

ANNEX III

OUTCOME OF THE WORK OF THE CARS 2020 WORKING GROUPS ON ECONOMIC SITUATION OF AUTOMOTIVE INDUSTRY, CLEAN VEHICLES, FUTURE WORK ON ROAD SAFETY AND TRADE AND INTERNATIONAL HARMONISATION

ECONOMIC SITUATION OF AUTOMOTIVE INDUSTRY CONCLUSIONS AND RECOMMENDATIONS OF CARS 2020 EXPERT GROUP

While the CARS 2020 process has for its main mission to monitor the implementation of CARS 2020 Action Plan, the Working Group on economic situation, industrial change and social impact has made the following recommendations.

1. Continuous innovation is the basis for a global success of Europe's automotive sector. It is up to the companies to strengthen their competitiveness, but the public authorities have to support this important industry sector, especially by providing good general framework conditions.
2. **Public authorities need to act on the European, international, national and regional level** in order to maintain a healthy manufacturing base in Europe, soften the social impact of restructuring and ensure that working conditions (health and safety protection and remuneration) do not deteriorate in the sector.
3. While concrete actions are needed in short-term especially in order to soften the impact on workers and local economies and in medium term in order to reindustrialise sites affected by the economic downturn, a **longer-term competitiveness also has to be addressed as well. For that purpose, shifting trade patterns and major societal trends shaping the demand for motor vehicles should be analysed and their impact anticipated.** (e.g. change of car ownership; changes in preferred powertrains or shift from mid-segment to smaller city cars and premium). Proactive approach is necessary in order to further strengthen the industry by training the workers and adapting the production equipment.
4. The actions proposed in **pillar I, II and III of CARS 2020** concerning the financing the innovation, regulatory activities, better regulation and balanced trade policy **are supported by CARS 2020 stakeholders and need to continue to be implemented on the basis of an impact assessment, social aspects and a market-oriented approach in order to address this longer term industrial perspective efficiently.**
5. The international competitiveness of the European automotive industry on global markets must be further proved. Trade policy plays a major role in this context. It has to take full account of the need to maintain a strong and competitive automotive manufacturing base in Europe. Therefore all trade policy instruments should be used to overcome the current difficult situation by dismantling tariff and non-tariff barriers and opening markets. For new FTAs, their impact will continue to be assessed,

including the impact of all agreements previously concluded. More specifically, the cumulative impacts of FTAs concluded, under negotiations or planned have recently been thoroughly assessed in a special study.

6. The **most effective use should be made of all financial tools available on the EU level**: RDI funding under the FP7/Horizon 2020, SMEs funding under CIP/COSME programmes, EIB lending, Structural Funds (in particular the European Social Fund) and European Globalisation Fund. Dedicated fiches on each of these instruments will accompany this document. An example of effective use of European financial instruments is creation of **Commission's ad-hoc task-forces in the event of automotive plant closures**. Such task-forces will coordinate the effective use of financial instruments and provide technical advice which can considerably streamline the utilisation of Structural Funds. Importantly, coherence must be ensured among the use of Structural Funds, State aid and restructuring operations.
7. **Investments in innovation and the necessary skills** is one of the possible contributions in order to improve the situation of the automotive industry in Europe. As a consequence of constantly evolving environment, the European automotive industry is expected to develop innovative solutions on further energy efficiency, connectivity, hybridisation and alternative powertrains. Investing in competences and innovative technologies is therefore necessary for **making vehicles cleaner and more energy-efficient**, which should also allow the companies to **benefit from the trade on third markets** where the demand for vehicles is expected to grow in a short and medium term. Funding for engineering and product development (in particular for suppliers) is essential to maintain the position as global hotbed of automotive engineering and innovation. In order to foster future growth through innovation, the development of highly qualified automotive professionals should be supported to tackle the workforce shortages automotive sector is experiencing.
8. The issue of overcapacity remains a problem for some manufacturers in Europe. **Importantly, structural overcapacity**, requiring more decisive and permanent solutions, should be distinguished from **cyclical overcapacity** which can be dealt with through temporary adaptation measures, thus avoiding additional loss of capacity and employment in Europe. **Structural overcapacity needs to be tackled** in order to regain the global competitiveness of the sector.
9. In order to address the issue of overcapacity and restructuring and ensure a smooth adaptation, an **effective social dialogue should be maintained**. This dialogue can be **enhanced through agreements with employees' representatives on concrete procedures** for dealing with change and restructuring. Alternatively, company level agreements applicable to EU-scale (transnational) undertakings can be used.
10. Furthermore, for the most effective planning and implementation of restructuring operations, the existence of **partnerships with external stakeholders** can be very helpful. Those external stakeholders should involve regional authorities, universities and education and training providers, technological institutes, development agencies as well as external job and skills observatories and in some circumstances they can form **regional task forces on restructuring or workers retraining**.
11. In terms of tackling **cyclical overcapacity, bridging mechanisms** (i.e. shorter working weeks, renegotiation of working conditions, saving or borrowing working

hours/ holiday allowances, short time work arrangements, internal or external redeployment within the group of companies and temporary lay-offs) **should be deployed by social partners and public authorities. Flexibility arrangements could also be implemented by companies on their own** provided that they are **temporary and reversible, and if the economic case allows they should contain compensation** for workers once the company returns to normal operations.

Such mechanisms play a useful role in situations of temporary overcapacity even though they represent a significant cost for companies and public finances and they might put off more structural change. They may also prove to be advantageous in a longer perspective since they allow companies to maintain a highly skilled workforce. Companies and public authorities should make a good use of such bridging mechanisms knowing that very good results can be achieved if such **bridging schemes are combined with education and training activities as well as internal reorganisation**. On the European level, the ESF can be used for co-financing such schemes if training element is involved.

