

Operational conclusions:

DG GROW and DG CLIMA to prepare mapping and joint assessment of requested regulatory flexibility, demand side measures and financial support in order to design a contribution to the recovery package for the automotive sector

Meeting ACEA/CLEPA, OEMS with VP Frans Timmermans and Commissioner Thierry Breton

Introductory remarks

EVP Timmermans and Commissioner Breton

EVP Timmermans underlined the importance of the automotive industry sustainable future. He indicated that funds can be made available to:

- Save jobs,
- Increase resilience,
- And to make sure the recovery is in line with the 2050 objective of carbon neutral Europe.

He indicated, that Industry is already on the right path, and that he will work on regulation and investment. EVP Timmermans made clear Commissioner Breton and him are on the same page. Green Deal is a cornerstone of the Commission policy.

Commissioner Breton, underlined the need to organise ourselves and think in line with the ecosystems concept. The discussion today is important to get a feedback, to understand the needs, to see what we do with stocks and how we accelerate with green ambition. Commissioner Breton referred to the ongoing assessment of the situation with MS and indicated the discussion will be important to understand the scale of the repair needed. He also indicated the ongoing reflection on the appropriate recovery fund.

  ACEA   

Presence of 15 CEOs representing almost automotive value chain shows importance of the matter. Collective goal – how to work on Green Deal. Automotive represents 14 millions workers, 30% of the R&D spending in the EU. This means the automotive industry will have an impact on how we shape the future.

Since the beginning of the crisis, at least 2mln vehicles have not been produced and it will not be easy to restart production. In March, drop in registration has been -55 for passenger cars and -50% for vans. In April, registrations were up to -98% in Italy.

Collective restart important and ensuring a level playing field crucial. However, MSs open at different speed and according to different modalities.

Money cannot reset time. We want to talk how lost time impacts on preparation for the new legal requirements and how we can stimulate demand.

 Scania,

Slowly restarting. We will need 1-2 months to come back to sort of normal. But not as it was before crisis. However, productions levels will not be the same.

We need transparency and coordinated approach among MSs, borders being open, mobility of people have to back and continue – people need to move among facilities and from suppliers.

Demand – 47% demand fall in March for commercial vehicles. April forecast is -65%. Basically the market; is collapsings.

At the same time, internal financing companies that are financing up to 50, 60% of sales, face a surge of customers (30-40%) asking for rescheduling of their payments by 3 to 6 months. It is an early indication of where the market is heading.

This means that on top of the liquidity crisis, there will be a demand crisis.

A 3 steps approach is proposed to mitigate this:

1. “Package here and now” for commercial vehicles to address situation of repossessions where customers are handing back almost new vehicles that were leased. Stock of such recent leased vehicles is expected to increase within 3 months from 70,000 vehicles to 140,000 vehicles; An EU purchase scheme should be designed to help getting rid of this stock. This is needed now to mitigate cashflow effects on manufacturers and suppliers. This support will be mainly targeted on transport companies that will be able to buy this almost new vehicles,
2. Mid-term support for new vehicles purchase,
3. By next year – to boost electric vehicles and alternative fuels in line with the Green deal.

Indicated a constructive discussion with EVP Head of cabinet.

■■■■ (on behalf of suppliers).

Describes a dramatic picture, even more for smaller suppliers that CLEPA represents all-over Europe. Companies are setting-up health and safety measures. A EU wide approach would be desirable.

Insists on:

- Keeping borders open
- 70% drop in turnover in April (drop was max 40% in 2009),
- 90% of businesses expect a turnover loss of at least 20% this year (CLEPA members survey)

Massive use of short-time work so far but reduction of workforce may. Full recovery not expected before 2022. This will affect R&D investments. Without confidences by consumer, there will no purchases. It is therefore important to reinstall confidence everywhere. Many suppliers are in southern Europe.

Important to act along the lines:

- On climate – we need use of all technologies for CO2 reduction; electric but also hybrids and plug-in, hybrids, in combination with green fuels.
- On automated driving – deployment at local level, for public and goods transport.

