



The Consumer Voice in Europe

Good for the environment and good for your pocket: Consumer benefits of CO₂ emissions targets for passenger vehicles

Short version

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Consumer benefits of CO₂ emissions targets for passenger vehicles

The European Commission is currently defining the modalities of implementing the CO₂ emissions target for passenger vehicles which is foreseen in Regulation (EC) No. 443/2009 for the year 2020.

We welcome the emission target of 95 g CO₂/km for the new passenger car fleet for the year 2020 as we expect this target to reduce CO₂ emissions of the transport sector, reduce the dependence on foreign oil imports, protect consumers from steady increases in fuel prices and prevent further air quality pollution.

In addition, the emission target of 95 g CO₂/km will reduce fuel costs and lead to fuel savings – two big concerns to EU consumers. Tighter CO₂ emissions targets for passenger vehicles will therefore not only benefit to reduce the impact on the environment, but will also help consumers achieve significant cost savings – an approach that will lead to a win-win situation for consumers and the environment.

Relative to the baseline of 130 g CO₂/km which manufacturers must achieve as an average CO₂ emission target by 2015, meeting the 95 g CO₂/km standard in 2020 would lead to significant fuel savings for consumers: The average European private motorist buying a new petrol car would benefit from fuel savings of approximately 344 Euros per year and the average European buyer of a new diesel vehicle would benefit from fuel savings of approximately 465 Euros per year. If fuel prices would increase as expected, the target of 95 g CO₂/km would lead to even more significant fuel savings per year. As additional manufacturing costs can amount to approximately 1,000 Euros, the payback period for the additional manufacturing costs is therefore assumed to be at the maximum of three years.

However, a typical European private motorist sells the car after a holding period of five years. Approximately a third of the higher costs for meeting the CO₂/km standard can still be passed on to the used car buyer and only two thirds of the higher initial purchase price needs to be paid by the new car owner. We therefore assume that at today's fuel prices the payback period for the share of the potential higher purchase price that the typical new car buyer has to bear is below 1.9 years for the average buyer of a new gasoline driven car and below 1.4 years for the average buyer of a new diesel driven car. When a car is purchased at a time when fuel costs are higher, consumers would be able to recoup their investment even within a shorter period of time¹.

The average consumers would therefore benefit from this emission target as they would see a significant net saving over the average period of ownership of the vehicle. For consumers who sell their cars below the average holding period of 5 years, the payback period is still likely to be shorter than the buyers' holding period of the car as, although those buyers will see lower fuel savings in total, they will be able to pass on a higher amount of resale value to the second hand car buyer.

¹ These numbers are based on a series of assumptions. The full details on the assumptions can be found in the long version of the position paper of BEUC which can be downloaded as a pdf file here: <http://www.beuc.eu/BEUCNoFrame/Common/GetFile.asp?ID=43385&mfd=off&LogonName=Guesten>

Key recommendations for policy makers

- **Achieving the average CO₂ emissions limit value of 95 g CO₂/km by 2020 solely by technical improvements**

We support the goal of limiting emissions to no more than 95 g CO₂ per kilometre in 2020 as already proposed in EU Regulation 443/2009. We support achieving the average CO₂ emissions limit value of 95 g CO₂/km by 2020 solely by technical improvements. Allowing manufacturers to prove the achievement of the emissions target through additional measures such as training consumers on eco-driving would shift the responsibility from manufacturers to consumers to provide more sustainable cars and would thereby water down the ambition level of the savings.

- **Not introducing a phase-in period of the targets and not including super-credits**

It is fundamental that targets should not be phased in from 2020 onwards but that the average emissions of 95 g CO₂/km should be fully achieved for the entire new car fleet already by that target year. A phase-in period would only lead to a weakening of the target and delaying of the benefits to consumers.