12. In terms of tackling the **structural overcapacity, the companies, trade unions and public authorities should not resist the necessary restructuring but minimise its social impact by endorsing and following good practices presented in CARS 21 Final Report** (Chapter II). More specifically:

- a. **Change processes should be reflected into companies' long-term strategies.** Companies should **monitor on a permanent basis the situation and probable evolution of the company's economic and financial situation, technological developments as well as changing employment and skills needs**. On this basis, companies should develop adequate **business plan strategies**. Human resources, employment and skills considerations should be at the heart of this strategic planning.
- b. **Restructuring operations should be prepared as much in advance as possible** with all the concerned stakeholders, including the upstream suppliers and dependant companies downstream. Redundancies should be envisaged as a last resort and all actors (including suppliers and dependent companies) need to be involved on a fair basis. Measures should be phased in over time.
- c. **Restructuring operations should be explained and justified on the basis of a clear business rationale**, justifying it on grounds of either long-term strategic goals and requirements or short-term constraints.
- d. **Measures should be made available, to the employees concerned, aimed at reinforcing the employability** and helping them to re-enter the labour market as quickly as possible (such as information and advice centres, mobility cells and redeployment units within companies, training and re-training of workers, assistance in job search and entrepreneurship).
- e. Companies should pay attention to the **external impact that the restructuring processes may have on all other local and regional actors**, including suppliers, SMEs, etc. In order to minimise those effects, companies should provide their suppliers and dependant companies with early information on the envisaged restructuring operation and involve them in its preparation.

13. The **regional authorities should be involved in restructuring processes** in order to avoid the most severe solutions (like closures and relocations) or prepare them well in

advance when they are unavoidable. They have an important role in enhancing **cooperation and partnerships in their territory** and can **play a major role in the coordination of the work of various stakeholders during restructuring processes** (territorial employment pacts, PPPs). Finally, they can bring support to companies e.g. by tax reductions, temporary secondment of employees, training as well as guarantees, loans or other funding possibilities, as far as it is in line with the EU state aid rules.

14. **Member States have also, in line with the EU state aid rules, a role to play in restructuring operations** as they possess the institutional capacity to support workers and they also manage substantial financial resources that can be allocated to meet the needs of restructuring companies and their employees. Member States should also contribute to **shaping a legal and regulatory framework** that makes it possible for rapid and appropriate use of financial and non-financial support schemes in case of restructuring processes. They can notably:
 - a. **Support all forms of negotiation and collective bargaining** on anticipation of change and restructuring as well as on forward looking employment and skills planning at national, sectorial and company levels.
 - b. Set up **national employment and skills observatories** in cooperation with the relevant actors. In addition to the industry proposed education and training, , the Member states can provide framework conditions in school and university education leading to sufficient labour resources adapted for automotive industry needs.
 - c. Promote and **contribute to the economic** revitalization of regions severely affected by restructuring
 - d. **Mobilise all forms of assistance and effective use of Structural funds** according to priorities in line with the objectives above, **coordinate the regional, national and European levels** (in terms of Structural Funds use).In this regard, Member States should pay attention, in the planning of their **programming for structural funds, to make them adequate from the beginning to sectoral actions and/or to provide financial support in case of restructuring processes.**
15. Some participants considered a coordinated action on a European level necessary to reduce existing overcapacity, while other stakeholders believed the companies should be able to take their own actions based on economic rationale. While **the Commission does not have a mandate to manage the problem of overcapacity, it has provided the framework in terms of managing the social impact of capacity reduction as well as state-aid control.**
16. The proposals of the Commission under the pillar IV of the **CARS 2020 Action Plan are considered to be a way forward** in terms of action on the European level and should be **implemented swiftly.**
17. In addition, **the regulatory framework in which the industry operates in the EU is crucial for competitiveness of the industry.** The principles of the better regulation were already agreed upon in first CARS21 HLG report and remain valid. Above those principles already agreed in that report, **the Commission will continue carrying out competitiveness proofing on future key legislative and selected non-legislative**

initiatives affecting the automotive industry (including WLTP, safety package, emissions, CO₂ post 2020, RDE, material restrictions etc.).

18. In addition to competitiveness proofing, study carried out on each policy/regulatory initiative should be coordinated among the several EU directorates so that their interaction does not negatively affect the competitiveness proofing of each of them individually (e.g. spreading initiatives over a reasonable time span, not taking initiatives that can have adverse effects on one another, etc.).

CLEAN VEHICLES CARS 2020 CONSENSUS PAPER

1. ELECTROMOBILITY AND ALTERNATIVE FUELS

Analysis

The European automotive industry has a leading role in the development of clean and energy efficient technologies for transport and is a major sector in terms of employment, investments and economic prosperity in Europe. Over the years, substantial progress has taken place in the area of improving internal combustion engines and substantial further development potential remains. In view of its potential and cost effectiveness, this technology will most likely remain a dominant one during next decade; however, the share of vehicles using alternative fuels¹ is likely to increase in the mid- and long term.

A leading position in the development and deployment of clean and energy efficient vehicles and associated infrastructure and services are believed to be indispensable for the European automotive industry to keep its global competitive advantage. Growing vehicle fleet, constituting also a share of older vehicles, contributes to air quality problems (especially in densely populated areas) and CO₂ emissions. High and sometimes volatile oil prices, concerns about EU energy security and significant impact of energy carriers on the EU trade balance combined with a drive towards diversification of energy sources and CO₂ benefits support the encouragement of low emitting, energy efficient vehicles. Driven by European legislation the development, demand and supply of vehicles with more environmentally friendly technologies is and will be growing to the extent they are affordable for customers and meeting their mobility needs, encouraging vehicle manufacturers to invest more in these technologies and take market advantage, both within and outside the EU.

Low emitting vehicles, which also include vehicles with alternative propulsion technologies, are considered to play a prominent role in the new European industrial policy laid down in the 2012 Communication ‘**A Stronger European Industry for Growth and Economic Recovery**’². In the outlined strategy for recovering from the crisis and coming back on the path of sustainable growth, vehicle technologies delivering environmental and social benefits, while at the same time meeting mobility needs of consumers, will strengthen the global competitiveness of the European automotive industry, stimulate growth and job creation and help to achieve environmental and climate change goals. The principles of the Industrial Policy Communication correlate with the commitments of the **CARS 2020 Communication**³ setting down a list of concrete actions that will be taken by the Commission to strengthen the automotive industry and help it to maintain its leading position in the global market. The **CARS 2020 Expert Group**, which has been created in order to monitor the progress in delivering the commitments spelled out in the CARS 2020 Communication, has also delivered the objectives of the **Industrial Policy Communication task force**.

¹ Alternative fuels means fuels or power sources, which reduces the use of oil sources in the energy supply to transport and which have a potential to contribute to its decarbonisation. They include, for example, electricity, hydrogen, natural gas (CNG, LNG) and LPG.

