

July 8th 2008

Holding Statement CO₂ from land transport

Land transport is an essential driver for social and economic life, both in Europe and globally. Passenger transport, including private vehicles and public transport ensure affordable access to workplaces, retail goods and social interaction. Goods transport by van, truck and train represents the lifeblood of the economy.

Land transport is also responsible for approximately 20% of CO₂ emissions in the EU27 (2005). Total annual CO₂ emissions from this sector have increased by approximately 25% between 1990 and 2005. Land transport therefore has an important role in reducing CO₂ emissions in the EU.

In considering solutions in this sector, certain principles are to be followed in order to ensure the most effective reductions are secured over the long term, without excessive burden on transport, on public and business consumers and on the related industrial sectors, thereby supporting the EU's environmental and competitiveness goals:

- Cost effectiveness must be at the heart of all solutions, to ensure the greatest reductions are realised with the limited societal resources available
- Long term solutions will rest on innovations in fuel, vehicle and infrastructure technologies alongside other non-technical measures.
- Combining all measures in a cost effective fashion requires an integrated approach which considers all possible reduction methods and applies them in the most effective way.

In this context, each land transport mode can be considered in turn.

Passenger cars (M1 category)

AmCham EU supports the EU political target for passenger vehicles to reach an average emissions level of 120gCO₂/km. However, AmCham EU believes the EU should apply a truly integrated approach in reaching this target. It is important to take into account all the factors which contribute to CO₂ emissions and also to consider that longer-term action is needed to continue total emissions reduction in the future, in particular on a global scale.

The Commission issued its legislative proposal on December 19th 2007 after an accelerated interservice consultation. The proposal is based on the target values for new vehicles of 130gCO₂/km average by application of vehicle technology in 2012, as stated in its February 2007 communication. A separate proposal regarding "complementary measures", contributing further 10g/km reduction in order to reach the

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political target of 120g/km, is expected in the first half of 2008. The following are the main points to be considered in ensuring the final legislation meets the principles of cost effectiveness and supports technical innovation within an integrated approach:

- As stated by the Commission, the proposal should ensure “competitively neutral and socially equitable and sustainable reduction targets”. It is important that the final regulatory model is equitable to manufacturers of different types of vehicles, demanding feasible average reductions in CO₂ emissions from all sizes of vehicle.
- The date of introduction must allow sufficient lead time for development and production of new vehicles. 2012 is completely unrealistic because the legislation will not be finalized before 2009, when manufacturers will be in the final stages of developing the models that will be launched in the 2010-2012 timeframe. The traditional production cycle of a vehicle is 5-7 years; therefore full implementation of the legislation should take place in 2015. A phase in of the standards between 2012 and 2015 could be a viable possibility.
- If excess emissions premiums are applied to manufacturers or vehicles that exceed their targets, then these should provide an incentive for the use of cost-efficient technologies. Their magnitude should however be in alignment with the costs of compliance in other sectors, for example in corresponding with the price of excess emissions premiums in the emissions trading scheme.
- Manufacturers should be provided CO₂ credits for “eco-innovations”, which are technical innovations on vehicles that result in real greenhouse gas reductions but cannot be measured in the official test cycle (for example, fuel economy indicators, 6th gear, cruise control). Such credits will further promote innovation and ensure that investment in CO₂ reducing vehicles technologies is recognised by legislation.
- Further non-vehicle measures should also be recognised and encouraged, including more efficient driving practices such as eco-driving.

In addition to regulation of vehicle CO₂ emissions, two further pillars of policy for CO₂ reduction must be addressed: transparent consumer information and fiscal measures. Vehicle labelling must be dealt with at European level and a fair and equitable EU-wide scheme is necessary. Member states are urged to define vehicle taxation according to CO₂ emissions, with a linear system which incentivises CO₂ reductions equally in all vehicles, but which does not increase the overall tax burden on passenger vehicles.