I. Regulatory deadlines

■■■■ JaguarLand Rover

Crisis will impact on near term regulatory deadlines.

In the UK, total industrial volume in April and May down by 97.3% In the UK, only 4,326 vehicles sold in April, last year was 161,250.

Type Approval activities are suspended, testing done remotely. These tests will need to be repeated. This will increase costs. There will be no return to business as usual and the cost of car will go up;

Hundreds of thousands of cars are unsold and will not be sold on time. Cars will have to be scrapped then. Some respite is needed to catch up with the backlog of type-approval. Need to have flexibility on end-of-series in 2021.

The pandemic will also impact CO2 targets for 2021. It is however not possible to know the order of magnitude. The Commission should closely monitor the situation.

It is not about questioning the level of ambition of the agreed regulatory deadlines , but getting a temporary pause to recover and address backlog in type approval.

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Because of the pandemic, at least 6 additional months are needed to meet regulatory deadlines. The lockdown lasted up to 3 months, but an additional three months are needed since the restart will take at least 3 months. Some regulations require type-approval and testing. Availability of testing facilities is limited and since borders are not yet open, everything is complicated. Technical developments are also delayed regarding the General Safety regulation.

EVP Timmermans.

We must see all these measures altogether, not individually. I asked my services to map the correlation between all the measures (regulatory deadlines and demand side support). We shall not to divert from the path we have taken. You need to help us do mapping.

Commissioner Breton

We make all efforts to understand all implications of the crisis; you need to continue working with services and provide as much info as possible. We will examine your requests keeping our policy objectives in mind. Underlines symmetry of view with EVP Timmermans. We are speaking to MSs on type approval and will come up with easy to apply solutions. Decisions will be taken without delay on all your requests.

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Welcome the idea of mapping. However, considers that demands are not about environmental rollback. Stocks problems cannot be solved by money. Time is a commodity that cannot be bought. Mapping is a good idea because it will demonstrate the impact of the crisis.

II. Green Deal

■■■■■ Daimler

Daimler fully supports the Green Deal. During the lockdown, Daimler did not stop working on carbon neutrality (R&D teams were not furloughed).

When we look at the targets for 2025 and 2030 on CO2 is to have the enabling conditions to make it happen:

- charging infrastructure that will remove hurdles for consumers to move to electric vehicles. Also other types of low carbon fuels must be considered, including synthetic fuels.
- Beyond 2030 we need to look at energy carriers –stronger link between energy carriers and ETS.
- For commercial vehicles customers it is business investment (Total Cost of Ownership is crucial) so policy measures have to go hand in hand with regulation (energy taxation).

Technology neutrality is best left to engineers and the market. This should not to dictate solutions.

The CO2 Review now or in 2021 is too early. Original timeline was 2023. We will make CO2 neutrality happen but Corona has to be taken in account.



Industry needs demand stimulating measures for corporate and private consumers.

Massive investment in infrastructure needed for cars, vans, trucks and busses. The Green Deal foresaw 1 million charging plugs by 2025. If we want to move, the level of ambition should be higher: 2.5 million charging plugs. For heavy duty vehicles LNG: 750 stations, 50 hydrogens stations and more than 20,000 high power recharging points. . Review of the Alternative Fuels Directive is thus needed as soon as possible. Industry keen to work in a collaborative way with EU and MS.



Automotive showed high flexibility to support production on medical equipment.

We are committed to green objectives but need money to do it. Bosch will be climate neutral by 2020.

It is not only about battery electric, industry is creative enough – hydrogen, fuels cells, synthetic fuels. E-fuels will be key to meet the Paris agreement objectives.

Commissioner Breton

Thank you for the dedication. We know the extreme difficulty you are facing in these difficult times.

We need to evaluate first the needs, the repair part, taking into account the backlog you mentioned. Then we have to estimate the lack of investment that you will suffer, that is huge. In our recovery plan, we will take into account this lack of investment and we will try to add what we believe is needed (investment of supply chain, charging and refuelling infrastructure, investment in alternative technologies (batteries, H2, etc). We are technology neutral, look for variety of technologies.

