ACEA
European
Automobile
Manufacturers
Association

THE SECRETARY GENERAL

Commissioner for Internal Market, Industry,
Entrepreneurship and SMEs
Elżbieta Bieńkowska
European Commission
Rue de la Loi, 200 -1049 Bruxelles

Brussels, 15 June 2015

Dear Commissioner,

Following our last ACEA Board of Directors meeting on 12 June in Paris, I would like to inform you about the key results of the study run by FTI Consulting in London, which was commissioned by ACEA and concluded recently. The topic of that study is an assessment of the impact of EU regulations in general, and CO_2 Regulations in particular on the competitiveness of the European automobile industry. The study is focusing on the EU regulatory environment, costs of doing business in Europe and is also comparing global aspects.

ACEA considers this study as the input to the current discussions on several key Commission initiatives: Juncker's investment plan, the climate energy package 2030, the upcoming COP21 meeting in Paris and the debate to be launched on a CO_2 post-2020 framework. We are of the opinion that the study will contribute significantly to the discussions on the above mentioned topics and will create a basis for a balanced discussion on how to support the competitiveness of European industry.

Besides many new facts and figures in the FTI study (fully available at http://www.fticonsulting.com/global2/fti-intelligence/research/carbon/regulation-and-competitiveness.aspx) I would like to draw your attention to several key findings, which are relevant for the European automotive industry:

- The automotive industry contributes significantly to the Jobs, Growth and Investment Package which also aims to boost Europe's competitiveness. When it comes to regulating the automotive industry, we have to strike a better balance between industry sectors, between environmental protection and the competitiveness of the industry, and between different world regions.

- Balanced regulation on future CO_2 reductions are therefore necessary. As a result of regulating emissions of new vehicles rather than that of the entire fleet, the automotive sector faces significantly higher reduction targets than any other sector. No other sector has done as much as the auto sector to drive down CO_2 emissions in recent years, both from its products and its production sites. The EU should ensure equivalent conditions and targets for all industrial sectors in the future, seeing the greatest possible environmental cost-benefit. By 2020 average emissions of new vehicles will need to be reduced by 39% compared to their 2005 level. This compares to a 10% reduction expected from other non-ETS sectors and a 21% reduction expected from ETS sectors.

- The European automobile industry was strongly affected by the fall in demand during the financial and economic crisis. Sales of motor vehicles in Europe fell by 4.6 million units to around 13.6 million units from 2008-2013.The CO_2 2020 target for passenger cars is estimated to impose €10-13 billion costs on the industry, or around a further €1,000 per car. McKinsey estimated that between 1998-2011 regulatory content and other improvements such as ESP, airbags, fuel efficiency improvement and weight reduction increased production costs by 3-4% per annum. More recent environmental regulations are expected to add a further 6% to average manufacturing costs by 2015 and 15% by 2020.

- Those cost increases have not been reflected in increased prices. Car prices have, over the same period, increased only in line with inflation. The industry has not been able to pass the increasing costs onto its customers, and profitability in the EU has suffered as a result in global profitability in the EU. As a result, more and more investment goes outside the EU.

- Concerning possible scenarios post 2020 on CO_2 arrangement, there needs to be a focus beyond just the vehicle onto the use of the vehicle and all other aspects of the road transport using a comprehensive approach. This includes the carbon content of fuels, driver behaviour and infrastructure. The impact of new technology only occurs if the new technology is actually rolled out. Just 5% of the 250m of the fleet is less than a year old. The average age of cars in the EU is 9.7 years and is rising. The focus of current regulation to target only the new vehicles will never lead to major progress in CO_2 emission reductions from transport.

We are of the opinion that a technologically-neutral approach is the most effective way of ensuring that practical carbon-reduction technologies make it to the road. All transport modes must contribute equally to achieving the EU's climate objectives. ACEA is ready to contribute constructively to the debate and is already organising a series of workshops with all relevant stakeholders, including more than 50 companies, NGOs and other stakeholders to discuss all aspects in more detail. We will keep you informed about the outcome of these stakeholder discussions.

The FTI study provides very relevant input not only to the stakeholders' workshops organised by ACEA, but also to the stakeholders' discussion to be held on 18 June. We are available to further discuss the topic and review the study with your Cabinet and services as you see fit.

Sincerely yours,

Erik Jonnaert

Copy: Mr Daniel Calleja, Director General DG GROW
Mr Gwenole Cozigou, Director DG GROW