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on the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles
(2007/2119(INI))

Committee on the Environment, Public Health and Food Safety

Rapporteur: Chris Davies

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles (2007/2119(INI))

The European Parliament,

- having regard to the Communication from the Commission to the Council and the European Parliament on the results of the review of the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles (COM(2007)0019)¹,
- having regard to the impact assessment (IA) relating to the Communication from the Commission to the Council and the European Parliament on the results of the review of the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles (SEC(2007)0060),
- having regard to the Sixth Community Environmental Action Programme (6th EAP)²,
- having regard to The Sixth³ and Seventh⁴ Framework Programmes for Research, Technological Development and Demonstration Activities,
- having regard to its resolution on “Winning the Battle Against Global Climate Change” (2005/2049(INI))⁵,
- having regard to the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on “Limiting Global Climate Change to 2 degrees Celsius: The way ahead for 2020 and beyond” (COM(2007)0002)⁶,
- having regard to the Presidency Conclusions of the European Council of 8 and 9 March 2007 on the Renewed EU Sustainable Development Strategy (June 2006) and on the role of environmental technologies and eco-innovation in achieving the aims of the Lisbon Strategy for Growth and Jobs,
- having regard to the study “Review and analysis of the reduction potential and costs of technological and other measures to reduce CO₂-emissions from passenger cars” (31 October 2006)⁷,
- having regard to Rule 45 of its Rules of Procedure,
- having regard to the report of the Committee on the Environment, Public Health and Food Safety and the opinions of the Committee on the Internal Market and Consumer Protection

¹ Not yet published in OJ

² OJ L 242, 10.9.2002, p. 1

³ OJ L 232, 29.8.2002, p. 1.

⁴ OJ L 391, 30.12.2006, p.1

⁵ *Texts Adopted*, P6_TA(2005)0433, 16.11.2005

⁶ Not yet published in OJ

⁷ http://ec.europa.eu/enterprise/automotive/projects/report_co2_reduction.pdf

and the Committee on Industry, Research and Energy (A6-0000/2007),

- A. whereas some 19% of European Union CO₂ emissions are produced by passenger cars and light-commercial vehicles, with absolute volumes continuing to grow principally because of the increasing number and growing power of new cars,
- B. whereas road transport accounts for 60% of all the oil used in the EU, with inefficient use of fuel increasing the threat to energy security and contributing to high running costs and the depletion of world oil reserves,
- C. whereas legislative measures are now required in order to promote the design and technological changes necessary if the sector is to help the EU meet its target of reducing CO₂ emissions by at least 20% by 2020 compared to 1990 levels,

Timetable and targets

1. Recognises that manufacturers require between five and seven years to make changes to vehicle design in the most economical manner and, whilst acknowledging that average emissions from cars placed on the EU market in 2008 are likely to be in excess of 150g CO₂/km, rejects as too costly the Commission's proposal to reduce average emissions by technical means to 130g CO₂/km by 2012;
2. Suspects that the proposed use of 'complementary measures' to achieve the previously agreed emissions target of 120g CO₂/km by 2012 amounts to little more than a political gesture and believes that legislation should set clear and measurable targets for emissions reductions to be achieved through technical means;
3. Proposes that binding annual emissions targets should be set with effect from 1 January 2011 with the objective of promoting technical improvements to vehicles in order to ensure that, by these means alone, average emissions from all passenger cars placed on the EU market from 1 January 2015 do not exceed 120g CO₂/km;
4. Insists that from 1 January 2020, such average emissions should not exceed 95g CO₂/km, and believes that the EU should provide support for the necessary promotion of innovation through the FP7 research programme;
5. Believes that longer term targets should be determined by no later than 2016, following a review by the Commission, and anticipates that these targets will require further emissions reductions to 70g CO₂/km or less by 2025;
6. Considers that from 1 January 2015, no new passenger car model that exceeds the emissions target of 120g CO₂/km by more than 100% should be placed on the EU market;
7. Recommends, in view of the difficulty that some specialist manufacturers may have in reducing average emissions across the limited range of cars they produce within the timescales envisaged, that each manufacturer or importer should have the right to exclude 500 identified vehicles annually from inclusion in the data used to determine average emissions, subject to the emissions and fuel economy of such vehicles being labelled and advertised to consumers in accordance with the usual legal requirements;

