than 30%. T&E would fix this through introducing [a real world test](#) and a not-to-exceed limit of 15% above the WLTP value. Through this carmakers would be unable to exploit flexibilities in the test procedure; and would fit technology to cars that delivers emissions reductions on the road not just the lab. This could be complemented by monitoring using fuel economy meters and mechanism that tightened carmakers CO2 targets if it was found the average gap between test and real world performance was growing.

3. Next steps

The draft regulation circulated for inter-service discussion was not perfect but the recent changes - apparently made after an intervention by the VDA, the German auto lobby - risk emasculating the proposal. T&E urges Commissioners to do what is right and stand firm against the German car

lobby that have been shown through the dieselgate scandal and cartel investigations on trucks and now cars to have no respect for regulation, competitiveness, their customers or the environment.

It would be preferable to delay the proposal and negotiate on key points to produce a stronger outcome. The alternative is to issue a weak proposal that does not put the EU on a track to meet its climate goals and the EU industry on a path to becoming globally competitive and manufacturing new technology vehicles in the EU.

There is strong support for an ambitious target including from [7 smaller countries plus France](#). [Businesses](#) including in the [power sector](#) support a ZEV target recognising the benefits of being able to integrate ZEVs into smart renewable grids and the business case for installing recharging infrastructure a ZEV target creates. Major [cities](#) too have called for an ambitious regulation. Germany is silent but is expected to include its Climate Plan goals (including a 42% cut in transport emissions) in the coalition agreement for the new Government. It needs a strong proposal to deliver this goal. The [conditions have never been more right for ambitious regulation](#).

Further information

Greg Archer,
Clean Vehicles Director, Transport & Environment
greg.archer@transportenvironment.org
Tel: +32(0)2 851 0849
+44 07970 371224
+32(0)490 400 447