In addition, we do not support the further inclusion of super-credits. In reality, that could mean that an electric vehicle with zero emissions at the tailpipe would be able to offset several cars with high emissions that are not meeting the targets. We believe that this could lead to a situation where some manufacturers would only achieve a very small amount of improvements in the CO₂ reductions for their conventionally fuelled vehicles. Therefore, such a system would undermine the monetary benefits for the average consumers. Even though we support the provision of incentives to manufacturers in order to support them to develop radically new technologies, we believe that this should not be done through this specific regulation.

- **Setting a medium and long-term preliminary limit value today to be achieved by 2025 and 2030 respectively**

In order to provide incentives for manufacturers to invest into research and development of such new technologies, we support setting ambitious levels of long-term CO₂ emission targets for new passenger cars for 2025 and 2030 already today. By adopting an ambitious strategy, the European Commission will provide an impetus for development of technology, thereby incentivising the industry to take the technological lead and thereby stay competitive at a global level. More precisely, we support establishing an indicative ambitious target of 60-70 g CO₂/km by 2025 and of 50-60 g CO₂/km by 2030, subject to evaluation of the cost implications for consumers and examining consumer acceptance.

- **Setting test cycles and test procedures to present real-world fuel-consumption**

Members of the European Consumer Organisations ANEC and BEUC have measured more realistic fuel consumption values of up to 47% higher than the figures indicated by the manufacturers. One explanation to this development refers to the fact that the New European Driving Cycle (NEDC) which is used to measure the CO₂ emissions by cars does not represent realistic consumer driving conditions.

The test cycle and test procedure therefore needs a thorough overhaul. We support in principle the development of a better, harmonised testing standard. This is the objective of a World Light Duty test procedure in the framework of the United Nations Economic Commission for Europe (UNECE). In order to support the introduction of the new test procedure, it is important that these new test procedures represent truly real world conditions and should not allow manufacturers any flexibility and loopholes in the test procedures. Loopholes in testing should be closed as a matter of urgency. Therefore, we would like to stress that it will be fundamental that this process is completed as swiftly as possible. If this process is delayed, we urge the European Commission to take own actions ahead of time, if necessary and appropriate.

➤ **Maintaining excess emissions premiums at vehicle high level**

The emission premiums, which are imposed in case the average specific emissions of CO₂ exceed the specific emission targets of the manufacturer or the pool of manufactures, must be sufficient to ensure compliance. The costs for failing to meet the target must be higher than the costs for developing the necessary technical improvements. Therefore, BEUC supports maintaining excess emissions premiums at €95/g CO₂/vehicle.

➤ **Setting the parameters for determining the limit values to provide an incentive to cut down on mass**

By making use of mass as the parameter for determining the limit values, less incentive is provided to manufacturers to invest in light-weighting which is seen as a very efficient technical option for reducing CO₂ emissions from passenger cars. Making use of footprint as the parameter for determining the limit values, the necessary CO₂ reductions can be achieved in a more economical way. In addition, research has shown that size-based standards may reduce vehicle and pedestrian crash fatalities compared to mass-based standards. We therefore suggest implementing a footprint-based system which encourages manufacturers to invest in mass reductions.²

➤ **Reducing emissions by heavier cars proportionally more than by lighter cars**

We support to set the limit value curve at a much lower level in order to require emissions from heavier cars to be reduced more than those from lighter cars. We believe that setting the slope of the limit value curve to ask for a higher contribution of heavier vehicles in comparison to lighter ones is justifiable from a social point of view. Households with lower income usually purchase less-expensive, lighter vehicles. Tighter emission standards will imply in any case a higher relative increase on the purchase price of lighter cars than on the purchase price of heavier cars. By setting the value curve at a flat slope, the percentage price increase on lighter cars will therefore be slightly reduced. This is of particular importance as more than 70% of all new passenger cars sold in the EU-27 belong either to the lower medium, small or mini segment.

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² Studies supporting this argument can be found in the long version of the position paper of BEUC which can be downloaded as a pdf file here:
<http://www.beuc.eu/BEUCNoFrame/Common/GetFile.asp?ID=43385&mfd=off&LogonName=Guesten>