Sharing the task between manufacturers

8. Recognises the large variation in consumer preferences regarding passenger cars and the different composition of manufacturers' fleets; insists that CO₂ reductions must be achieved in all segments of the market but believes that legislative arrangements should seek neither to disadvantage early achievers nor to threaten the viability of companies currently producing high emission vehicles;
9. Proposes that the setting of 2015 and 2020 targets for the reduction of average emissions, and interim annual targets, should be done by reference to a limit value curve for all vehicles sold by manufacturers and importers that should take, as its starting point, the profile of the new passenger car fleet as of 1 January 2011;
10. Recommends that the limit value curve be defined by a mathematical formula expressed as a function linking each vehicle's CO₂ emissions with its footprint (track width times wheel base);
11. Calls on the Commission to present proposals for consideration by the Council and Parliament to ensure that the design of the curve takes into account the differences between car sizes and the technological costs of achieving emission reductions;
12. Proposes the introduction on 1 January 2011 of a new closed market mechanism, the Carbon Allowance Reductions System (CARS), that will be cost neutral to the car manufacturing industry overall, rewarding companies whose fleets emit less than the CO₂ emissions limit curve while penalising those whose fleets emit more;
13. Expects that, through the CARS scheme, manufacturers and importers will be required to pay financial penalties in proportion to any exceedence per car sold of the emissions limits and that these penalties may be offset by redeemable credits awarded to newly registered passenger cars of the same manufacturer with emissions below the limit value curve;
14. Believes that the size of the penalties should be based on the cost of introducing the necessary technological abatement measures to reduce average emissions across the fleet to the required target figure;
15. Proposes the establishment of an EU-wide regulatory body to administer the CARS scheme and that it be supplied with the registration data also given to every Member State, and that it publish annually the balance attributable to each manufacturer and importer, the penalties levied and the payments made;
16. Recommends that manufacturers and importers should be able to determine whether they wish the recognised trading entity to be the corporate body or the various subsidiary companies or business units directly responsible for production of the vehicles concerned;
17. Suggests that in its first year the CARS scheme should be a shadow operation requiring only the collection of data, the transfer of certificates and the publication of balances, and that the financial regime should commence only with effect from 1 January 2012;

Improvements to testing and data monitoring

18. Advocates the revision of the test procedures to better imitate actual driving conditions, and calls for amendments to the European drive cycle to take account of technological developments such as the installation of sixth gears;
19. Urges the Commission to introduce new measurements and standards that can allow a fixed value to be attached for CO₂ reduction purposes to helpful improvements such as gear shift indicators, high efficiency air conditioning, low rolling resistance tyres and improved lubricants, the use of which will depend upon individual driver behaviour;
20. Calls on the Council to review testing procedures to determine whether conformity of production rules are being respected and to ensure that there can be no variance in the approach taken by the certified bodies in different Member States;

Vehicle specifications

21. Stresses the priority of addressing the urgent issues of energy security and the need to reduce Europe's dependency on imported fuel, to cut CO₂ emissions without increasing the cost of new cars, and to improve road safety;
22. Insists therefore, that from 31 December 2012, unless specially licensed for law enforcement, emergency or military purposes, no new passenger car model be allowed onto the EU market if over-engineered to be capable of reaching speeds in excess of 162 km/hour (101 mph), this being 25% more than the highest speed limit authorised in the vast majority of Member States;