² COM(2012) 582 final

³ COM(2012) 636 final

The European strategy for encouraging the development and eventual widespread use of clean and energy efficient vehicles has also been defined in a 2010 Communication '**European strategy on clean and energy efficient vehicles**'⁴. This document identified the most important areas of the market for alternative fuels and traditional combustion technologies and aimed at supporting the European motor vehicle industry in preserving its leading position by developing vehicles with clean and energy-efficient technologies.

On 24 January 2013, the European Commission published the "**Clean Power for Transport Package**" (CPT) consisting inter alia of a Communication⁵ including an overall alternative fuels strategy and a legislative proposal for a Directive⁶ concerning alternative fuels infrastructure. Actions at EU level were considered necessary in order to overcome market failure where applicable and ensure the EU-wide proper functioning of the internal market. The proposal for a Directive set out requirements on national policy frameworks for the market development of alternative fuels and recommended targets on a minimum number of recharging or refuelling facilities for the necessary infrastructure build-up, including the implementation of common standards of a recharging infrastructure.

The development and deployment of electric, hydrogen and other alternative fuels vehicles has not been, however, unproblematic. High costs, low consumer confidence, prejudices and lack of refuelling/recharging infrastructure were considered, amongst others, the main stumbling points for a faster market uptake of the green vehicles. The progress has been further slowed down due to a lack of clear commitment of non-EU countries on reaching environmental and climate objectives hence not encouraging public authorities for more decisive actions in this area. Despite heavy investments in research and innovation projects (especially in energy storage systems), electric and fuel cell vehicles constitute just a fraction of the today's market. Similarly, alternative combustion fuels, for example natural gas and LPG, in spite of being mature technologies, seem still not be attractive enough to the consumers to increase significantly their market penetration.

Conclusions

1. While it continues to make remarkable advances in reducing vehicle pollutant emissions and CO₂ (per km or tkm), road transport remains one of the most energy-consuming sectors (around 25% of total energy consumption in Europe in 2010⁷) and a contributor to pollutant and CO₂ emissions in Europe. The development and deployment of cleaner and more energy efficient vehicles are indispensable in order to diversify energy sources, increase energy security and help reaching ambient air pollution limits and CO₂ targets and hence reduce health and climate change impacts.
2. EU's and Member States' actions in the field of electromobility and alternative fuels should be ambitious, smart, cost effective and taking into consideration existing market situation. In addition, they need to follow a technological neutrality principle.

⁴ COM(2010)186 final

⁵ COM(2013) 17 final

⁶ COM(2013) 18 final

⁷ <http://ec.europa.eu/transport/facts-fundings/statistics/doc/2012/pocketbook2012.pdf>

3. Continuous research in the area of clean and energy efficient vehicles is a prerequisite for a competitive European automotive industry. Strong involvement in the development and marketing of cutting edge technologies in this area should assist the industry to keep its leading international position and build its growth and profits on strong and sustainable bases.
4. The internal combustion engine (ICE) will remain the leading technology in the short and medium term in Europe as well as in other parts of the world. Unique competences of the European manufacturers should be strengthened and used for delivering vehicles responding to the societal challenges. Further research is needed to increase energy efficiency and reduce pollutant and CO₂ emissions from internal combustion engines.
5. Barriers to the uptake of vehicles with alternative fuel powertrains should be addressed by coordinated actions of all relevant stakeholders in the EU. As a part of integrated approach implementation, a special focus on cost-effective refilling infrastructure, research and standardisation is needed to enable market penetration of these technologies as they can contribute to cleaner and more sustainable transport.
6. European motor vehicle pollutant emissions legislation should be smart and cost-effective. While aiming at responding to the EU environmental objectives, it should continue to support deployment of new environmentally beneficial technologies and keep under consideration societal and economic aspects. Through a development of high quality legislation, the EU should establish itself as a point of reference and encourage other countries to follow, thus leading to an increased level of international harmonisation.
7. Technology neutrality in the respect of powertrain and fuel solutions should be maintained, leaving a level playing field for all alternatives. Favouring one technology over another could have a detrimental impact on the market, limiting investments in alternative solutions and closing an opportunity for consumers to choose a preferable option.
8. A change of technologies need to be customer-driven and consumers have to be sensitised about potential benefits. Proper level of information about environmental and CO₂ impact of different alternatives is necessary to take conscious decisions in this respect. Dealers and workshop can play an important role in increasing consumers' awareness of new technologies.
9. The "Clean Power for Transport Package" is an important enabling step towards achieving deeper penetration of alternatively fuelled vehicles in the European market by means of setting minimum requirements for refuelling and recharging infrastructure in the framework of Member States national plans, setting standards and improving consumer information. Together with an introduction of harmonised type-approval requirements for electric and fuel cells vehicles and existing provisions for natural gas and LPG, it will create a more favourable framework for further deployment of alternatively fuelled vehicles. The proposal from the Commission was a step into right direction and the Commission should continue its efforts to support Alternative Fuels Strategy implementation and monitor measures implemented on the level of Member States.
10. Customer acceptance is needed to facilitate deployment of alternative propulsion system vehicles. This can be aided by improving vehicle performance, better information on savings and environmental benefits (preferably in a life scale approach and taking in

account the variety of energy mix in Europe in order to more easily compare different fuel alternatives), demonstration projects as well as use of incentives. Re-assurance towards the resale value of the vehicles with alternative powertrains should also be tackled.

11. Additional measures encouraging consumers to choose more environmentally friendly vehicles should be developed by Member States. This could be achieved, for example, by:
 - financial incentives based on objective, technology neutral criteria for a purchase of low emitting vehicles regardless of how they are fuelled.
 - non-fiscal incentives, measures and advantages stimulating use of low emitting vehicles, for example, creating dedicated parking places for clean vehicles in city centres or restricting use of vehicles not fulfilling specific emission requirements.
12. Further penetration of alternative powertrain solutions might have a positive impact on job creation in Europe (especially in a long run) provided that the solutions are cost-effective from a societal point of view. However, a shift in technology could lead to job losses in the workforce employed in the area of traditional technologies, temporary shortages of skilled workers in the area of new technologies or transfer of workplaces outside Europe. In order to be able to successfully face the challenges of technological changes, employees' skills need to be constantly improved.
13. It is of utmost importance that the production base of vehicles and the supply of components for both traditional and alternative powertrains remain in Europe. This will enable further investments in research and development across the entire supply chain to take place in Europe contributing to the goal of a strong and sustainable European industry, capable of competing on the international markets offering products that are of a high technological and environmental standard.

