Meeting ENTR – TRADE – ACEA on EU-Japan FTA (20 February 2013)

Meeting notes

Participants: ENTR ( ), TRADE ( ), ACEA ( )

ACEA: We sought a meeting to discuss with the COM our expectations for the first year of negotiations. KDG said 'real progress should be made in the first 12 months. This progress should be measured against the roadmap, but that is vague and does not include any deadlines. We hope there will be progress in each roadmap item. We will address them today in detail.

Item #1 – UNECE

ACEA: have made a detailed analysis of the status of Japan's implementation of UN Regulations. We are currently finalizing it, in particular with regard to defining our position towards the Japanese proposals to amend certain Regulations in WP29. Our target is to send you this analysis by end-Feb.

According to this analysis, the situation in Japan is as follows:
- there are 128 UN Regulations, of which 82 for passenger cars;
- of these 82, in 61 cases Japan has national requirements;
- of these 61, 50 are part of the Japanese type approval (for whole vehicles);
- in 34 of these 50 cases, Japan applies the UN Regulations.

Therefore the core ACEA requests will concern these 16 regulations (21, 43, 55, 64, 121, 51, 117, 4, 34, 46, 79, 125, 83, 101, 67, 110).

As for the other 11:

R51 and 117 are on noise (note that they are not under MLIT but MoE). There are ongoing discussions in WP29 to amend them, and JP is participating in those discussions. Although JP has not committed to applying them once amended, it is not unreasonable to assume that they should do so (they have submitted proposals for limit values in September 2012 to the GRSG for the amendment of R51; no proposals yet on R117).

R4, 34, 46, 79 and 125 – JP either has, or will propose amendments in WP29 (according to ACEA, for R34 and 46, amendments were submitted to the WP29 GRSG in October 2012 (to check); for R4, 79 no proposals yet (to check); for R125, we are almost there: JP's proposal has been accepted by WP29 and will be integrated in the amended Regulation; JP has indicated that it will apply the Regulation once adopted.) ACEA will check what exactly Japan has proposed on these Regulations, and the two on noise, to determine if these changes can be endorsed by EU industry; on the one hand, EU industry is supportive of a process that would lead JP to adopt more Regulations; but on the other, it would not want the UNECE Regulations to become significantly more restrictive due to Japan's requests, as this would have a global detrimental effect.

R 83 and 101 are on emissions. Very important, and complicated issue. They depend on the WLTP GTR discussions, where there is a 'big debate'. ACEA considers that the WLTP is the most important issue related to emissions, and would want that 1) an agreement is found on the WLTP and 2) the WLTP is applied 'in step' (i.e. at the same time) by the EU and JP once adopted. R83 and 101 would

\[\text{Art. 4.1(b)}\]

\[\text{Art 4(1)(a) third indent and 4(2) first indent}\]

\[\text{These should be 'low-hanging fruit' for the 12-month review.}\]

1 Earlier ACEA contributions had indicated JP has no mandatory requirements corresponding to R64.
either be amended, or scrapped (and replaced with a new Regulation?) when the WTLP GTR is adopted.

As for T67 and 110 (LPG and CNG vehicles), there is not much interest from JP to adopt these Regulations. These areas are regulated by METI, and linked with the issue of the High Pressure Gas Law (HPGL). but this will not solve the market access issues if METI will insist to request additional requirements as per the current HPGL.

COM: How about other Regulations needed, in our understanding, for the whole vehicle type approval? (24, 49, 58, 87 and 97).

ACEA:

For R24 (Diesel smoke) – JP does not ‘believe’ in Diesel, they have no interest in developing that market. We would indeed want them to apply the Regulation or, if they are too uninterested to do so, they should accept certificates showing compliance with the Regulation, as is already the case with R85 – engine power (where EU cars are accepted on the Japanese market on the basis of their UNECE type approval (or ISO..), without JP applying the Regulation).

For R49 (Diesel emissions), ACEA’s impression is that if JP adopts R83 (M1 emission), that would also cover R49 (to check). On emissions, ACEA’s first priority is the harmonization of the test cycle (WLTP) and its concomitant implementation by the EU and Japan. Other emissions-related requirements (e.g. limit levels) are less important, because industry can comply with them; however, the use of two different test cycles (and need to produce two sets of test data) is very costly.

