



*EU Environmental Policy Briefing**

Commission Publishes Proposed Regulation on Cars and CO₂

21 December 2007

After months of analysis and heated internal debate, the Commission published on 19 December its proposal for a Regulation to reduce CO₂ from cars (COM(2007)856 final)¹. This is a radical measure setting mandatory limits on car makers to reduce average CO₂ emissions to 130g/km on average for new cars by 2012, and marks an end to the current approach of voluntary agreements.

Key elements of the measure, such as the level of fines for infringement, and the extent to which makers of larger cars would receive an allowance for this, remained open up to the last minute. It is reported that President Barroso pushed through a compromise position broadly supportive of Environment Commissioner Dimas, and in the face of opposition from Commissioners of all the main car producing countries (Germany, France and Italy). Although the press conference to announce the measure was billed as a joint presentation by Environment and Enterprise Commissioners, Vice-President and Enterprise Commissioner Verheugen did not attend.

As expected, the Commission has now proposed an average target for each manufacturer group, differentiated according to a function of the average weight of the new cars that it sells. This is intended to give some leeway to the makers of larger and more luxurious cars, particularly those from the German manufacturers. NGOs have been very critical of this approach because it could encourage a continuation of the trend towards ever-larger and heavier cars; however the formula chosen is such that it compensates for only around 60 per cent of any increase in weight, which is not enough to actively encourage manufacturers to add extra weight, while not fully rewarding those who seek to reduce the weight of their vehicles either. The proposed formula will require substantial extra effort from the large German manufacturers in particular, and some of the Japanese and Korean importers, although not requiring them to bring their averages down to the levels to be achieved by the French and Italian companies.

Another key feature of the proposal is that the Commission proposes to levy fines on manufacturers who exceed their targets. These would rise steeply from €20 per g/km

* This work was funded by the statutory conservation and countryside bodies in the UK, as part of a contractual arrangement with IEEP to provide intelligence on EU environment policy and other policies which impact on the environment. It reflects the independent views of IEEP and not necessarily the views of the funding bodies. For further information contact Emma Watkins at ewatkins@ieep.eu

exceedance for every car sold in 2012, to €95 in 2015. The latter figure is based on the expected marginal cost of a high level of CO₂ reduction, and should be a major disincentive to non-compliance; however it is less clear whether the initial level would be sufficient to ensure compliance in the earlier years. In the event of significant levels of non-compliance the Commission could find itself levying very substantial sums in fines. Controversially, it is proposed that such fines should contribute to the general revenue of the EU; a proposal likely to be opposed by some Member States including the UK, which has already called for fine revenues to be remitted to the Member States.

Aside from the adoption of corporate average targets, the proposal allows for several elements of flexibility. For example, pooling of targets between several manufacturers is allowed, and niche manufacturers can apply for separate targets. Nonetheless, substantial extra efforts on CO₂ reductions will be required from a number of the major car companies.

Detailed reporting requirements are imposed upon the Member States, and unlike the current arrangement, it is envisaged that the reported results will be made public. Reporting requirements also require the Member States to record the size of the 'footprint' of each vehicle – the length of its wheelbase multiplied by its track width – which leaves the way open to switching to targets based on this measure in future. This option would be strongly preferred by NGOs, but opposed by most manufacturers.

NGOs immediately criticised the compromise as being a betrayal of the original and much-postponed Community target of 120g CO₂/km, and complained of the lack of a longer-term target, while the car industry complained of the high level of fines, and the German government and MEPs warned of higher costs and major damage to the German car industry. In reality both sides have had to give ground, but the outcome was probably the best compromise that could have been achieved.

The proposal has already been presented to the last Council meeting on 20 December. Although the Commission has now succeeded in issuing a proposal, the battle over the key details in the Council and Parliament is likely to be intense, and could well continue throughout next year and beyond.

References

1. Proposal for a Regulation of the European Parliament and of the Council setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO₂ emissions from light-duty vehicles (COM(2007)856 final), http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0856en01.pdf

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