2. TOWARDS LOW POLLUTING AND ENERGY EFFICIENT VEHICLES

Analysis

Air pollution remains a concern for many European citizens, city authorities and national governments. Traffic congestion in cities and in large urban agglomerations has a negative impact on air quality creating a need to consider effective and far-looking tools that would mitigate harmful emissions from vehicles (ex. in parallel to better enforcement of the emission performance of vehicles, replacing older vehicles with cleaner modern vehicles meeting the latest emission standards, better vehicles' maintenance and various traffic calming measures could be taken into consideration). Despite substantial reductions in pollutant emissions over the various Euro steps, road transport emissions still represent a main contributor to certain air pollutants. Due to the non-compliance with European Air Quality Directive (EC) No 2008/50 referring to exceedance of nitrogen dioxide (NO₂) concentration levels in ambient air, 18 Member States have requested more time to meet the NO₂ concentration limits. Some Member States which have proposed robust air quality management plans to comply (nominally by 2015) have been granted extra time. Those Member States which have been refused an extension are subject to potential infringement procedures by the Commission.

It must be underlined that since the monitoring of CO₂ emissions from light-duty vehicles was initiated in 2000, a constant decline of average test cycle emissions (-23% until today) has been reported. Still, the sector is the second highest source of CO₂ emissions in the EU, contributing about one-fifth of the EU's total emissions of this greenhouse gas.

Air quality problems

Problems in meeting NO₂ concentration limits can be partly explained by the fact that tailpipe emissions of in-use vehicles can be significantly higher under real driving conditions than those obtained during a standardised type-approval certification. In a study performed by the JRC⁸, five Euro 5 diesel passenger cars were tested showing emissions in the range 620 ± 190 mg/km NO_x, while the corresponding Euro 5 emission limit for NO_x is 180 mg/km.

It should be noted that the gap between real driving and test cycle emissions currently seems to be limited to NO_x emissions of light-duty diesel vehicles and does not exist for other criteria pollutants. For gasoline engines, attention is also given to new technologies such as lean burn (potential problems with NO_x emissions) or direct injection. Engines with latter technology are more fuel efficient, but meeting final particulate number (PN) emission limit (in force as from 2017/2018) under real driving conditions can be a challenge. Regulation (EC) 715/2007 as amended by Regulation (EC) 459/2012 therefore, requires the Commission to implement at latest till 2017(18) a type approval test method ensuring the effective limitation of PN emissions also under real driving conditions. The PN emission limit for gasoline direct injection engines will be harmonised in 2017/2018 with the requirements for diesel engines and will be ten times lower than the emission levels allowed for between 2014(15) and 2017(18).

RDE project

In accordance with Regulation 715/2007/EC setting provisions for Euro 5/6 norms, testing of vehicles should reflect realistic condition of use. As a consequence of concerns that diesel passenger cars were not delivering expected levels of NO_x reduction on the road, the Commission (JRC and DG ENTR) launched in January 2011 a "real driving emissions of light duty vehicles" (RDE-LDV) project, which aimed at developing a test procedure directly assessing the NO_x emissions of light duty vehicles under real driving conditions.

The new procedure is being developed by the JRC with significant support from a RDE-LDV working group composed of stakeholder experts and experts from industry. It will be based on the use of portable emissions measurement systems (PEMS) which will measure vehicle emissions over certain routes covering most common real world patterns (urban, sub-urban and highway driving). In order to correctly assess the emission levels, realistic boundary conditions for "normal use" (like ambient temperature, humidity, grade slope, etc.) must be defined and a robust statistical evaluation will be applied.

⁸ M. Weiss, P. Bonnel et al. "Analysing on-road emissions of light-duty vehicles with Portable Emission Measurement Systems (PEMS)", EUR 24697 EN - 2011

Competitiveness in the global markets

Development and market deployment of low emitting vehicles, apart from contributing to an improved air quality in Europe, has a profound impact on the competitiveness of the European industry. European vehicle manufacturers, by focusing on low emitting technologies are setting in some aspects global technological reference. European suppliers of emission abatement technologies deliver their cutting edge products to major OEMs around the world benefiting from the fact that many countries have started to regulate emission levels of new vehicles. Moreover, third countries' legislation is based in many cases on the European standards creating a favourable market framework and reducing costs both for the OEMs and suppliers of components.

The importance of development and marketing of clean vehicles was underlined in the new European industrial policy presented in the 2012 Communication '**A Stronger European Industry for Growth and Economic Recovery**'⁹. Further progress in the area of low emitting vehicles was recognised as one of the most important factors in strengthening global competitiveness of the European automotive industry, contributing to a creation of new jobs and stimulating economic growth.

Reducing CO₂ emissions from road vehicles

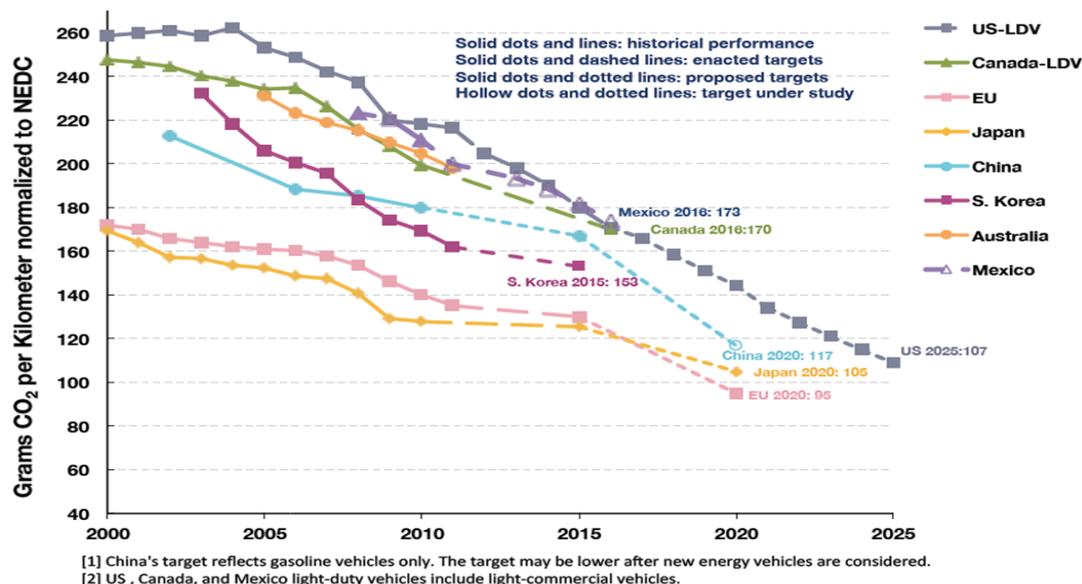
The EU has addressed the issue of growing CO₂ emissions from road transport by adopting a strategy for reducing CO₂ emissions from light duty vehicles in 2007 and subsequently by introducing CO₂ emission performance standards for passenger cars in 2009 and light commercial vehicles in 2011 with a view to setting reduction targets for new vehicles within those categories until 2020.

