Centrum für Europäische Politik

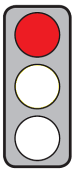
EU Regulation

CO_2 EMISSIONS FROM LIGHT COMMERCIAL VEHICLES

Status: 14.12.2009

MAIN ISSUES

Objective of the Regulation: The Regulation aims to gradually reduce the average CO_2 emissions of new light commercial vehicles to 175g CO2/km by 2016.
Groups Affected: Manufacturers of light commercial vehicles and their suppliers; customers



Pros: -

Cons: The aimed for CO_2 reduction cannot be achieved through the proposed Regulation, neither in reliable nor economical terms.

CONTENT

Title

Proposal [COM(2009) 593](COM(2009) 593) of 28. October 2009 for a **Regulation** of the European Parliament and of the Council setting **emission performance standards for new light commercial vehicles** as part of the Community's integrated approach to reducing CO_2 emissions from light-duty vehicles

Brief Summary

► **Context**
- In order to meet its obligations from the Kyoto Protocol, the EU intends to reduce its CO_2 emissions by 20% below 1990 levels by 2020. For that purpose, greenhouse gas emissions from sectors such as the transport sector, which are not covered by the EU Emissions Trading Scheme, are to be reduced by an average of 10% compared to 2005 levels (Decision 406/2009/EC; cp. CEP Dossier on EU Climate Protection Policies, p. 18 et seq. – *in German only*).
- Although the EU reduced its greenhouse gas emissions by 9% between 1990 and 2007, CO_2 emissions from the transport sector have increased by 29%.
- The percentage of light commercial vehicles from the total number of registered light-duty vehicles has increased at a steady rate since 1995 and currently makes up 12%.

► **Objectives of the Regulation**
The average CO_2 emissions of new light commercial vehicles are to be reduced:
- step-by-step between 2014 and 2016 to 175g CO_2/km (Art. 1 (1)) and
- to 135g CO_2/km by 2020, should the Commission's impact assessments confirm the economic viability of these targeted values (Art. 1 (2), Art. 12 (4)).

► **Scope**
- The Regulation applies to "new light commercial vehicles" (Art. 2 (1) and (2)):
  - "light commercial vehicles" are vehicles for the carriage of goods
    - with a permissible maximum laden mass of 3,500 kg (Directive 2007/46/EC, Annex II) and
    - an unladen curb mass ("reference mass") of up to 2,610 kg (pursuant to Directive 2007/46/EC, Annex II) or in exceptional cases 2,840 kg [pursuant to Regulation (EC) No. 715/2007].
  - "New" are light commercial vehicles which
    - are registered in the EU for the first time and
    - have been registered outside the EU for not more than three months.
- The Regulation does not cover "special purpose" vehicles, such as caravans, ambulances and armoured vehicles (Art. 2 (3) in conjunction with 2007/46/EC, Annex II No. 5).

► **Specific CO_2 emissions targets for the vehicle fleet of a manufacturer**
- As of 2014, each manufacturer must ensure that the average CO_2 emissions of their light commercial vehicles do not exceed their specific emissions targets ("fleet-specific approach", Art. 3 lit. A and Art. 4).
- The target emissions set for each manufacturer are calculated using a threshold value curve and according to unloaded vehicle weight (Art. 4, Annex I; cp. CEP graphic):
  - If the average weight of a manufacturer's vehicle registered within a calendar year equals 1,706 kg, the target is 175g CO_2/km.
  - For each kilogram exceeding the average weight of the manufacturer's vehicles, the CO_2 emission target is increased by 0,093g CO_2/km.
  - For each kilogram that is below the average weight of the manufacturer's vehicles, the CO_2 emission target is decreased by 0,093g CO_2/km.

– In order to make it easier for manufacturers to adjust CO_2 emissions to the specific targets, in 2014 only 75%, in 2015 only 80% and not until 2016 must 100% of the manufacturer's entire fleet comply with the target values ("phase-in criteria", Art. 4).
– In order to promote an early market deployment of low emitting light commercial vehicles, the specific emission target is calculated counting each commercial vehicle with CO_2 emissions below 50g CO_2/km (Art. 5) as:
  - 2.5 commercial vehicles in 2014,
  - 1.5 commercial vehicles in 2015,
  - 1 commercial vehicle from 2016.
– From 2012, Member States must record manufacturer information necessary for monitoring compliance with CO_2 targets and transmit them to the Commission (Art. 7 (1–3)). The Commission is to notify each manufacturer of the data that concern them (Art. 7 (4)).

