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AK Position Paper

Regulation setting emission performance standards for new passenger cars and for new light commercial vehicles

COM (2017) 676

About us

The Austrian Federal Chamber of Labour is by law representing the interests of about 3.7 million employees and consumers in Austria. It acts for the interests of its members in fields of social-, educational-, economical-, and consumer issues both on the national and on the EU-level in Brussels. Furthermore the Austrian Federal Chamber of Labour is a part of the Austrian social partnership. The Austrian Federal Chamber of Labour is registered at the EU Transparency Register under the number 23869471911-54.

The AK EUROPA office in Brussels was established in 1991 to bring forward the interests of all its members directly vis-à-vis the European Institutions.

Organisation and Tasks of the Austrian Federal Chamber of Labour

The Austrian Federal Chamber of Labour is the umbrella organisation of the nine regional Chambers of Labour in Austria, which have together the statutory mandate to represent the interests of their members.

The Chambers of Labour provide their members a broad range of services, including for instance advice on matters of labour law, consumer rights, social insurance and educational matters.

Renate Anderl
President

More than three quarters of the 2 million member-consultations carried out each year concern labour-, social insurance- and insolvency law. Furthermore the Austrian Federal Chamber of Labour makes use of its vested right to state its opinion in the legislation process of the European Union and in Austria in order to shape the interests of the employees and consumers towards the legislator.

All Austrian employees are subject to compulsory membership. The member fee is determined by law and is amounting to 0.5% of the members' gross wages or salaries (up to the social security payroll tax cap maximum). 816.000 - amongst others unemployed, persons on maternity (paternity) leave, community and military service - of the 3.7 million members are exempt from subscription payment, but are entitled to all services provided by the Austrian Federal Chambers of Labour.

Christoph Klein
Director

Executive Summary

The Federal Chamber of Labour (BAK) considers the proposal made by the EC, and consequently also the CO₂ targets for manufacturers, inadequate. The main points of criticism are that the proposal lacks ambition in light of the climate policy challenges to be met and that it is not embedded in a larger framework, without which the automotive industry, a key sector in terms of employment and industrial policy, will be unable to cope with the approaching structural transformation. In this context, there is a need for coordinated measures within the automotive sector and outside it, the implementation of which is essential for the success of the entire proposal. From the perspectives of consumer policy and environmental policy, the CO₂ standards for passenger cars and light commercial vehicles must result in a real world reduction in total fuel consumption, which must not be taken to absurd lengths by unrealistic vehicle test cycles. The only way to lower average CO₂ emissions of the fleet is to substantially increase the percentage of vehicles with electrical drive (e-mobility) in the fleet mix. In the opinion of BAK, the standards for zero emission vehicles should require them to have a practical driving range at average central European temperatures. Against the backdrop of a gradual renewal of the entire fleet and ever-increasing driving performance, BAK calls for an ambitious mandatory reduction of 25% to be met by manufacturers in 2025, which would make it easier for EU Member States to meet their climate policy commitments in 2030. However, in order to enable

the industry to reach this stricter target, BAK suggests a mandatory evaluation of the charging infrastructure for electric vehicles to be carried out in 2024. If the infrastructure in place is sufficient – according to clearly defined quantitative and qualitative parameters – to achieve a greater market penetration of alternative drives, the required reduction should be an ambitious 25% in 2025 to provide the European automotive industry with incentives for a speedier structural transformation and thus for the long-term consolidation of its competitive position on the global market. In the event of a negative evaluation result, BAK suggests adhering to the current proposal of the EC (minus 15%). BAK emphasises that employment issues must be given priority and that, to this end, the definition of a binding framework at European level is urgently required. From an industrial policy point of view, the safeguarding and creation of new value-added chains and jobs in Austria and in the EU must take precedence.

AK's position in detail

The European Commission's (EC) proposal for a regulation sets binding CO₂-emissions targets for manufacturers of new vehicles, which are not to be exceeded, on an EU-wide average, from 2025 and 2030 onwards. The objectives of the proposal are the achievement of climate policy commitments, a reduction in fuel consumption costs for consumers, and enhanced competitiveness of the EU automotive industry. In concrete terms, reductions in CO₂ emissions in the magnitudes of 15% and 30% are proposed for 2025 and 2030, respectively. The assessment basis comprises the total CO₂ emissions of all newly registered passenger cars and light commercial vehicles in 2021, as determined by the new WLTP test cycle. In addition, the proposal includes a technology-neutral incentive mechanism for manufacturers to increase the percentage of zero and low emission vehicles having emissions of less than 50g CO₂/km. Regarding the implementation and monitoring of the regulation, most of the provisions of Regulation EC 443/2009 and Regulation EC 510/2011 are to remain in force.

