



European
Automobile
Manufacturers
Association

ACEA Position Paper

The COP₂₁ Climate Change Conference

NOVEMBER 2015

EXECUTIVE SUMMARY

1. ACEA welcomes the COP21 climate change conference as a historic opportunity to establish a policy framework that allows Europe to drive down CO₂ emissions, while generating jobs and economic growth.
2. Last year average new car CO₂ emissions were 33.7% lower than two decades ago; by 2021 CO₂ emissions from new cars will be almost 42% lower than in 2005. This is the result of the long-term efforts of the automotive industry, sustained both with and without legislation.
3. Policy makers should ensure that the COP21 climate talks result in equivalent conditions for all major emitting economies and industrial sectors around the world, guaranteeing a level playing field.
4. The outcome of the negotiations should form the basis of a new long-term and predictable policy framework. Based on this, stakeholders can make the investments that are necessary to tackle the climate change challenge.
5. Implementation of both the COP21 and EU 2030 objectives should focus on achieving the greatest effects at the lowest costs, while keeping mobility affordable. From this perspective, a comprehensive approach to reducing CO₂ emissions will be the most effective way to accelerate the decarbonisation of transport.

INTRODUCTION

Europe's industry has made a significant contribution to making the European Union the most emissions-efficient economy in the world. Since 1990 the EU has reduced greenhouse gas (GHG) emissions by 23%, while its GDP grew by 46%¹. Today, the EU accounts for 9% of global emissions, a share which continues to fall. In comparison, China accounts for 25% of global emissions and the United States for 11%.

The European Automobile Manufacturers' Association (ACEA) reaffirms the industry's commitment to further reducing CO₂ emissions from both vehicles and production processes. With this position paper, ACEA wants to make a constructive contribution to the COP21 discussion. The automobile sector wishes to help mitigate the effects of climate change within a framework that ensures a global level playing field and enhances industrial competitiveness. Under such a framework, the sector will be able to make the long-term investments that are necessary to tackle future challenges.

Europe's automobile manufacturers have been driving down greenhouse gas emissions by developing ever more fuel-efficient vehicles and investing in alternative powertrains. Even when faced with flat or declining sales during recent crisis years, the EU automobile sector has delivered huge environmental improvements, and will continue to do so. Last year, average new car emissions were 123.4g CO₂/km compared to 186g CO₂/km in 1995, a 33.7% decrease in less than two decades².

When looking at the environmental track record of European heavy-duty vehicles, such as trucks and buses, CO₂ emissions have been reduced by 60% since 1965, despite conflicting regulations. Moreover, automobile manufacturers have reduced CO₂ emissions from production processes by 27.4% over the past decade. This is the result of the long-term efforts of automobile manufacturers and suppliers, which have been sustained both with and without legislation.

Currently, the European automobile and parts industry is the continent's number one investor in R&D, spending €41.5 billion on innovation each year. As a result, the average new car coming on to the road in 2021 will produce 42% less CO₂ per kilometre than a new car bought in 2005. No other industry has done as much as Europe's automotive sector to drive down CO₂ emissions in recent years, especially when comparing the industry's efforts to those of the ETS and non-ETS sectors.

¹ http://europa.eu/rapid/press-release_IP-15-5868_en.htm

² <http://www.eea.europa.eu/publications/monitoring-co2-emissions-from-passenger>

STRIKING THE RIGHT BALANCE

When formulating new climate change objectives, policy makers need to strike a greater balance between the different world regions, as well as between environmental objectives, social acceptance and economic feasibility. Political leaders should also ensure equivalent conditions and targets for all industrial sectors around the world, taking actions where the greatest effects can be achieved at the lowest costs. In addition, new policy initiatives should reconcile the share of responsibilities between all relevant stakeholders – individual countries, industries and customers.

A COMPREHENSIVE APPROACH TO FUTURE CO₂ REDUCTIONS

The automobile industry has already made significant improvements to the CO₂ performance of new vehicles, and is committed to do more. Yet despite the CO₂ reductions delivered by manufacturers, progress in reducing the overall road transport emissions has not followed the same pace. Transport is currently responsible for around a quarter of total greenhouse gas emissions, with road transport representing 17.8% of total emissions, arising from the use of vehicles.

In addition to the continuous investments of Europe's automobile manufacturers in alternative powertrains (such as electrically chargeable vehicles, fuel cell and gas technology – although the carbon footprint depends on the level of renewables used for energy generation) and ever more fuel-efficient vehicles, further CO₂ reductions from road transport should be guided by a 'whole of society' approach. Such a comprehensive approach does not only focus on new vehicles, but also looks at all the elements that affect emissions during the use of a vehicle.