Advertising and labelling

23. Recommends that mandatory minimum requirements should be set for the display of information relating to the fuel economy and CO₂ emissions of new cars in advertising, in all marketing and promotional literature and in showrooms, and regards the A-G format used for comparing the energy efficiency of certain electrical products as a model for the information displays required;
24. Suggests that legislation requiring health warnings to be displayed on cigarette packs provides a useful example, and proposes that a minimum of 20% of the space devoted to the promotion of new cars through advertising, marketing literature, or point-of-sale displays in showrooms, should provide information on fuel economy and CO₂ emissions in an approved format;

Promoting consumer demand

25. Recognises the considerable role that Member States can play in encouraging consumer demand for lower emissions vehicles, and calls for the preparation of national action plans indicating measures intended to be taken in this regard;
26. Supports in particular the use of fiscal measures, and encourages Member States to introduce both purchase and circulation taxes on vehicles with above average emissions;

Complementary measures

27. Believes that measures that may help reduce vehicle CO₂ emissions but for which an

absolute value cannot be attached, should be regarded as entirely supplementary and should not be included within the legislation currently proposed;

28. Fears that the increased use of biofuels risks increasing the price of food for people on very low incomes and accelerating the destruction of tropical rainforests, and calls for an urgent review of the policy on biofuels to take account of all environmental and social considerations;
29. Instructs its President to forward this resolution to the Council and the Commission, and the governments and parliaments of the Member States.

EXPLANATORY STATEMENT

Some 19% of all carbon dioxide emissions in the European Union stem from passenger cars and light-commercial vehicles, and absolute volumes continue to grow despite the fact that average reductions of 12.4% per new car were achieved in the decade to 2004.

The cause of this growth lies principally with the increasing number of cars and the congestion they generate, (registrations in the EU25 having risen by 36% between 1990-2003 from 156 to 212 million), and with the power of new cars which grew by an average of 28% over the decade to 2004, greatly exceeding the 15% increase in their weight although no government has raised road speed limits,

Clearly this does not assist the EU in meeting its target of reducing CO₂ emissions by at least 20% by 2020 compared to 1990 levels, let alone the target of a 30% reduction if an international agreement is secured.

The issues of CO₂ emissions and fuel economy are inextricably linked. Road transport accounts for 60% of all the oil used in the EU, and the inefficient use of fuel in cars not only results in unnecessarily high emissions but increases the threat to Europe's energy security and depletes world oil reserves, as well as forcing drivers to pay high running costs.

In 1999 the motor industry made a voluntary commitment to reduce average emissions from new cars manufactured in Europe to a maximum of 140g CO₂/km by 2008. Although 25% of manufacturers are set to meet this target the overall situation is less impressive. Average emissions from all new cars sold within the EU 25 market amounted to 162g CO₂/km in 2004 and are unlikely to be less than 150g CO₂/km by the end of 2008,

It was not until January 2007 that the Commission agreed in principle to introduce binding legislation, proposing that manufacturers should be required by technical means to reduce emissions to 130g CO₂/km by 2012, with various complementary measures being introduced to ensure that overall emissions did not exceed 120g CO₂/km by this date.

The 2012 target date is something of a chimera. It reflects various political decisions, most recently adopted unanimously by the Council in June last year, that have paid little heed to the actual situation. The Commission has tried to bridge the gap between desire and reality by proposing that the 120g CO₂/km target should be achieved with the assistance of a range of 'complementary measures,' such as the use of biofuels, that could be taken into account in addition to technological improvements, even though these are likely to be affected by such variables as driver behaviour and the availability of alternative fuels.

The rapporteur believes that car makers should be given absolute certainty about the technical standards they are required to meet, and while the potential exists for introducing and incorporating some values for the CO₂ reductions that can be achieved through use of improved tyres, lubricants or air conditioning, other measures outside the direct control of the manufacturers should be regarded as supplementary and should not be included within this legislation.

The rapporteur proposes that the most cost-effective means of achieving the same goal is to set a more ambitious emissions reduction target, but to allow the car industry a longer period in which to comply with the mandatory requirements.