More precisely, Regulation (EC) No 443/2009 (CO₂ from cars) specifies a short term target of 130g CO₂/km to be achieved in 2015 by the EU average new car fleet. Similarly, Regulation (EU) No 510/2011 (CO₂ from vans) provides a short term target of 175g CO₂/km to be fully achieved in 2017. Both Regulations provide targets for 2020: 95g CO₂/km for cars and 147g CO₂/km for vans. Modalities for reaching the 2020 targets have been recently agreed by the European Parliament and the Council.

EU CO₂ targets have so far been set at a level somewhat ahead of standards in other regions; nevertheless it is evident that over time reduction requirements are converging (see figure 1).

⁹ COM(2012) 582 final

Figure 1 ICCT: CO₂ performance standards



In order to continue reducing the climate impact of light duty vehicles (passenger cars and vans) and to ensure that European automotive industry will maintain a competitive edge further reduction objectives for the period post 2020 are to be expected. This includes modalities for reaching future targets in a way that prevents distortions of competition between manufacturers, provide incentives for low-emission vehicles and strengthen the international competitiveness of the industry. The Commission expects to pursue discussions on this matter in the future.

Although data on CO₂ emissions from heavy-duty vehicles are not currently monitored, it is estimated that these vehicles are responsible for approximately 25% of total road transport CO₂ emissions. In order to get a better understanding of the role of HDVs' emissions, potential for reductions, as well as, taking into consideration that commercial vehicle sector strives to improve fuel economy and reduce CO₂ emissions through competition between commercial vehicle manufacturers, a methodology for measuring CO₂ emissions from whole HDVs is currently under development. A strategy with a short-term focus on monitoring and reporting these CO₂ emissions is also under consideration.

The World Harmonised Light Duty Testing Procedure (WLTP)

The need for a more representative test procedure for fuel consumption and CO₂ emissions has been considered by a number of recent studies¹⁰. These studies show that there is an increasing gap between CO₂ emissions measured at type approval and emission levels in real world driving conditions. This growing discrepancy not only points to the fact that the expected reductions in CO₂ emissions from passenger cars have not been achieved, but also to the risk that consumers will lose faith in fuel consumption values communicated by means of labels and marketing materials, thus undermining incentives to promote more fuel efficient

¹⁰ ICCT (2013) From laboratory to road T&E (2013) Mind the Gap! Why official car fuel economy figures don't match up to reality TNO (2012) Supporting analysis regarding test procedure flexibilities and technology deployment for review of the light duty vehicle CO₂ regulations.

vehicles. These may lead to an inconsistent application of the requirements, which in turn may result in competitive disadvantages for manufacturers.

These concerns and the need for a new CO₂ test were the subject of in-depth discussions in the CARS 21 process. In response to the call in the CARS 21 final report¹¹ to introduce the new test cycle and procedures into the EU legal framework without delay, the Commission has in the CARS 2020 Communication¹² committed to undertake this work before the end of 2014, which would include the methodology for correlating CO₂ targets established on the basis of the old cycle and procedure. The Commission services are proposing that the new test should be applicable from 2017.

The implementation of the new test in EU law requires an adaptation of the type approval legislation foreseen for the end of 2014. The Phase 1b of the WLTP being discussed in UNECE will be adapted into the type-approval legislation at the later stage. In parallel, a methodology for adjusting the CO₂ emission targets expressed in values determined through the existing NEDC test should be defined in a way which will ensure comparable level of stringency for manufacturers under the old and new test procedures. The work on both these elements of the implementation has already been initiated with broad involvement of Member States, the automotive industry and NGOs.

Conclusions

1. New test procedures focused on ensuring real driving emissions within reasonable limit values and mitigating CO₂ emissions of passenger cars and LCVs will help to address societal challenges related to air quality and to reduce road transport dependence on hydrocarbon fuels.
2. More stringent environmental and climate performance requirements spur the development of clean and energy efficient vehicles, which might stimulate an emergence of new, highly qualified jobs. Smart legislation, taking into consideration economic and social costs as well as an impact on the industry, provides certainty and allows for long term planning, thus encouraging investments in the deployment of new, cost efficient pollutant emission abatement and CO₂ saving technologies and giving the automotive industry a competitive edge globally.
3. European suppliers of emission abatement technologies deliver their cutting edge products to major OEMs around the world benefiting from the fact that many countries have started to regulate emission levels of new vehicles, often in line with the European legislation.
4. Due to on-going global convergence of the requirements on the energy efficiency of vehicles, EU manufacturers and component suppliers complying with EU standards will be well prepared to meet international emission reduction requirements in a 2020 perspective.
5. Policies aimed at CO₂ reductions from road transport are being developed on the basis of the White Paper on Transport. The White Paper provides an integrated approach by putting forward a wide range of actions to reduce CO₂ emissions from transport, taking into account other measures than only vehicle technology for achieving further energy efficiencies.