This far more ambitious approach seeks to reduce CO₂ emissions more effectively by drawing on a full spectrum of solutions, whether this relates to the vehicle itself, alternative powertrains, faster fleet renewal, intelligent transport systems (ITS), improving infrastructure, decarbonising fuels or altering driver behaviour. To complement this, manufacturers are also pioneering alternative mobility concepts, like car sharing, which can contribute to reducing emissions. Combined with the industry's continuous improvements to vehicle technology, these measures have the potential to combat CO₂ emission more successfully.

To this end, ACEA is now engaging with almost 60 strategic stakeholders in Europe, ranging from businesses, trade associations and non-profit organisations, to research bodies and think tanks. Together we are exploring the full potential of a comprehensive approach to further reduce road transport emissions from both light-duty and heavy-duty vehicles. The aim is to better understand the possibilities of innovative solutions and technologies, and how these can be best realised in partnership with the automotive industry in the most cost effective way.

However, new vehicles only make up 5% of Europe's car fleet and the average age of cars in the European Union is currently close to 10 years, and is rising year-on-year. As a result, emissions targets which exclusively focus on new vehicles fail to address the bulk of vehicles already on the road. For that reason, the automobile industry's investments in more efficient vehicles will not come to full fruition as long as the potential of fleet renewal is not supported. Calculations indicate that an additional CO₂ emissions reduction of 30% could be achieved by 2030, simply as a result of fleet renewal³.

COP21 AND COMPETITIVENESS

Businesses and industry will play a key role in implementing the COP21 agreement. The outcome of the climate change negotiations should be seen as a starting point for an institutional dialogue between business and policy makers, in order to help businesses grow and innovate in the field of clean technologies. To this end, policy makers involved in the COP21 talks should also bear in mind the economic consequences of any proposal on the table in Paris and its impact on Europe's competitiveness.

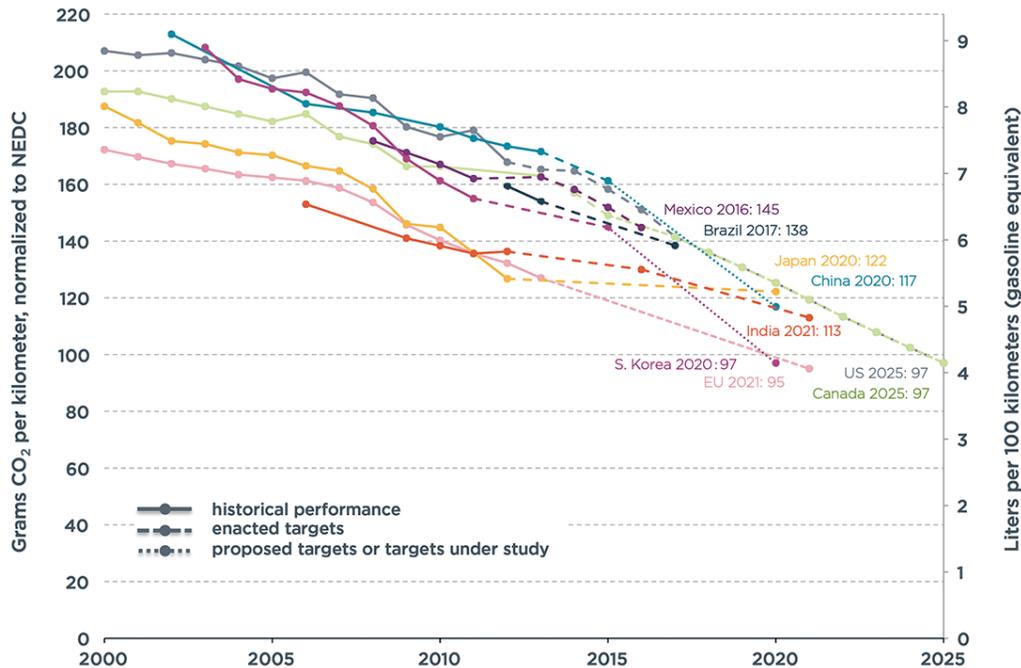
In order to encourage investments in low-carbon technologies and to reduce global emissions in a cost-efficient way, the negotiations in Paris should focus on producing a predictable framework for the long term. Only with predictable and stable conditions in place, will businesses be able to make long-term investments in low-carbon technologies. Uncertainty in implementation would undermine investments, and thus the achievability of targets established under COP21.

A market-driven approach is essential to achieve cost-efficient solutions. Cost-efficient solutions in turn are essential to achieving environmental targets at the lowest costs for society, while at the same time driving innovation, creating jobs and keeping new vehicles affordable. In the case of trucks, for example, fuel accounts for over one-third of the total operating costs. As a result, market forces have delivered significant improvements to fuel efficiency, and thus further reducing CO₂ emissions, over the past few decades.