Vans (N1 category)

The Commission’s proposal does not address vans, although their inclusion was requested by the Parliament’s non-legislative report, which states that standards for vans should match those for passenger vehicles:

- Vans (N1) vehicles have different technical characteristics to M1 vehicles (for example most are diesel, size and shape is defined by cargo requirements) and serve a different market, in which fuel economy is a main purchasing characteristic. It is not appropriate to use the same standards for vans as for passenger cars.

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- Due to the technical differences to passenger vehicles, there has not been sufficient in-depth study to provide the necessary data on emissions of N1 vehicles and the costs of making emissions reductions. At this time it is therefore not possible to determine a suitable regulatory approach.
- Feasible cost effective CO₂ reductions are required from all vehicle types and any future emissions framework for vans should reflect their special characteristics and be based on reliable data.

Heavy duty vehicles (N2, N3, M2, M3)

The Commission's proposal does not address heavy duty vehicles. The Commission is investigating CO₂ reduction potential from these vehicles in cooperation with manufacturers and suppliers and is expected to issue a report in 2008. The Parliament's own initiative report on CO₂ emissions requested that the Commission put forward regulatory proposal for heavy duty vehicles (and two-wheelers) by 1/1/2009:

- The fuel efficiency of heavy duty vehicles is one of their main purchasing criteria for transport operators, thereby creating an in-built incentive for lower consumption. The rationale for CO₂ targets therefore does not exist in the same way as for passenger vehicles.
- The measurement of fuel economy in heavy duty vehicles is complicated due to the many different physical configurations of similar vehicles, making monitoring and compliance very difficult and any generalised regulatory framework less effective.
- Truck size is defined by cargo requirements and almost all trucks are diesel powered, therefore the efficiency options of downsizing and dieselisation do not exist in this segment.
- The legislative proposal for Euro VI air pollutant emissions from heavy duty engines is currently in the early stages of the co-decision process. Since emissions control systems have the consequence of increasing fuel consumption and CO₂ emissions, it is not appropriate to begin a parallel legislative dossier with conflicting aims.
- The modular concept, allowing trucks to haul longer and heavier loads is an important element in increasing the efficiency of road haulage. AmCham EU supports the amendment of EU regulations to allow the modular concept.

Low carbon fuels

As part of the integrated approach, fuels must also play a part in reducing CO₂ emissions from transport. Reduction of the carbon intensity of fuels can be achieved through measures improving refinery and pipeline efficiency and in particular through biofuels. Cost effective advances in these areas should therefore be recognised in policymaking as contributions to the overall reduction of CO₂ emissions from transport.

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Transportation infrastructure

The greatest contributions to increased CO₂ emissions from transport since 1990 are the increase in private and commercial vehicle ownership, reflecting the EU's economic growth, and the consequent increase in congestion. Restricting vehicle ownership and usage would be counterproductive to social and economic objectives. Therefore the issue of congestion must be dealt with through improvements in infrastructure and traffic management:

- EU Member states must continue to invest in road infrastructure, which ensures sufficient capacity for smooth traffic flow, avoiding bottlenecks and by-passing cities.
- In particular urban centres must ensure traffic flow is smooth and routes are well designed to ensure unnecessary congestion is avoided.
- The use of electronic communication systems, known as Intelligent Transport Systems, is becoming more widespread (for example navigation systems with real time traffic information). Activity in this field this should be encouraged and supported by all affected stakeholders, including the EU Institutions, Members states and industry.

Conclusion

The factors affecting fuel consumption and CO₂ emissions of vehicles are manifold, therefore any strategy to decrease emissions must take into account all these factors and consider the many levers available to make reductions. This is the concept of the integrated approach, which seeks reductions in all those factors (technology, fuels, infrastructure, driving style, purchasing decision) from the relevant responsible stakeholders. Cost effectiveness is the key to this strategy, to ensure that reductions are achieved as effectively as possible, in order to support the EU's goals in meeting both Kyoto and Lisbon.

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The American Chamber of Commerce to the European Union (AmCham EU) is the voice of companies of American parentage committed to Europe towards the institutions and governments of the European Union. It aims to ensure an optimum business and investment climate in Europe. AmCham EU facilitates the resolution of EU – US issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Total US investment in Europe amounts to €702 billion, and currently supports over 4.1 million jobs.

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