


# VOLKSWAGEN

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13. June 2016

  
@  
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15. September 2016

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UNSERE ZEICHEN  
DURCHWAHL  
TELEFAX  
E-MAIL

DATUM

Dear Directors

We write in response to the letter from Commissioners Cañete and Bieńkowska dated 13 June 2016. In these letters the Commissioners do not only seek information on the developments following the ad hoc announcement from 5 November 2015 (CO<sub>2</sub>) but also on developments following the ad hoc announcement on 22 September 2015 (EA 189) as well as customer compensation. We note that these are three distinctly different issues which go far beyond Commissioner Cañete's questions on the CO<sub>2</sub> issues that arose in the context of the EU CO<sub>2</sub> fleet regulation (EC 443/2009).

With regards to customer compensation we refer to the attached letter to The European Customer Organisation BEUC from 23 June 2016 and the discussion between Commissioner Bieńkowska and CEO Mr Müller on this issue on 30 June 2016 in Brussels.

With regards to the developments regarding the EA189, we would like to assure you that all technical measures taken in relation to the recall/service campaigns are conducted in close coordination with the responsible type approval authorities.

For example, the German Federal Motor Transport Authority (KBA) requires a very comprehensive and detailed testing concept that is binding for Volkswagen.

The following criteria have to be met before measures are approved:

- Removal of the switch logic,
- Disclosure of authorised defeat devices as defined in (EC) No 715/2007
- Verification of compliance with pollutant emissions and the durability of emission reduction devices,
- Determination of the fuel consumption values and CO<sub>2</sub> emissions,

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- Determination of the engine performance and the maximum torque,
- Determination of the noise emissions.

As of 15 September 2016, we have received the approvals for the software update for a total of 4.9 million vehicles (or 58 per cent) of the 8.5 million affected vehicles in the EU member states. Of the total 10.2 million vehicles affected worldwide (with the exception of the USA and Canada) approvals for 5.6 million vehicles have been granted.

In answer to your questions on the ad hoc announcement from November 2015 we would like to note that it has been established that after careful investigation, the potential CO<sub>2</sub> issue has been found to be unsubstantiated. No systemic issue relating to the official values for Volkswagen vehicles' CO<sub>2</sub> emissions and fuel consumption has been identified. To be very clear, no vehicles are affected by the potential CO<sub>2</sub> issue and no technical measures are required to any vehicles as a consequence of the potential CO<sub>2</sub> issue.

Please let us explain in some detail the background to this matter and why Volkswagen Group had previously communicated that adjustments to CO<sub>2</sub> emission values in several type approvals might be necessary, although it has now turned out following intensive investigation that this is not actually the case.

When the separate NO<sub>x</sub> emissions issue became public in September 2015, Volkswagen Group decided to review its entire manufacturing and vehicle approval process. During this review, a concern within Volkswagen AG came up that there may have been irregularities in the type approval process with regard to the determination of CO<sub>2</sub> and fuel consumption values for Volkswagen brand 2016 models.

When Volkswagen AG was informed of this concern, the decision was made to make a public statement disclosing the issue, both in the interest of transparency and to comply with potential stock market disclosure requirements. To that end, Volkswagen AG was required to determine a figure for the number of potentially affected vehicles and adopted a necessarily conservative approach when estimating the number of potentially affected vehicles. At that stage, Volkswagen AG's estimations led to the identification of 800,000 potentially affected vehicles across the Volkswagen Group worldwide. This figure then became the number of potentially affected vehicles which was estimated in

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Volkswagen AG's 3 November 2015 press releases and which Mr Cañete referred to in his letter dated 9 November 2015.

Subsequently, Volkswagen AG carried out comprehensive conformity of production (CoP) testing. Throughout these extensive internal investigations and measurements, the investigations found that there was no systemic issue relating to CO<sub>2</sub> emission values and the means by which they were derived. That finding has not been challenged by the KBA or any other EU type approval authority.

During the conformity of production testing, a small number of Volkswagen brand vehicle models showed slight deviations in their CO<sub>2</sub> emissions and fuel consumption values. As a result, after the conformity of production testing of Volkswagen brand vehicles had been completed, Volkswagen AG agreed with the KBA, as a second step, to carry out several rounds of verification tests. The verification testing procedure conducted was intended to be the same as the homologation testing that is carried out when vehicles are submitted to the testing necessary to obtain type approval. The aim of these verification tests was to determine whether re-homologation and an amendment of type approval values was necessary. The verification tests were carried out by DEKRA and FAKT, two approved independent testing organisations. DEKRA and FAKT carried out that testing under the aegis of the KBA.