The EU automotive sector is the backbone of the European industry, providing jobs to 12.1 million Europeans. It is therefore important to develop a policy framework that allows the industry to drive down road transport emissions, while at the same time protecting the sector's competitiveness, and thus jobs and economic growth in Europe.

³ ACEA calculations based on the assumption of constant level of fleet renewal, constant level of new registrations and keeping 95g NEDC target.

Although fleet targets in different regions are not directly comparable (due to different test cycles and market conditions) the European Union has the most stringent targets globally. As the ICCT chart below illustrates, the EU's target of 95g CO₂/km is far more stringent than those of other major emitting economies: USA 121g CO₂/km; Japan 122g CO₂/km; China 117g CO₂/km⁴.



Currently, businesses in the EU face much tougher targets to combat global warming than any of their global competitors. Future EU climate policy, in line with the outcome of the COP21 negotiations, should aim to balance the regulatory burden on industry when compared to its global rivals, such as the United States and China. If Europe wants to drive down emissions while protecting jobs and economic growth, it is essential that non-EU industries operate under comparable conditions as those operating in the European Union. This would not only safeguard Europe's competitiveness but would also avoid carbon and production leakage.

⁴ http://www.theicct.org/sites/default/files/ICCT_PVStd_Aug2011_web.pdf

EFFECTIVE GLOBAL IMPLEMENTATION

For the outcome of the COP21 talks to be effective, the agreement should establish a global level playing field, taking into account the signatories' current share of emissions and their capabilities to undertake future measures. All major world economies must contribute in an appropriate manner. Hence, the new agreement should also have the broadest geographical coverage possible. Moreover, it is vital that all countries sign up to a long-term, predictable and stable framework under which they will take individual actions.

A new set of global climate objectives can only be implemented effectively if it comprises a binding agreement with clear implementing rules for all parties involved. In the run-up to the COP21 negotiations, countries have been tabling voluntary commitments on how they plan to cut CO₂ emissions post-2020. Given that countries presented their pledges using widely-differing approaches, it is almost impossible to determine the actual impact of their plans. Consequently it is imperative that the Paris agreement establishes a thorough verification and reporting system which insures that targets are respected.

EFFECTIVE IMPLEMENTATION ON THE EU LEVEL

The results of the COP21 negotiations should be reflected in the EU's policy objectives as well as in the debate surrounding the EU 2030 energy and climate package. It is crucial to establish a level playing field within the European Union, which makes sure that all industrial sectors contribute to the COP21 and EU 2030 objectives in a similar manner and under similar conditions.

Policy decisions at the EU level should be guided by the effectiveness and cost-efficiency of proposed measures. Both COP21 and EU 2030 objectives ought to be implemented in a way that is affordable for society while delivering the highest environmental, economic and social benefits at the same time. Europe also needs to be clearer on how it plans to reconcile its ambitious industrial policies with climate objectives.

From the perspective of the automobile industry, the need for a comprehensive approach to further reduce CO₂ emissions from road transport should be reflected in the EU's implementation of the COP21 agreement.

CONCLUSION

The European automotive industry continues to invest in driving down greenhouse gas emissions, but it is obvious that a more holistic approach is necessary to address all the aspects that affect emissions during the use phase of a vehicle. Involving all relevant stakeholders in reducing CO₂ emissions will not only allow us to more effectively reduce road transport emissions, but it will also ensure that Europe's strategic automotive industry retains its competitiveness in the decades to come. It is for that reason that the outcome of the COP21 negotiations should assure that comparable efforts are made by all major emitting economies in the world. Only a level playing field between countries, as well as industrial sectors, will allow the EU automotive industry to make the long-term investments that are necessary to tackle the climate change challenge.



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ABOUT ACEA

ACEA's members are BMW Group, DAF Trucks, Daimler, Fiat Chrysler Automobiles, Ford of Europe, Hyundai Motor Europe, Iveco, Jaguar Land Rover, Opel Group, PSA Peugeot Citroën, Renault Group, Toyota Motor Europe, Volkswagen Group, Volvo Cars, Volvo Group. More information can be found on www.acea.be.

ABOUT THE EU AUTOMOBILE INDUSTRY

- Some 12.1 million people - or 5.6% of the EU employed population - work in the sector.
- The 3.1 million jobs in automotive manufacturing represent 10.4% of EU's manufacturing employment.
- Motor vehicles account for €396 billion in tax contribution in the EU15.
- The sector is also a key driver of knowledge and innovation, representing Europe's largest private contributor to R&D, with €41.5 billion invested annually.

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