Binding framework conditions for the transformation of the sector

From the point of view of industrial policy, in particular, the unambitious CO₂ emission standards proposed by the EC cannot ensure the global technology leadership of the European automotive industry, nor can they support the upcoming structural transformation in this sector. In this connection, BAK makes reference, for example, to the ambi-

tious standards to be met on the Chinese market (at least 10% of passenger cars with electric drive in production and sales from 2019 onwards, a requirement that will be raised to 12% in 2020). BAK takes the view that – in addition to stricter targets as already mentioned – further mandatory measures, which are beyond the scope of this proposal but indispensable for the success of this regulation in terms of meeting the targets in the years 2025 and 2030, are indispensable:

- Binding establishment of a charging infrastructure for alternative fuels in the EU Member States, with statutory targets to ensure the adequate supply of environmentally friendly energy for vehicle buyers; in addition, statutory provisions to make the use of such infrastructure easier for consumers (transparency, accessibility, uniform payment system, rights of customers, etc.)
- Ambitious action programmes and outplacement foundations for the re-training and up-skilling of employees concerned, to enable them to take up new jobs inside or outside the automotive sector; mandatory inclusion of the social partners in the development and implementation of such measures at both company and inter-company level
- Development of R&D programmes to create new value-added chains for electric and fuel cell drives and new services in the automotive sector with a focus on the regions

that are most affected; here again, mandatory inclusion of the social partners in the development of these programmes

- Preparation of robust CO2 measurement methods for the assessment of fossil and alternative fuels on the basis of the well-to-wheel approach (= full functional chain of mobility, from the generation and provision of driving energy to its conversion into kinetic energy) as well as alternative drive technologies on the basis of the cradle-to-grave approach (= systematic analysis of impacts on climate and the environment during the full life cycle) which allow for comprehensive and transparent CO2 labelling
- Robust eco-design standards for zero emission vehicles to ensure a sustainable cycle economy

A binding framework for these measures must, from the point of view of BAK, be created no later than in 2021, and has to guarantee reliable general conditions for all parties for the further achievement of the regulation's objectives.

From a consumer policy perspective and based on the experience gained in the last decade, we have to conclude that a failure to include real world consumption values as a basis harbours great risks, which should be avoided in future regulation measures at all costs. Moreover, the manufacturer targets proposed for additional CO2 reductions between 2021 and 2030 (approx. 3.2 g CO2/km or 3.9% per year) are significantly lower than the results measured in the regulation period 2015-2021 (5.8 g CO2/km or 5% per year). (Source: ICCT)

From a climate policy perspective, it has to be pointed out that given the slowly progressing renewal of the passenger car fleet, setting 2025 as the regulation target with ambitious standards is necessary if the EU Member States are to actually comply with the Effort Sharing Regulation (ESR) in 2030. Furthermore, it must be mentioned that the major European automotive manufacturers have already agreed, on a voluntary basis, to lay down higher CO2 reductions as their corporate targets, which they intend to achieve through quotas for electric or electrified passenger cars. Therefore, BAK makes the case for a real savings target of at least 25% starting from 2025. Subsequent CO2 targets for regulation in 2030 should be determined with legally binding effect at a later point in time only, given that for the time being not all (technological) developments can be foreseen.

Without failing to recognise the necessity of CO2 reductions in the automotive sector for climate policy reasons, BAK would like to also draw attention to the enormous potential to be found in other transport sectors, including, without limitation, aviation, non-road-mobile engines, and maritime shipping, none of which were dealt with in any of the Commission's three mobility packages.

Taking real world CO2 emissions and consumption into account

In general, BAK criticises that the CO2 standards for manufacturers in no way reflect the real world consumption levels of passenger cars and light commercial vehicles. However, it should be borne in mind that the gap between CO2 emissions indicated under the old test cycle NEDC (=New European Driving Cycle) and real world consumption is currently more than 40% and the new test cycle

WLTP (= Worldwide Harmonized Light Vehicles Test Procedure) will only narrow it by 21%. Therefore, using WLTP will only decrease this gap, but is far from constituting a solid foundation for actual progress in fuel efficiency and climate policy. This is even more true for certain engine variants (hybrid and plug-in drives), which will gain in importance in the future and are still not satisfactorily reflected in the WLTP. BAK therefore appeals to the EU legislator to apply the existing RDE (Real Driving Emissions) test cycle, which is based on emissions with respect to real world driving, also when determining CO₂ consumption values and targets for manufacturers, and to incorporate this into Article 17 so that in 2021 a reliable benchmark will be available for all parties involved.

Well aware of the problematic fact that the real world CO₂ emissions are higher, the proposed regulation tries to establish safeguards. These refer primarily to a reporting obligation of type approval authorities for "CO₂ deviations" (Article 7.8), a survey of "robust non-personal data on real world CO₂ emissions and energy consumption" (Article 12) and an obligation to report the real world representativeness of the energy consumption values based on WLTP in 2024 (Article 14). While recognising the good intentions behind these provisions, BAK is convinced that, for political reasons, it will hardly be possible for the EC to implement a retroactive correction of the regulatory framework. BAK also draws attention to the fact (recitals 35 and 36) that CO₂ reviews based on "in-service-checks" are by no means equivalent to those based on "CO₂ real world".