¹¹ http://ec.europa.eu/enterprise/sectors/automotive/files/cars-21-final-report-2012_en.pdf

¹² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012DC0636:EN:NOT>

6. The first part of the work on a development of new testing procedure for assessing fuel consumption/CO₂ emissions (WLTP) has been finalised at the UNECE level. Implementation of WLTP should take place as soon as possible provided that the industry has a sufficient lead-time from when the new legislation is published and enters into force in EU law and that a system ensuring reduction requirements of comparable stringency for manufacturers under the old and new test procedures can be developed.

7. In line with the CARS 2020 Action Plan, the RDE procedure assessing pollutant emissions in real driving should be applied as from regulatory Euro 6 dates starting with a monitoring phase in 2014 and an application of not-to-exceed emission limits as from 2017(18).

FUTURE WORK ON ROAD SAFETY CARS 2020 CONSENSUS PAPER

ANALYSIS

Despite recent progress traffic accidents still affect hundreds of thousands of families and lead to huge economic costs each year. Whilst the number of road fatalities in the EU has fallen (from 54,302 in 2001 to around 28,000 in 2012¹³), **road traffic injuries remain the leading cause of death in the EU** among young people aged 15-29. Roughly 40% of those who die in road traffic accidents are **vulnerable road users** (i.e. pedestrians, cyclists and users of motorised two-wheelers) who also account for 68% of the fatalities in urban areas. **Improving road safety via integrated approach recognising the role of the driver, infrastructure and vehicles therefore remains a priority.**

Many new measures already adopted will take effect over the next years and should further improve road safety. However, additional actions will be needed in order to advance in the long-term “vision zero” set out in the Transport White Paper¹⁴ and reach the objectives spelled out in the **Policy Orientations on Road Safety 2011-2020**¹⁵ (halving the number of fatalities by 2020 in relation to 2010). In March 2013, the European Commission published its First Milestone towards a Serious Injury Strategy. In addition to the 28,000 killed in 2012, more than 250,000 people were recorded as seriously injured following traffic collisions in 2012. On the basis of the data available on injuries, the Commission actions should better consider injuries in the future measures on vehicle safety.

European legislation has made a significant contribution to the recent reduction in road fatalities. A number of in-vehicles safety features have been made mandatory by the **General Safety Regulation (GSR)**¹⁶ adopted in 2009, such as Electronic Stability Control systems on cars, vans, trucks and buses and the fitment of Tyre Pressure Monitoring Systems on cars, as well as Lane Departure Warning Systems (LDWS)¹⁷ and Advanced Emergency Braking Systems (AEBS)¹⁸ on trucks. In parallel to the GSR, another Regulation was finalised in 2009 concerning the **protection of pedestrians and other vulnerable road users**¹⁹ which aims to mitigate the critical injury levels in case of a collision of a vehicle with persons. With regard to **the safety of powered two-wheeled vehicles**, such as powered cycles, mopeds and motorcycles, as well as tricycles and quadricycles, **several measures have been recently adopted by Council and Parliament**²⁰. Examples are mandatory fitting of advanced brake systems on two-wheeled motorcycles and the automatically switching-on of the headlamps on all of these vehicles.

¹³ http://ec.europa.eu/transport/road_safety/pdf/observatory/trends_figures.pdf

¹⁴ COM (2011) 0144 final

¹⁵ COM(2010) 389 final

¹⁶ Regulation (EC) 661/2009 of the European Parliament and Council concerning type approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor.

¹⁷ Regulation (EU) No 351/2012

¹⁸ Regulation (EU) No 347/2012

¹⁹ Regulation (EC) 78/2009

²⁰ Regulation (EU) No 168/2013

New safety technologies that can improve safety by assisting the driver will be soon available or are already entering the market now. The deployment of these technologies, focused on accident avoidance rather than accident mitigation, should be promptly assessed given their potential benefits for the prevention and compensation of human error, by large the most important accident factor. A robust and standardized European accident data base, available to all stakeholders, would help in assessing efficiency of the technologies.

In the area of **passive safety**, investigation will be carried out on the possible introduction of seat belt reminder systems on passenger seats, instead of only the mandatory car driver seat, enhanced crash test procedures as well as a special focus on rear-under run and side under run protection devices for trucks and better protection of vehicle occupants such as small statured occupants and elderly people.

In the next few years, in the area of **active safety**, priority of research should be set on advanced active safety technologies. The contribution to improving safety of vulnerable road users especially in urban areas will also have to be assessed (e.g. pedestrian detection, in combination with emergency brake systems, blind spot reduction)

In the next years, road safety should continue to improve benefiting from the deployment of **Intelligent Transport Systems (ITS)** as spelled out in Directive 2010/40/EU and the Action Plan adopted in 2008. ITS will push for more extensive use of information and communication technologies in transport enabling the vehicle-to-vehicle and vehicle-to-infrastructure communication. Under this broad ITS framework, proposals on the fitting of **eCall** (the pan-European 112-based emergency in-vehicle call system), universal traffic information, and information services for safe and secure parking places were adopted by the Commission in 2013. The Commission also counts on the **Connecting Europe Facility** and **Horizon 2020** to provide support for the establishment of necessary information and transport infrastructure.

With regard to vehicle technology, the Commission in 2013 will adopt a Commission Staff Working Paper on the deployment of ITS and vehicle technologies to improve road safety, and **launch a comprehensive research study** investigating new possible measures to improve vehicle safety. The outcome of the study would serve as a basis for the **report by the Commission to the Parliament and the Council** requested by the General Safety Regulation and the Pedestrian Protection Regulation.