For R58, ACEA will check. For R97, ACEA thinks this was superseded by R116 (also on alarm systems) (to check).

For R87 (Daytime Running Lamps – JP prohibits them) – ACEA does not see this as a major issue. All European cars are equipped with DRL, as it is compulsory in Europe. But the feature can be turned off when the car is sent to JP, so not an issue of adapting the vehicle.

COM: What would you like JP to do by end-FY2012? By the end of year 1?

ACEA: Realistically, we don’t expect anything by end of March. But we have high expectations that by end of year 1, JP will not only have issued specific roadmaps for these 16 Regulations, with clear timelines of adoption, but also should have adopted a significant number of them. This should not be hard, as at least for some of them, there is agreement in the GoJ that they have to be adopted without changes.

**Item #2 – Kei cars**

ACEA: We sent some information to help in the COM’s reflection process on how to deal with this issue. We would like to dismantle the notion that the problem could be solved if ‘ACEA members would produce Kei cars themselves’ – that is a non-starter. This does not make economic sense.

Another option that has been vehiculated is that JP should make Kei car eligibility conditions less stringent to enable European sub-compact cars to qualify. That is also not the right approach. Second, this would not solve the problem, but actually magnify it, as the discrimination would still persist, but would be even more blatant (e.g. between 1000 cc engine cars and 1300 or 1400 cc ones).

This is why the only solution is to make the taxes more equitable, i.e. flatten the curve. ACEA agnostic about how the GoJ would do that (e.g. lower taxes overall, or increase them). ACEA doesn’t agree that the abolition of the Acquisition Tax is a ‘done deal’. The commitment to abolish it is not the GoJ’s, but the LDP’s, and was hedged with many caveats. ACEA has information that the US is also trying to push for abolition of the Kei car regime in the TPP.
COM: JP industry position on Kei cars?

ACEA: JP industry is split. has recently started to produce Kei cars under its own brand by ‘sheer necessity’. So JAMA is split. But most acknowledge that something should be done. The EU should exploit this rift.

**Item #3 – High Pressure Gas Act – Hydrogen gas-inflated airbags**

ACEA: This started out as mostly a BMW concern. Now it’s pushed mainly by . All have this airbag inside. If the problem is not solved, will have to make a variation only for the JP market, with different airbags than those used globally.

The paperwork solutions proposed by METI are not workable in the long term. Instead, the Japanese legislation (Ministerial Ordinance implementing the HPGL) should be amended to give a generic exemption for airbags with compressed gas. This should not be difficult, if METI is willing. They already did it for the explosives devices issue.

METI’s solution would be almost impossible to implement. It wants that importers show documentation to customs authorities matching each car with each of its airbags (up to 7), on the basis of the vehicle identification number (VIN). This should be matched with the number of each ignition canister in the airbags, and information on when and where the canister was filled. In practice, this is almost impossible to achieve, as does not make them; produces them for various manufacturers and various models, and does not keep a record of each of the canisters. There is thus no way of telling, since the canister is produced, that it will end up in Japan. So in fact, to comply with JP’s requirement, both and the car manufacturers would need to keep such records for all global sales.

ACEA agreed with the EU DEL to produce two proposals (also by end-Feb):

1) how the Ministerial Ordinance could be amended to solve this concern;

2) a fall-back paper solution (less acceptable compromise) – this would not be what METI wants, but instead, car makers would issue a declaration that a certain car model is imported in Japan with this type of airbag, and provide a model car for METI to inspect.

**Item #4 – WTLP** (already discussed above)

**Item #5 – High Pressure Gas Tanks**

ACEA is not happy that the final GRU roadmap only makes reference to the GTR and a possible MRA with the EU; the interim report, which was included in the scoping roadmap, also included the possibility to accept on the Japanese market fuel tanks approved in accordance with EU and ISO standards. The COM should press JP to deliver on the roadmap, not the GRU report.

**Item #6 - Zoning**

Same comment – ACEA thinks that the GoJ should comply with the roadmap, which is more committing than the final GRU report. ACEA and JAMA are unhappy that, despite the flexibilities introduced in end March 2012, no member has been able to take advantage of them to set up a single additional shop. One US company appears to be the lone beneficiary of these flexibilities for the time being.