► **Derogations for smaller manufacturers**

– Manufacturers of less than 22,000 commercial vehicles may apply for derogation from the specific emissions targets for a maximum of five years (Art. 10 (1)) and for the setting of an alternative emission target (Art. 10 (2)) if they
  - are not part of a group of connected manufacturers or
  - are part of a group of connected manufacturers who manufacture in total less than 22,000 new light commercial vehicles or
  - are part of a group of connected manufacturers, but operate their own production facilities and their own design centres.
– The alternative emission target to be proposed by the manufacturer must (Art. 10 Abs. 2)
  - comply with the economic and technological reduction potential of the manufacturer and
  - take into account the characteristics of the market for the type of light commercial vehicle manufactured.

► **"Pools"**

– Manufacturers not granted any derogation pursuant to Art. 10 may form a "pool"for a maximum of five years in order to fulfil the specific emission targets jointly (Art. 6 (1) and (7)).
– For antitrust reasons, the members of a pool who are not part of one and the same group may exchange the following information only (Art. 6 (5) and (6)):
  - the average specific emissions of CO_2,
  - the specific emissions targets
  - and the total number of vehicles registered.

► **Excess emissions premium**

– From 2014, any manufacturer who fails to meet their specific emission target must pay an excess emissions premium (Art. 8 (1)).
– The amount of such a premium is calculated by multiplying the following factors (Art. 8 (2)):
  - excess emissions in gram CO_2/km,
  - number of newly registered commercial vehicles per year
  - rate of the premium which, depending on the year and extent of emissions excess, can vary from € 5 to € 120 (cp. CEP Table).
– The amount of the excess emissions premium flow into the EU budget (Art. 8 (4)).

Changes Compared to the status Quo

To date, legally binding specific emissions targets have existed only for passenger cars. Now, specific emissions targets are also to be applied to light commercial vehicles.

Statement on Subsidiarity

According to the Commission, Member States will not be able to achieve an EU-wide average of 175g CO_2/km due to the cross-border nature of climate change and the different starting positions of Member States. Furthermore, the Commission assumes that trade barriers might threaten the internal market.

Policy Context

With two Communications [COM(2007) 19 and COM(2009) 22], the Commission presented its overall strategy for a reduction of CO_2 emissions and proposed a reduction target for passenger cars to 120g CO_2/km by 2012. This target was to be reached by a reduction of CO_2 emissions for passenger cars to 130g CO_2/km by means of improved engine technology and a further reduction of 10g CO_2/km through other technological improvements. Moreover, the fuel efficiency of light commercial vehicles was to be improved in order to reduce their CO_2 emissions to 175g CO_2/km by 2012 and to 160g CO_2/km by 2015. In April 2009, a mandatory reduction obligation of 130g CO_2/km was stipulated for passenger cars [Regulation (EC) No. 443/2209; cp. CEP Policy Brief, *in German only*].

Legislative Procedure

28.10.09 Adoption by Commission
Open Adoption by the European Parliament and the Council; publication in the Official Journal of the European Union; entry into force

Options for Influencing the Political Process

Leading Directorate General:	DG Environment
Committees of the European Parliament:	Environment, Public Health and Food Safety (in charge), rapporteur: Martin Callanan (ECR Group, UK); Industry, Research and Energy; Transport and Tourism
Committees of the German Bundestag:	to be nominated
Decision mode in the Council:	Qualified majority (approval by a majority of Member States and at least 255 out of 345 votes; Germany: 29 votes)

Formalities

Legal competence:	Art. 192 TFEU (Environmental Policy; ex-Art. 175 TEC)
Form of legislative competence:	Shared competence, Art. 4 (2) lit. e TFEU
Legislative procedure:	Art. 294 TFEU (ordinary legislative procedure; ex-Art. 251 TEC)

ASSESSMENT

Economic Impact Assessment

Ordoliberal Assessment

As the Regulation on CO_2 emissions reduction targets for passenger cars (443/2009/EG) is already in force, it makes sense to now also set reduction targets for light commercial vehicles. However, this does not change the basic ordoliberal criticism of the approach: one should not resort to bans and rules whose implementation is linked to sanctions unless there are no market mechanisms available to reach such targets. **The introduction of emissions trading that is as extensive as possible means an exact market-oriented regulation option that would restrict the market players' freedom of choice much less**. Emissions trading that covered all emission sources would reveal the real costs that EU climate protection policy creates. That kind of transparency would form a sound basis for the public debate on climate protection policies, including the related costs. Instead, the approach promoted by this Proposal conceals the real costs of climate protection.

