

Initial appraisal of a European Commission Impact Assessment

European Commission proposals on defining the modalities for reaching the 2020 target to reduce CO₂ emissions from new light commercial vehicles and passenger cars

Impact Assessment SWD(2012) 213, SWD (2012) 214 (summary) for a Commission Proposal for a Regulation of the European Parliament and of the Council amending regulation (EU) 443/2009 to define the modalities for reaching the 2020 target to reduce CO₂ emissions from new passenger cars COM(2012) 393

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 510/2011 to define the modalities for reaching the 2020 target to reduce CO₂ emissions from new light commercial vehicles

- **Background**

This note seeks to provide an initial analysis of the strengths and weaknesses of the European Commission's Impact Assessment accompanying the proposals in question. It has been prepared by the Impact Assessment Unit (of Directorate G, DG Internal Policies). It analyses whether the principal criteria laid down in the Commission's own Impact Assessment guidelines appear to be met by the IA. This note - which does not attempt to deal with the substance of the proposal - is drafted for informational purposes to assist the committee in its work, and does not represent an official position of the Parliament.

- **Objective of the legislative proposal**

Regulations (EC) 443/2009 and (EU) 510/2011 set mandatory fleet-based CO₂ reduction targets for new car and van fleets respectively. The two-step reduction approach followed by these regulations requires the Commission to determine the modalities for reaching the mandatory CO₂ reduction 2020 targets for cars and vans by the end of 2012. This necessitates an update of the formulae in Annex I to the regulations for the 2020 targets. In addition, the Commission is asked to confirm the feasibility of the 2020 target for vans. The CO₂ reduction targets themselves, as fixed in the existing regulations, are not reconsidered in this review.

- **Identification of the issue at stake**

The Impact Assessment (IA) clearly identifies the issue at stake by providing a detailed overview of the general policy context, including a presentation of the expected evolution of the situation in the event that no further EU action were taken.

- **Range of the options considered**

The IA analyses a wide range of options for the modalities for reaching the 2020 CO₂ targets, as well as for simplification and reduction of administrative burdens and relating to the form and stringency of the legislation beyond 2020. One of the options is the 'do nothing' option, which was discarded since it would be contrary to the EU's climate change objectives. The following options regarding the modalities for reaching the 2020 CO₂ targets were also discarded, as they were considered to run counter to the objectives pursued, to be overly complex, or to add to administrative burdens: phase-in, super-credits, banking and borrowing, combining car and van targets, mileage weighting and vehicle-based limits. The IA confirmed that the 2020 target of 147g CO₂/km for vans is feasible and concluded that the utility parameter should continue to be 'mass' (and not 'footprint') for both cars and vans, mostly because of the need to ensure certainty for industry. The limit value curve should continue to be linear. These various options seem to have been analysed in a balanced way.

- **Scope of the Impact Assessment**

The IA assesses the social, environmental and economic impacts of the retained options, with a particular focus on the economic impacts and especially the issue of competitiveness. In its opinion on the draft impact assessment, the Commission's Impact Assessment Board criticized the IA for not providing a more detailed analysis of social and environmental impacts. The Commission seeks to justify this by arguing that the largest part of the expected impacts arise from the implementation of the 2020 targets and that the modalities considered in the IA only alter the manner in which those 2020 targets will be implemented. As a result, it says that their effect in areas other than economic would be small or even minimal.

The IA does not include explicit cost-benefit analyses. However, cost-benefit considerations are mentioned in the discussions regarding the potential impacts of the different options.

The subsidiarity and proportionality aspects of the proposals seem to have been adequately addressed.

- **Budgetary or public finance implications**

There are no obvious budgetary or public finance implications to the proposals.

- **SME test**

The IA analyses the effect of the implementation of the 2020 targets on the competitiveness of SMEs, in particular small-volume vehicle manufacturers, suppliers to the automotive industry and SMEs as vehicle users. The objective of simplification and reduction of administrative burdens is pursued by the introduction of a de-minimis threshold (number of registrations of cars and vans) below which manufacturers are exempt from the requirements of the regulations, and by making the derogation procedure more flexible.

- **Simplification and other regulatory implications**

The adoption of the proposals will not lead to the repeal of existing legislation.

- **Relations with third countries**

The IA indicates that the implementation of the 2020 targets will have two main impacts on international trade: energy consumption and automotive sector sales. A positive effect on the trade balance is expected in relation to energy as Light Duty Vehicles (LDV) would consume less oil in the EU. It also mentions that the new CO₂ targets may affect the competitiveness of vehicle manufacturers and component suppliers on the international export market, the Commission indicating that if those markets value lower fuel consumption the competitiveness will be improved, if not it could deteriorate. However, no further data or figures seem to be provided in this regard.

- **Stakeholder consultation**

A public consultation was carried out between September and December 2011 and resulted in over 3233 replies from 137 stakeholder organisations. Overall, the Commission indicates that the responses give a generally clear message that regulating LDV emissions is important, should be carried out in line with long term greenhouse gas (GHG) goals, be based on new vehicle average emissions and be technologically neutral. As was the case during the stakeholder meeting that took place in December 2011 with 76 participants (including industry, environmental NGOs and MS representatives), opinions were divided as to whether the current regulatory approach is working well, many participants expressing support for tighter targets going beyond 2020.

- **Quality of data, research and analysis**

Two external studies provided the main analysis underlying the IA. These are: Support for the revision of Regulation (EC) 443/2009 on CO₂ emissions from cars, referred to as the 'car study'¹, and Support for the revision of Regulation (EU) 510/2011 on CO₂ emissions from light commercial vehicles, referred to as the 'van study'². Other external expertise, as well as Eurostat statistics was used to assess the various options available. It therefore appears to be based on solid and well supported data and evidence.

In general, the IA seems to contain a sufficiently robust analysis of the different policy options. However, the option of keeping 'mass' instead of 'footprint' as a utility parameter is based on the ground of legal certainty, rather than on considerations of cost-effectiveness. The IA also does not seem to include aggregated cost figures for the cost difference between mass and footprint as utility parameters, as requested by the Commission's Impact Assessment Board.

- **Commission Impact Assessment Board**

The Commission's IA Board considered the draft IA and formulated several recommendations for its improvement. As a consequence, DG ENVI within the Commission followed up on these recommendations and submitted a second draft to the IA Board. In a second opinion, the Board added some more comments that seem to have been largely followed up by DG ENVI, notably a further explanation of monitoring arrangements, including the presentation of a set of robust

¹ http://ec.europa.eu/clima/policies/transport/vehicles/cars/docs/study_car_2011_en.pdf

² http://ec.europa.eu/clima/policies/transport/vehicles/vans/docs/studies_en.htm

progress indicators. However, as mentioned above, the Commission has not included aggregated cost figures for mass and footprint as utility parameters

- **Coherence between the Commission's legislative proposal and IA**

The legislative proposal and IA submitted by the Commission appear to correspond. The former does not contain substantive elements that have not been addressed in the latter.

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This note, prepared by the Impact Assessment Unit for the European Parliament's Committee on the Environment (ENVI), analyses whether the principal criteria laid down in the Commission's own Impact Assessment Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the IA. It does not attempt to deal with the substance of the proposal. It is drafted for informational and background purposes to assist the relevant parliamentary committee(s) and Members more widely in their work. This document is also available on the internet at:

<http://www.europarl.europa.eu/activities/committees/studies.html>

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