CONCLUSIONS

- Alongside the effective enforcement of the existing measures (reinforced by dedicated market surveillance activities with the economic operators on the market), **new EU actions could help** to further improve road safety (both in terms of reducing the number of casualties and serious injuries). Education regarding rights and obligations and safe behaviour of drivers and other road users on roads and continuous information campaigns complemented by enforcement of the existing rules are key instruments to arrive at a safer road environment.
- In line with the CARS 2020 Action Plan and the Policy Orientations on Road Safety 2011-2020, future work on road safety should follow an **integrated approach, recognising the role of the driver, infrastructure and vehicles.**

- As part of this **integrated approach**, envisaged measures on vehicle technology will have to be **carefully weighted (e.g. cost/effectiveness), compared and completed with** possible alternative measures on driver behaviour (e.g. enforcement measures, driver training) and infrastructure. Given that the real-life impact of new measures on vehicle construction and equipment is delayed by the **slow rate of fleet renewal**, in certain cases, **alternatives to legal measures** (e.g. information campaigns,) may be evaluated in comparison to more efficient than legislation to deploy new technologies without impairing the **affordability** of vehicles for consumers. The EU road safety need to be based on a right policy mix covering actions on vehicles, infrastructure and driver behaviour. Future road safety regulations will continue to be based on accident data evidence and on the most cost-effective approach.
- The European automotive industry acts now on a **global market** and this should also be taken into account in proposing new measures, i.e. preferring UNECE Regulations vs. EU legislation and assessing the impact of new measures on the **competitiveness** of the European industry. For non-established in-vehicle technologies, **adequate lead-time in line with agreed CARS21 principles** must be provided for manufacturers and even more upstream, appropriate RDI funding is of valuable importance. Funding in RDI should focus on maintaining and strengthening European technological leadership in advanced safety solutions. Attention should also be paid to the impact of the safety measures on the environment.
- **Priorities should be given** to the measures likely to address the main priorities of action on road safety e.g. **vulnerable road users** and the main accident factors – extensive speed, **alcohol, error and distraction and drugs**. CARS 2020 stakeholders supported the **programme of work of the Commission services**, including the research study, based on quality criteria, on new possible measures to improve safety mentioned above as well as additional studies on alcohol inter-lock devices and crash event data recorders. **Priority should be given to** new safety features that are cost/efficient, **enforceable**, and compatible with infrastructure, taking into account the role of the consumer behaviour.
- To address the safety of new types of vehicles (e.g. electric, fuel cells vehicles) should also be a priority to improve acceptance.
- **Integrated approach must be implemented thoroughly.** Technology should not be seen as the only solution. Further investment into infrastructure is needed to multiply opportunities given by new safety devices on vehicle side. The role of Member States is crucial in this aspect, using full variety of EU instruments to support infrastructure development throughout EU and enforcing existing legislation.
- The preparation of new measures by the Commission, notably via studies, **should involve stakeholders at multiple stages of the process** to be carried out. It is important that interest groups can raise awareness for specific issues to be incorporated in the study.
- Deployment of ITS technologies should actively be supported.
- Regional and local administrations can play a crucial role in training and education public awareness rising and informing on road safety. They must be taken into account as privileged partners concerning road safety”.

TRADE AND INTERNATIONAL HARMONISATION

CARS 2020 CONSENSUS PAPER

CARS 2020 Action Plan highlighted the centrality of international aspects for the competitiveness of the European automotive industry and their impact on the objective to retain production, R&D and jobs in the EU. The European automotive industry has a very strong position in international trade and clearly benefits from market opportunities on both traditional and newly emerging markets, which partly offsets a difficult domestic situation.

While EU demand continues to be low compared with 2007, in 2013 the EU had a sustained surplus of €82.7 billion in trade on passenger cars²¹ and a surplus of €127.8 billion²² for the sector as a whole, the largest among manufacturing sectors. Trade, in particular exports from the EU, continues to be concentrated on the higher-value segments (around 90% of exports of vehicles with engines over 1500cc).

The US continues to be the EU's main partner in the automotive sector, yet the emerging economies are gaining ground as key trade partners. This importance is reflected in the political priorities for the Commission, both with regard to international harmonisation and trade negotiations.

Main trade partners of the EU in 2013²³ (automotive related products):

Country	Exports M€	Imports M€	Balance M€
USA	37.042	6.94	30.102
China	28.454	3.525	24.929
Russia	14.452	0.07	14.382
Japan	8.071	10.173	-2.102
Brazil	4.435	0.293	4.142
Korea	4.182	6.002	-1.82
India	1.209	1.764	-0.555
Total	97.845	28.767	69.078

However this situation cannot be taken for granted: competition intensifies and some of our main partners, sharing the evaluation on the importance of the sector, are gradually reinforcing measures that protect manufacturers producing locally. While the industry strives to keep its competitive edge, the role of public policy is to ensure a level playing field, via trade policy in the broadest sense, including market access and regulatory harmonisation.

The Members of the Working Group consider that the following elements warrant a political follow-up by the Commission and the Member States, and submit the relevant recommendations for this work.

²¹ Source: Eurostat, Comext database. Product group: Group 87 extract - New passenger cars.

²² Source: Eurostat, Comext database. Product group: Group 87 extract - new passenger cars, van, trucks, buses, motorcycles, trailers and components.

²³ Source: Eurostat, Comext database. Product group: Group 87 extract - new passenger cars, van, trucks, buses, motorcycles, trailers and components.

1. *Progress in international harmonisation*

CARS 2020 Action Plan recalled the priority given to international harmonisation of vehicle regulations. The Commission and stakeholders shared the conclusion that the most effective instrument for international regulatory harmonisation is the UNECE 1958 Agreement. The stated objective was that it needs to be modernised to accommodate the needs of emerging economies and to enable the mutual recognition of international whole vehicle type approvals (IWVTA). The reform of the 1958 UNECE Agreement is a key element of this strategy and will aim in particular to make adoption and implementation of international regulations more attractive for third countries, whilst at the same time ensuring its continued reliability and robustness.

The Commission has reported on the following progress:

- At the 162nd session of UNECE Working Party 29 in March 2014, a consolidated set of proposals for revising the UNECE 1958 Agreement was presented to the Contracting Parties to the Agreement, who were invited to immediately start their national procedures for consideration of the proposed revisions. Once these national processes are finalised, and the possibility of obtaining unanimity has been verified, the proposals for the revision of the Agreement will be put to the vote in WP.29 (tentatively in June 2015). One politically important issue needs further consideration, i.e. the request by Asian and other countries to increase the current 2/3 majority voting threshold, for example to four-fifths, which is considered as essential to attract new Contracting Parties to the 1958 Agreement.
- The Commission continues to contribute to the development of a proposal for a new UN Regulation on IWVTA. The IWVTA Regulation will substantially reduce the administrative burden related to the type-approval and introduction of the same vehicle model in countries which are Contracting Parties to the 1958 Agreement and will apply this new UN Regulation.