Impact on Efficiency and Individual Freedom of Choice

The CO_2 emissions targets for automobile manufacturers **proposed by the Commission do not guarantee that CO_2 emissions** from the road **will be reduced to the desired extent**. **Though** they do generate incentives to build engines that emit less CO_2 per kilometre, and this can in turn have a controlling effect on the buying behaviour of consumers, in the end, **it is the driving behaviour, and in particular the number of kilometres driven, that determines the amount of CO_2 that vehicles emit**. And the Regulation proposes no measures affecting driving behaviour.

Moreover, the CO_2 emissions targets are no effective means to reach a CO_2 reduction at the lowest costs possible. This runs counter to the challenging climate protection targets of the EU (cp. CEP Dossier on EU Climate Protection Policies, in German only).

The Commission justifies the linking of excess emission premiums to average values (and, in the case of emission pools, even to cross-manufacturer average values) instead of to the emissions of each individual vehicle by arguing that CO_2 emissions should be reduced wherever possible in a cost-effective manner [see Recitals 13 and 16 and SEC(2009) 1454, p. 26 seq.]. However, a consistent implementation of this – principally correct – intention does not allow for stipulating separate regulations for selected emission sources, e.g. vehicles. Instead, the greatest possible saving potential of many, or ideally all emission sources should be exploited. This is made immediately possible by their inclusion in the already existing emission allowance trading.

In order to reach CO_2 emissions targets safely and effectively the EU should, instead of prescribing emission values for vehicles, **integrate refineries and fuel importers into the system of EU emission trading** (cp. Dossier on EU Climate Protection Policies, *in German only*). Emissions allowance trading means that CO_2 emissions are avoided where this is possible at the lowest possible cost. Refineries and fuel importers would then have to hold out for the allowances of CO_2 emission contained in fuel (so-called "upstream-emission trading"). The costs for these allowances would affect the fuel price and thus have an impact not only on the buying behaviour of consumers, but also on driving behaviour itself.

The monitoring procedure and the recording and transmission of data result in additional administrative burdens and costs.

The data necessary to implement the Regulation are connected to the authorisation systems of Member States. Experience with that form of data collection has shown that not all national authorisation systems collect data in a reliable manner. However, as they form the basis for possible penalty payments, manufacturers must include a fault tolerance in their calculations, which leads to a de facto tightening of target values.

Impact on Growth and Employment

The Regulation sets incentives for the development of vehicles using less fuel and thus emitting less CO_2. Such incentives can have a boosting impact on growth and employment. On the other hand, increased research and development costs – as well as excess emissions premiums – can lead to higher sales prices for new commercial vehicles, which in turn lead to lower sales figures and thus have a negative impact on growth and employment.

Impact on Europe as a Business Location

The proposed Regulation is neutral in terms of business location as it also applies to vehicles manufactured outside the EU, if registered inside the EU. Reversely, it does not apply to vehicles manufactured within the EU and exported to non-EU-countries.

Legal Assessment

Legislative Competence

The Commission is right in basing its Proposal on Art. 175 TEC (Environment). The main objective of the Regulation is to protect the climate system by reducing the CO_2 emissions of light commercial vehicles.

Subsidiarity

Unproblematic.

Proportionality

Although CO_2 emissions targets and excess emissions premiums cannot ensure that certain CO_2 reduction targets are met, from a legal point of view, it is enough that a legislative measure for reaching a target is not obviously inappropriate. Here incentives are set for the manufacturers of light commercial vehicles to invest in engines emitting less CO_2, which can lead to a – though not target-oriented – reduction of CO_2 emissions. The principle of proportionality is therefore not infringed.

Compatibility with EU Law

Unproblematic.

Compatibility with German Law

Unproblematic.

Alternative Action

Refineries and fuel importers should be included in the EU Emissions Trading Scheme. In order to avoid an over-burdening of fuel consumers, the taxes on fuel would have to be reduced accordingly. The resulting tax deficits could be balanced out by the revenues made from the auction of emissions trading and then flow to Member States, instead of flowing to the EU budget as proposed in the Regulation.

Possible Future EU Actions

Not evident.

Conclusion

The CO_2 emissions targets for automobile manufacturers proposed by the Commission cannot ensure that CO_2 emissions from the road be reduced to the desired extent. Last but not least, it is the driving behaviour, and in particular the number of kilometres driven, that determines the amount of CO_2 emission from road traffic. And the proposed Regulation does not contain any measures affecting driving behaviour. On the other hand, the monitoring procedure and data collection impose an additional administrative burden on Member States and automobile manufacturers alike. In order to meet the CO_2 emissions targets safely and effectively, refineries and fuel importers should be integrated into the EU Emissions Trading Scheme. The Regulation should be withdrawn.