It is argued by some that mandatory CO2 targets or high prices for emissions credits may lead to greater industrial competitiveness. For the automotive industry – a business that produces vehicles worldwide and must compete globally – it is perhaps harder to see the direct link.

At first sight it might appear that stricter emissions standards could force innovation, which in turn may lead to greater competitiveness. However, a recent study by FTI Consulting demonstrates the negative impact of increasingly ambitious regulatory requirements on manufacturing costs. From being the most profitable automotive sector in 2007, generating €15 billion profits, the European industry is now in the worst position, showing aggregated losses of €1 billion in 2012. The problem is likely to get worse. As targets become stricter, the costs of incremental progress will increase.
European automobile manufacturers are leading on innovation by producing ever more efficient motor vehicles. Their investments have resulted in more efficient internal combustion engines as well as in a wide range of alternative power trains, including electric vehicles (EVs). However, these still have not really ‘taken off’, partly because of higher prices and their relatively limited range. Just 39,000 pure EVs were sold in 2014, making up only 0.3% of sales. Sales are on the rise, but to make EVs more attractive for consumers requires further investments in recharging infrastructure, standardisation and harmonisation.

To address road transport emissions more effectively, we need to move beyond the idea that only new vehicles should contribute to reducing emissions. Most estimates put the additional costs of reaching the 2020 CO2 targets at €1,000-2,000 per car. New vehicles only make up 5% of Europe’s motor vehicle fleet, resulting in a slow uptake of more efficient vehicles. CO2 legislation fails to address the bulk of the vehicles already on the road, as current targets exclusively focus on new vehicles sales.

Even though the EU automobile sector made costly investments to successfully reduce CO2 emissions from new cars by 34% since 1995, its competitiveness is disproportionately affected by decarbonisation efforts. The FTI study identified the need to strike a better balance between contributions from all industry sectors, as Europe’s automotive industry faces significantly higher reduction targets than any other sector.

By 2020 average emissions of new passenger cars will need to be reduced by 39% compared to their 2005 level. Other non-ETS sectors, in contrast, are required to reduce emissions by 10%, while a 21% reduction is expected from ETS sectors during the same timeframe.

In light of the European Commission’s new greenhouse gas emission targets for 2030, all relevant stakeholders will have to work closely together to define how each industry sector can contribute in the most cost-effective way to meet the 2030 targets. That is why the automotive industry underlines the need to establish a more effective ‘comprehensive approach’ to reduce CO2 emissions from road transport.

For the automobile industry, this means we should not only focus on emissions from the vehicle itself, but also look at other factors influencing emissions during the use of the vehicle. This comprehensive approach should include key factors such as the carbon content of fuels, driver behaviour, infrastructure and the age of the car fleet.

Effectively joining forces to reduce CO2 emissions will allow us to drive down total road transport emissions, but also ensures that Europe’s strategic automotive industry
retains its competitiveness in the decades to come. This will be key to protecting jobs and growth in Europe. Our sector is working with others to make this happen.

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