EVP Timmermans

On infrastructure, we are now thinking of 3 million of charging points.

We are technology neutral but do have a preference for our Battery Alliance to succeed and we do see a future for hydrogen in Europe for energy storage and for different forms of transports. We are not yet there with synthetic fuels. We mainly think about them for aviation than road transport. A mix of technologies will be needed for road transports.

Your engineers and our scientists need to re-evaluate facts together to get it right. No pre-cooked ideas on technology.

Transformation in cities is an opportunity for you.

III. Relaunch strategy

Toyota Europe

Market stimulus is required. Restarting production is priority N°1, and protect supply base and clean product. Fleet renewal schemes are needed – for private, corporate and public entities. To start now, not later than Q3 2020, for at least 12 months, with support for highest standard (at least Euro 6d temp), with highest support for hybrid vehicles and even higher support for zero emission vehicles. These schemes could be combined with scrapping premium for Euro 4 (or older) vehicles. We must avoid export to other EU countries or outside the EU of old vehicles.

With regard to vans a renewal is needed to promote modern combustion engines and zero emission vehicles. However, no fixed CO2 threshold should be set to take into account the use of diversity of this segment.

The Commission should coordinate such schemes, unlike in 2009.

National schemes should be complemented by the EU top up.

In Japan, it was decided that automotive will be the driving force of the recovery.

DAF

30% of trucks in the EU are of old generation (Euro III, IV, V), they should be scrapped and replaced by new ones. Euro VI truck are 10% more fuel efficient and less pollutant.

EU level schemes are preferred. Truck manufacturers have technology but produce zero emission trucks do not sell many. DAF only sold a few dozens of them in the past 2 years. For the time being no business case. In the freight industry every cent counts. DAF is investing massively. R&D support from the Commission should be maintained and even increased for electric, hybrid and hydrogen.

Hybrid electric is probably the best solution for customers business wise.

Fleet renewal schemes should start as soon as possible.

Faurecia

In order to have a safe restart, a quick stimulus is needed as soon as possible. Considers that between 6–7 mln vehicles will be lost in Europe in 2020. We can expect a drop of 30% in 2020, taking into account that sales will go down 40% in H1. This will put at risk a minimum of 3 million jobs.

Restructuring will be needed in any case. R&D is needed for carbon neutral and digital.

Upgrading on skills (AI, data, etc) that are difficult to find in the EU. Liquidity – there is room to optimise it within the ecosystem.

IV. Conclusions

Commissioner Breton

Coordinated approach is needed, not least for the sake of internal market.

Time is important. An EU scrapping – could be a signal that automotive is on track with green deal; agree we should not export dirty cars so scrapping is needed and I will push as much as I can.

Skills – no doubt a cornerstone of recovery. Welcome your recommendations for skilling/reskilling.

Working with Commissioner Schmit. Recovery strategy will be discussed at COMPET Council on Friday.

EVP Timmermans

I heard you loud and clear: speed, speed, speed. In reacting quickly we have to ensure that we do not create serious problems for the internal market – also MSs should help us – MFF, Recovery Fund; otherwise asymmetric recovery will happen. Speed is also needed at EU level.

We have an opportunity to modernise the fleet. In 2008, scrapping schemes were successful but did not steer a lot on quality (success of SUVs). This time scrapping schemes have also to deliver on CO2 reductions.

Urban areas, refurbishing – need to integrate into this renovation wave - infrastructure.

We support resilience, we are with you, we need to act quickly.



Encouraging to hear the discussion, concrete measures, common approach. Let's not forget that we have also to solve the issue of stocks that is clogging up the supply chain. Existing vehicles, regardless of technology/brands are much less polluting than older ones. We have to deal with existing stock of vehicles that amount to up to 6 to 8 months of supply. A short term stimulus is needed for this immediate problem. A medium term should address electric vehicles and infrastructure.