Specific CO₂ targets for manufacturers
BAK is critical of the fact that the significance of increasing driving performances was not taken into consideration dur-

ing the impact assessments performed ahead of preparing the proposal. In recent years, they have proven to be the main obstacle to reducing CO₂ emissions in the transport sector. It is equally incomprehensible why a 7 g CO₂/km cap was set on off-cycle innovations (= CO₂ emission savings that cannot be measured by the test cycle, cf Article 11). All eco-innovation technologies should be included, provided that they are approved by the EC.

However, for reasons of climate policy and consumer policy, BAK calls for a reduction target of 25% for manufacturers in 2025 (cf Article 1.4) in order to avoid other climate policy action in 2030 that is problematic from a distribution policy point of view, such as fiscal measures (e.g., an increase in mineral oil taxation to reduce driving performance and/or fuel consumption) and/or because otherwise the renewal of national fleets with more fuel-efficient vehicles would take too long. In contrast, the reduction requirement for 2030 should be determined at a later point in time because not all technological options are yet foreseeable. In the event that the mandatory evaluation of the charging infrastructure in 2024 (to be submitted by the EC), as is called for by BAK, reveals that the infrastructure is not sufficient for a broad consumer acceptance of electric vehicles – which constitutes a major element for achieving the targets – BAK considers the 2025 emission targets proposed by the EC as adequate. Ultimately, ambitious targets should serve to help the EU automotive industry stay competitive on the international market, not to consign it to a technological impasse.

Excess emission premiums imposed on manufacturers

BAK criticizes that the penalty in the amount of EUR 95 per g CO₂/km to be paid by vehicle manufacturers in the event that the emission targets are exceeded, which has applied since the entry into force of Regulation 443/2009, has not been adjusted in the proposal at hand (cf Article 8) and that no adjustment has been envisaged until 2030. Any premiums to be paid by manufacturers under this provision should flow into a technology fund in support of structural change in the automotive industry.

Incentive mechanism for zero and low emission vehicles

BAK regrets that the sales targets for zero and low emission vehicles, set for 2025 and 2030, respectively, at 15% and 30% of manufacturers' global sales, are not ambitious. As is evident from the assessment documents of the EC for this proposal, major passenger car manufacturers on the European market (BMW, Daimler, Renault, Nissan and Volkswagen) have already announced higher sales targets for zero and low emission vehicles by 2025 on a voluntary basis. From today's point of view, the proposal (Article 3 i in conjunction with Annex I 6.3) should therefore set stricter targets for manufacturers in order to ensure the added value of EU regulation.

We consider it a general necessity for manufacturers to offer zero and low emission vehicles not only in the premium segment, but in all passenger car segments. Moreover, the definition (Article 3 f) must be narrowed down and the distinction between zero and low emission vehicles must be defined more precisely. From a consumer per-

spective, zero emission vehicles should have a minimum range of 500 km and low emission vehicles (PHEVs) a range of at least 50 km. BAK points out that currently the real world consumption of PHEVs deviates extremely from the official type testing result and that this problem is not sufficiently remedied by the new WLTP test cycle, either.

Weight as a regulation parameter

BAK criticizes that the weight of a passenger car continues to be a criterion when it comes to meeting CO₂ standards (Articles 3 and 13 in conjunction with Annex I 6.1 and 6.2). Broadly speaking, this means that the heavier a manufacturer's vehicles are compared to the average of its competitors' vehicles, the less strict are the CO₂ targets to be complied with (example: in 2024, a manufacturer gets a "bonus" of 0.0333 g CO₂/km for each kilogramme by which its fleet is heavier than the average weight of the EU fleet). BAK suggests the deletion of this parameter without substitution, as it is in fundamental contradiction to the central goals of the regulation: making fuel-efficient passenger cars available for consumers and achieving climate policy objectives. It is furthermore pointed out that any engine-related fuel savings achieved were neutralised by the increase in weight.

Employment

What BAK misses both in the proposal and in the Communication from the Commission "Delivering on low-emission mobility – A European Union that protects the planet, empowers its consumers and defends its industry and workers – COM (2017) 675" are suitable approaches as to which measures are to be taken at EU level and within the national scopes of the Member States

for the benefit of the workers affected by the upcoming structural transformation. A reference to general programmes (e.g. Erasmus, lifelong learning, etc.) does not suffice, given the magnitude and significance of this challenge.

Just transition – fair organisation of structural change

The proposal as a whole must be seen under the aspect of the climate targets under the Paris Agreement which require a phase-out of fossil energy sources rather than a consistent expansion of the consumption of resources and energy. As this entails a fundamental change in the role of gainful employment and the entire economic structure, climate policy is also a core issue for employee representatives. Against this backdrop, the term “just transition” was established as a guiding concept describing trade union perspectives and demands. It is used to address the complex challenges of the transition to an economic system which manages without fossil energy sources. Such a transformation is not only a technical challenge; it also requires intense examination of how these changes can be implemented in a socially fair manner. From the point of view of employees, the upcoming massive structural transformation requires comprehensive measures in the field of qualification of employees, accompanying labour-market measures, and a strengthening of the role of public companies as well as the inclusion of employees and their representatives in the process of specifying the respective measures. BAK notices with regret that neither in the comprehensive impact assessment documents nor in the proposal was this challenge discussed.

Should you have any further questions
please do not hesitate to contact

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