Volkswagen AG took the decision to voluntarily amend the type approval values for six Volkswagen brand model variants which had shown slight deviations in the verification testing. That decision was not due to any assessment or determination that CO<sub>2</sub> emission and fuel consumption levels had been determined illicitly, however. Instead, at the time, the slight deviations were thought to be the result of 'production drift'. This phenomenon is a normal part of car manufacturing and is regularly encountered by all automotive manufacturers. It does not imply that the original numbers were not correct at the time when they were determined and there are pre-existing processes for dealing with this when it is encountered.

After those changes were made the verification testing continued under the supervision of the KBA. Once it had been completed, it was found that the vehicles' verification values were all within tolerance of the vehicles' original type approval values (with the exception of one model version of which only 27 single vehicles have been sold across all EU Member States). We must therefore again emphasise that the initial concern about the potential CO<sub>2</sub> is-

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sue was not substantiated by the testing carried out by FAKT and DEKRA and overseen by the KBA. The verification tests thus ultimately confirmed the compliance of all Volkswagen brand vehicles with the original homologation tests which determined the official CO<sub>2</sub> values and fuel consumption values during the initial type approval process.

It is therefore clear that neither retrospective adjustment of type approvals nor any technical measures in respect of the vehicles were required, including in respect of the six vehicle models whose type approval Volkswagen AG had already voluntarily amended.

We hope that the above explanation is helpful in explaining the background to why Volkswagen AG concluded that there have been no systemic false declarations of fuel consumption or CO<sub>2</sub> emission values. The concern was thoroughly investigated and has not been found to be substantiated. Neither the KBA, nor the German Ministries of Finance and Transport have challenged this position. From this conclusion it follows that a retrospective application of any amendment to CO<sub>2</sub> emission and fuel consumption values is not justified.

For this reason and with regards to Commission Implementing Decision (EU) 2015/2251 we ask you to confirm the average specific emissions of CO<sub>2</sub> and the specific emissions targets for the Volkswagen emission pool and its members for the year 2014.

In case you have any further questions, please do not hesitate to get in touch with either of us.

Kind regards





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23 June 2016

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Dear Ms Goyens,

Beginning of March I was in Brussels and I had a meeting with your organization to discuss the measures for customers in Germany and in the EU.

I refer to your letter to the Permanent Representatives of EU Member States ahead of the Council meeting on 7 June. In your letter, which was also made publically available, you touched upon the NOx issue, especially with regard to the Volkswagen Group.

Even if you did not address our company directly, allow me to provide some clarification on the topics you mentioned in your letter, especially since some of the statements of your letter seem to be based on possible misunderstandings:

- Working in close collaboration with the German Federal Motor Transport Authority (KBA), it is Volkswagens aim that neither the vehicle's fuel consumption levels nor its performance data or CO2 emissions change as a result of rectification of the affected vehicles. The KBA has already confirmed that this aim has been achieved this for all model versions released to date. Moreover, also reports by independent media confirm that rectification results are totally meeting the requirements and are advantageous for customers. Please find the translation of an article published just recently by Auto-Zeitung enclosed.
- Volkswagen expects that the technical solution for all vehicles will be approved by the responsible authorities by the end of 2016. We will soon be able to provide all our customers with a reliable technical solution. For more than 2.5 million vehicles on the road, the technical measures have already been approved.
- Customers do not suffer legal disadvantages. Until 31 December 2017, Volkswagen is expressly forgoing raising any objection based on the



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statute of limitations in relation to any claims regarding the software installed in the respective vehicles. This applies even to vehicles for which the warranty period already expired. In addition, Volkswagen contracting partners have been advised to also announce a statute of limitations waiver to their customers.

- Volkswagen monitors the trend in current used car prices. In Europe and large parts of the rest of the world, there have been no effects on residual values of used cars going beyond usual seasonal fluctuations. This is confirmed by independent institutes, e.g. Schwacke.

As you were also touching upon the so-called compensation, we would like to point out the following: The situations in the US and Europe are differing widely. For customers in Europe and the rest of the world, the technical solution has been agreed in principle. As stated above, the KBA has already confirmed that our aim not to have changes with regard to the vehicle's fuel consumption levels, its performance data or CO2 emissions has been achieved for all model versions released to date. As for the US, any compensation for customers is currently subject of confidential negotiations. Compared to the approved technical measures of the European market it is not yet clear if there is an impact of the technical solution on customer relevant product characteristics.

Last but not least I would like to underline that Volkswagen appreciates our mutual exchange so far, including the high-level meeting in Brussels with your Deputy Director-General and me in March this year. We would be grateful to further continue this approach of a trustful dialogue.

Therefore, I remain at your disposal in case of any further questions or remarks.

Best regards,

