

euinsight

Driving Toward a More Sustainable Future

The EU Approach to Greening the Automotive Sector

Europe's strong and innovative automotive industry plays a key role in the European economy. One-third of the world's passenger cars are produced in the European Union, and approximately 40 percent of EU automotive exports are bound for the United States. Europe's automotive sector supports more than 12 million jobs, and is the region's largest private investor in research and development.

However, diminishing oil reserves and escalating global demand have combined to increase the volatility of fuel prices. The EU's transportation sector is 98 percent dependent on fossil fuels and is currently responsible for approximately 21 percent of the EU's harmful greenhouse gas (GHG) emissions, with more than half of those emissions produced by passenger cars.

Technological progress is transforming the automotive industry from a traditional manufacturing-based sector into an increasingly knowledge-based one, and the opening of global markets and the increase and diversity in the movement of capital worldwide are altering the environment in which the automotive industry operates.

Combined, these circumstances have created a situation where the EU's automotive industry faces new dilemmas, responsibilities, and opportunities. To address these challenges, the European Union is taking concrete action to help fight climate change, reduce fuel costs and increase European competitiveness.

The EU will reduce the amount of GHG emissions produced by automobiles by adopting new regulations mandating better fuel economy in new passenger cars, and vehicle manufacturers have responded by developing new models that are cleaner and more fuel efficient. The EU also supports the development of alternative fuels including sustainable biofuels.

As part of its response to the global financial crisis, the European Commission—the executive arm of the European Union—has also

proposed a partnership between the public and private sectors that would research the technology and infrastructure required to foster the use of renewable and non-polluting energy sources, as well as strategies to deliver safer, leaner, and cleaner automobiles and reduce traffic congestion.

Fuel economy and CO₂ emissions

In 2007, the European Commission proposed legislation to reduce average CO₂ emissions by new passenger cars to 130 grams per kilometer (g CO₂ /km). The legislation—adopted by the European Parliament and Council of the European Union in December 2008—is the cornerstone of the EU's integrated approach to reducing CO₂ from light-duty vehicles to 120 g CO₂/km by 2012.* The 130 g/km target will be phased in from 2012 to 2015, with the remaining 10 g CO₂/km reductions delivered through complementary measures to improve the efficiency of car components, including tires and air conditioning systems.

The new legislation is a key part of the EU's internal effort to reduce overall CO₂ emissions by 20 percent by 2020, and represents a major step in lowering CO₂ emissions from transport. It will also ensure that the EU remains a world leader in fuel-efficient cars by reducing the average emissions of CO₂ from new passenger cars by 19 percent in 2012-2015, from around 160 g CO₂ / km to 130 g CO₂ / km.

The new legislation also sets an even more ambitious target of 95 g CO₂ / km by 2020 for the new car fleet, which further underlines the EU's determination to deliver on its greenhouse gas commitments under the Kyoto Protocol and beyond. It will not only reap environmental benefits, but will also result in fuel savings for consumers, promote eco-innovations, and support high-quality jobs in the EU.

*130g/km equates to 44mpg, 120g/km to 47mpg, and 95 g/km to 59mpg.



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“Caring about the European car industry means caring about millions of present and future jobs in the EU. It also means caring about clean and affordable cars to respond to the right to mobility in an environmental friendly way.”

—European Commission Vice-President
Günter Verheugen, responsible for enterprise
and industry policy

Fuel Economy and CO₂ Emissions Around the World

According to the Pew Center on Global Climate Change, the European Union and Japan have the most stringent standards in terms of fleet-average fuel economy, and the United States and Canada have the least stringent standards. Because CO₂ emissions correlate directly with fuel economy, the United States and Canada also have the highest new car CO₂ emission levels, and the EU and Japan have the lowest.

Alternative Fuels and Greener Cars

The EU strongly supports the development of alternative energy sources for transport to reduce greenhouse gas emissions, diversify energy supply sources, and develop long-term replacements for fossil fuel.

Processed from biomass, a renewable resource, biofuels are a direct substitute for traditional gasoline and diesel and can readily be integrated into existing fuel supply systems. Although most biofuels are still more costly to produce than fossil fuels, their use is increasing. Thanks to policies that encourage biofuels production, global production of biofuels now exceeds more than 35 billion liters (9.25 billion gallons). Further developments may lead to lower environmental impacts and lower production costs.

In December 2008, the EU adopted two pieces of legislation (the Renewable Energy Directive and the Fuel Quality Directive) that establish a minimum set of sustainability criteria for biofuels. They also set minimum greenhouse gas savings requirements and create an obligation on fuel suppliers to progressively reduce the lifecycle greenhouse gas intensity of energy used for road transport (a Low Carbon Fuel Standard). These measures encourage the development of better biofuels with higher greenhouse gas savings and lower adverse environmental impacts.

Projects co-funded by the European Commission's Intelligent Energy-Europe program (IEE) also aim to increase the production and use of alternative fuels by improving their economic competitiveness and minimizing their environmental impacts. Transferring best practice in the use of biofuels—a key component of IEE-funded projects—helps ensure that regions where markets are less developed benefit from the experience of those who are further down the path. IEE biofuels projects also develop business opportunities in agricultural communities and promote contacts between different actors, while at the same time offering training to professionals, farmers, technicians, and craftsmen.

European Green Cars Initiative

The automobile sector has recently seen demand drop as a result of the global financial crisis, posing a significant additional challenge in the transition to the green economy. In December 2008 the European Commission proposed the launch of a major partnership, the European Green Cars Initiative, between the public and private sectors as part of the European Economic Recovery Plan.

The European Green Cars Initiative suggests research across a broad range of technologies and smart energy infrastructures which

will be essential to achieve a breakthrough in the use of renewable and non-polluting energy sources.

Funded jointly by the Community, industry, and the Member States, the project will have a combined budget of at least € 5 billion. The European Investment Bank will provide cost-based loans to car producers and suppliers to finance innovation. Demand-side measures such as a reduction of taxes on lower-emission cars by Member States, as well as measures to scrap old cars, will be integrated into the initiative.

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“By reducing CO₂ emissions emitted by new cars sold in the EU, the recently adopted CO₂ and cars regulation will not only contribute to our efforts to tackle climate change, but will also foster the global competitiveness of EU carmakers by placing them at the forefront of fuel efficiency developments, and deliver substantial fuel savings for consumers.”

—Stavros Dimas,
EU Commissioner for Environment



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CARS 21

The High-Level Group on a Competitive Automotive Regulatory System for the 21st Century (CARS 21) was established by the European Commission in April 2005 to chart the way toward the sustainable development of a competitive European automotive industry. The group's mandate includes developing recommendations for a short, medium and long-term public policy and regulatory framework for the European automotive industry.

The most recent meeting of the CARS 21 stakeholders in late 2008 resulted in a number of conclusions on how to foster a competitive European car industry. Participants—including Member State representatives, European Commission officials, Members of the European

Parliament, leaders in the automotive industry, and trade union representatives – shared the need to position the European car industry as global leader in clean, safe, and affordable vehicles in order to safeguard jobs and effectively combat climate change.

CARS 21 will also launch a task force to promote “green” cars, bringing together all relevant stakeholders to explore technical, regulatory, and economic hurdles, and to suggest ways forward for such vehicles. Finally, the conference underlined that carmakers in the EU need to be able to compete on fair terms in international markets, especially if other countries are considering protectionist measures in light of the current financial crisis.

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