In parallel to the work on the 1958 Agreement, the Commission informed that it continues to strive to obtain concrete results under the 1998 Agreement, and to engage the United States on the need to incorporate GTRs in domestic legislation. This should include all contracting parties. The most promising areas of work are breakthrough technologies, notably hydrogen and electric powertrains. The GTR on hydrogen fuel cell vehicles was concluded in the WP29 session of June 2013 and a Phase II agreed by the contracting parties. The work on safety and emissions of Electric Vehicles (involving China for the first time) is on-going.

In the framework of the TTIP negotiations, the Commission has engaged to reflect, with the US, Japan and other key partners, on aspects that can be improved to make the result more effective (transposition into the internal legislations of the contracting parties). As a first approach, the Commission will review the criteria for choosing the priorities for new GTR, the early exchange of scientific data and the procedures for implementation.

Recommendations:

- The members of the Working Group considered that priority needs to be maintained in the process of revision of the 1958 Agreement, to make it more attractive to emerging economies while maintaining its robustness as a trade facilitation instrument. They will consider the feasibility of enhancing the voting procedures to ensure that new

Contracting Parties feel fairly represented and will be committed to the harmonisation process. The Commission will explore feasible scenarios with Member States.

- The members of the Working Group supported the initiative to revise the approach to the 1998 Agreement.

2. Current bilateral trade negotiations

CARS 2020 Action Plan recognised that Free Trade Agreements (FTA) are an important means to improve market access in third countries. The Commission and the stakeholders have agreed that FTAs should be used to tackle the key issues of removing tariff and non-tariff barriers. FTAs should aim at full tariff dismantling, removal of Non-Tariff Barriers (NTBs) and enhanced regulatory cooperation, envisaging progress in the three pillars. This three-pillar approach should be the guiding principle for the relevant FTA negotiations. The best way to remove NTBs, and therefore the ideal objective of sectoral annexes to the FTAs, is the acceptance of international regulations under the 1958 UNECE Agreement.

The Working Group has debated the state of play of the on-going negotiations which are more relevant for the automotive industry: with the United States, Japan, India and Canada. The Commission reassured the Members of its commitment to take due account of the positions and concerns of the CARS 2020 stakeholders during negotiations, aiming to achieve the best market access possible in all FTAs.

In fact the negotiation of dedicated provisions to tackle NTBs with the EU's partner countries has become standard procedure in the negotiations. Specific annexes to FTAs are adapted to the characteristics and market conditions of the EU's partners, but all intend to solve existing issues, establish disciplines to avoid new barriers to trade and to promote harmonisation.

The negotiated provisions need to take into account, inter alia, the differences in regulatory tradition of the partner countries, with solutions adapted to self-certification countries and type-approval countries.

Regarding countries applying self-certification, the first new generation FTA that included such provisions (the one with Korea) has now been in force for nearly 3 years. While some progress has been made in terms of reducing market access barriers, a number of non-tariff barriers remain and as new obstacles continue to emerge, it is clear that efforts to ensure FTA enforcement need to be maintained. Tariff dismantling is proceeding according to the schedule. However some lessons have also been learned in this context and these are being duly taken into account in other negotiations, notably with regard to marking. The Commission expects that Korea will upgrade its commitment to the UN process, and its intention to apply the WLTP may be seen as a positive step.

As for other self-certification countries, the negotiations on the Annex with Canada are completed and will allow for some recognition of equivalence for a limited number of regulations.

The TTIP, due to the importance of trade involved, is a very special challenge. The Commission shares the evaluation that solving, regulatory divergences will provide considerable economic value as that could boost the European car industry significantly on the world stage. The Commission is therefore fully committed to developing solutions to these divergences. It also agrees that the most promising way forward is to pursue progress on the different pillars: (1) seeking the recognition of equivalence for existing regulations and (2) strengthening of the cooperation in the 1998 UNECE Agreement for new regulatory initiatives; (3) further developing bilateral cooperation, e.g. on research and on regulatory work plans. This assumes, obviously, that the level of protection ensured by regulations from

both sides are equivalent, and that any such recognition will not result in a lower level of safety or environmental protection.

The TTIP negotiations continue at a regular pace (one round each two months, on average) with the objective of finalising the negotiations as soon as possible. The Commission will maintain the regulator consultations of the stakeholders on the occasion of each Round. The issue of product liability will also be considered.

As for type-approval countries, the only concluded "new generation" FTA (not yet in force) has been with Singapore. This is a very ambitious text that will allow for full harmonisation, based on UN Regulations, and that the Commission expects will serve as a model for other ASEAN countries (negotiations with Thailand and Vietnam are on-going; while there is no progress with Malaysia and Indonesia). This text has also been the model for the new Agreement with Morocco, and the Commission expects that this will have an impact in other Mediterranean Countries.

Among type-approval countries, the important negotiation with Japan has reached the stage of the 1st year revision. The Commission considers that progress can be reported in some of the Scoping Roadmaps. The overarching objective of the FTA negotiations is that motor vehicles and parts produced in one Party should be accepted on the market of the other side without additional testing, certification or marking requirements, based upon the product approval issued by the exporting side. The key instrument to achieve this is regulatory convergence. With this objective the negotiation will cover two key aspects: the negotiation of comprehensive bilateral disciplines (sectorial annex) and the resolution of existing NTBs impacting on the EU industry, including those that were not referred to in the illustrative list of NTBs included in the Scoping Exercise conclusions.

The negotiations with India have been suspended for the moment, due to elections.

Recommendations:

- The members of the Working Group support the Commission's commitment that FTAs should aim at full tariff dismantling, removal of Non-Tariff Barriers (NTBs) and enhanced regulatory cooperation, with the support of the stakeholders to the different processes of negotiation and or enforcement, with the final goal of facilitating trade.
- The Commission should continue monitoring the implementation of FTAs in an efficient manner, with a view to seeking satisfactory solutions to implementation issues.

3. The impact of trade liberalisation on the EU automotive industry

In the CARS 2020 Action Plan the Commission undertook to assess the impacts of trade agreements, as well as their cumulative impact, on the competitiveness of this industry by launching a study into already concluded FTAs and those likely to be concluded in the near future. Therefore, at the end of 2012, the Commission launched a call for proposals for the development of a study on "The impact of trade liberalisation on the EU automotive industry". The preliminary findings of this study have been discussed with the Working Group members and the final version will be made available as soon as possible.

The Working Group agreed that the study provides background analysis for future discussions on trade policy.