Fortunately major reductions in emissions can now be achieved through technical and design improvements. Already more than one million cars sold annually within the EU emit less than 120g CO₂/km, and some top-of-the-range hybrid vehicles on the market produce 25% less emissions (60g CO₂/km) than commercial rivals selling at comparable prices. According to the Chairman of ACEA, the European car manufacturers' association, the industry has introduced some fifty CO₂ reducing technologies in the past decade, although their application is not yet as extensive as could be wished.

The reductions can be secured by using alternative fuels and propulsion systems but also through greater use of hybrid engines, improved petrol engines, greater use of diesel engines and by downsizing of engines supplemented by turbo-chargers, as well as through further development of powertrains, reductions in vehicle weights through greater use of aluminium, installation of stop-start mechanisms, enhanced gearing, improved aerodynamic design, use of reduced friction lubricants and ball bearings, installation of more efficient air conditioning systems and use of low roll resistance tyres.

There is no escaping the necessity for manufacturers or importers of vehicle fleets that far exceed the average emissions requirements to face some kind of financial disincentive. Similarly it would be beneficial if producers of low emission cars, often with very tight profit margins, were to be compensated in some way.

The rapporteur proposes the creation of a new market mechanism, the Carbon Allowance Reduction System (CARS) that will take account of different segments in the car market but will require the payment by manufacturers or importers of financial penalties for overall exceedance of mandatory targets, while awarding credit payments to those whose fleets fall below the required limits.

The rapporteur proposes the creation of a new regulatory body to administer the system.

Although the market mechanism is intended to be cost neutral to the industry as a whole, achieving the emissions reductions will initially increase manufacturers' costs. Innovation and improvements come at a price, variously estimated at increasing the cost of vehicles by between €100 and €150 per gram CO₂/km reduction. The expense will be less if manufacturers are given long enough to plan, make design changes, and achieve the efficiency savings to be derived from economies of scale when new technology goes into mass production.

Fortunately car manufacturers have succeeded in reducing the average price of new vehicles sold within the European Union by 9% since 1996, despite the imposition of increased safety and environmental requirements. Given the immediate savings to be derived from greater fuel economy the vast majority of vehicle purchasers are likely to be quickly compensated for the greater initial expense.

European manufacturers sometimes argue that adapting these measures would place them at a competitive disadvantage. It is a difficult argument to sustain. More new cars are bought

annually in the European Union than in any other world trading bloc, and the EU Single Market requires both domestic producers and importers to meet the same standards. Far from creating a competitive weakness the EU provides not only a level playing field but a degree of protection for domestic producers while they develop low emission cars that should help them win new business overseas.

The manufacturers also claim that the production of ever more powerful new cars is simply a response to consumer demand. There is some truth in this, but it is also the case that the manufacturers shape demand. Studies by European consumers' associations have identified that there is a bias in the advertising of new cars towards high performance, low fuel economy, high CO₂ emission vehicles, which represent the most profitable sector within the industry, with little emphasis given to the promotion of fuel economy or emissions performance aspects of new vehicles.

New advertising and labelling requirements are needed to change the emphasis attached to these matters, and demand for low emission vehicles could also be greatly stimulated if Member States introduce financial incentives and impose greater purchase or circulation taxes on higher emission vehicles.

The rapporteur makes one final point. The European Union not only seeks to reduce CO₂ emissions from vehicles but also wants to safeguard its energy security. It does not permit vehicles that fail to meet safety standards onto the market so why does it allow the sale of vehicles that use excessive amounts of fuel and have been designed to be able to break legal road speed limits introduced on the grounds of road safety?

The rapporteur regards this as political and environmental lunacy. The report proposes that new vehicles should not be awarded type approval if they are able to operate at speeds more than 25% in excess of the maximum authorised in almost all European countries. The result would not only be to decrease fuel use and curb emissions, but would also reduce the price of top-of-the-range vehicles by ensuring that they no longer had to be over-engineered to a ridiculous degree.

It may be that by marketing such over-the-top machines some manufacturers are giving covert encouragement to car drivers to exceed legal speed limits. It is for them to explain their position.