

KEITH TAYLOR
Green Party
MEP for the South East of England



27 November 2018

Environment Strategy
Zone 1/31, Great Minster House
33 Horseferry Road
London
SW1P 4DR

Dear Environment Strategy team,

Re: Consultation on Regulating CO₂ emission standards for new cars and vans if there's no Brexit deal

This letter constitutes my response to the Government's Consultation on Regulating CO₂ emission standards for new cars and vans if there's no Brexit deal. I have some comments in response to the questions asked in the consultation document and some more general questions to raise about the regulation which are not covered in the Government's proposals.

Question 1: Given the UK's general approach in copying across these regulations is to:

- align our national policy as closely as possible with the existing EU regulations;
- provide certainty to industry that their already established business plans will not be impacted by the UK departing the EU; and
- ensure that any UK regulation/regime is at least as ambitious as the regulations established in the EU.

Do you agree that the approach proposed for average vehicle mass is the most appropriate? Are there unintended consequences of the proposed approach?

It would be useful to see the evidence that supports the claim that the UK fleet is heavier than the EU27's - given that the approach suggested in the consultation document is based on this assumption. It is stated that the targets in the UK will need to be slightly higher than in the EU. But as an underpinning goal of these measures is that the UK regime should be at least as ambitious as the regulations established in the EU, it is clear that this will not be achieved by raising the permitted levels at the outset. Comparing fleet with relevant EU vehicles instead of UK vehicles appears to run counter to making clear delineations between EU and UK markets.

Understanding how UK average vehicle mass will be determined needs to be better explained. 81% of UK vehicle manufacturers are currently outside scope of regulation given that 9 of the 11 UK manufacturers currently register fewer than 1,000 vehicles. Will these manufacturers that fall out of scope be included in the calculation of the overall UK market?

After withdrawal, all UK manufacturers will still need to comply with the EU target if they intend to place vehicles on the EU market. What is fundamentally missing from this consultation document is an understanding about the relationship between UK manufacturers and the pools they are currently part of. The 2 manufacturers that are in scope - Jaguar Land Rover and Vauxhall - are both currently in EU pools with other manufacturers (Tata and GM respectively) yet this consultation gives absolutely no explanation about the implications of staying in these pools as part of the European market, or leaving these pools in terms of working out domestic averages, especially as the Government intends to maintain the EU formulae 'as is'. An important point here, is that both of these manufacturers lie in the 10,000 to 300,000 category, so these targets are not set in line with the formula - but must meet a set reduction - how will this reduction be set, especially given current discussions in the EU about whether to phase out this derogation entirely or extend it? There are many unanswered questions in the current proposal, therefore there are likely to be many unintended consequences, due to the inherent uncertainty.

If any of the manufacturers do reach the 1,000 threshold, it needs to be clarified how the reduction targets will be agreed with the UK Government.

As stated in the consultation document, the EU level target is broken down into specific targets for individual manufacturers. Each manufacturer is set a specific target based upon the average weight of their fleet of vehicles sold in that year. The bigger the difference between the manufacturer's fleet average and the overall average, the bigger the impact on an individual manufacturer's targets. As the UK manufacturers in scope were reliant on their pools to meet targets, there needs to be more clarity about how targets will be met outside of these pools. These manufacturers 'already established business plans' are likely to be dependent on working in these pools, therefore the current approach would appear to be inappropriate.

It is proposed in this section that 2016 has the latest comparable data, later in the consultation document, 2017 data is cited - this needs to be corrected and harmonised. 2017 data should be used across the board if this is the most recent.

More generally, it is worth noting that the mass utility parameter is flawed and that there is an opportunity here to recognise and promote the environmental benefits of smaller and lighter cars in the UK context.

Question 2: Given the UK's general approach in copying across these regulations is to:

- align our national policy as closely as possible with the existing EU regulations;
- provide certainty to industry that their already established business plans will not be impacted by the UK departing the EU; and
- ensure that any UK regulation/regime is at least as ambitious as the regulations established in the EU.

Do you agree that the approach proposed for sales volumes and derogation thresholds is the most appropriate? Are there unintended consequences of the proposed approach?

There is little information about how UK vehicles which are sold in the EU market will be treated following withdrawal, which confuses the elements of the consultation document which talk solely about the UK market. From an EU perspective, it is clear that any vehicle placed on the EU market (from EU or non-EU manufacturers) must comply with the EU targets. What's still under discussion is what happens to vehicles sold in the EU after Brexit that have been type-approved in the UK before Brexit. Whatever arrangements are decided, should not come at the price of environmental standards.

The document states that a new annex with a formula listing derogation thresholds for individual manufacturers has been created. Such information should be included in this document. Proposing that a percentage of UK manufacturers products sold in UK should be the factor in calculating thresholds may see all manufacturers exempt from the regulation, which would be a serious consequence of the proposed approach.

2017 data demonstrated an emissions rise for the UK car market on previous levels. Therefore the proposal to use this as the latest data should acknowledge that the trend in CO2 reductions halted on previous year's progress.

It is unclear why the figures in each Annex will be incorrect on EU Exit - this needs to be explained in more detail, as all manufacturers in the UK covered by the Regulation were operational in 2007. How will the figures reported to the Secretary of State in this instance be different? Maintaining the Annexes for reference for UK manufacturers could potentially be useful to minimise unintended consequences of removing them from consideration.

Question 3: Given the UK's general approach in copying across these regulations is to:

- **align our national policy as closely as possible with the existing EU regulations;**
- **provide certainty to industry that their already established business plans will not be impacted by the UK departing the EU; and**
- **ensure that any UK regulation/regime is at least as ambitious as the regulations established in the EU.**

**Do you agree that the approach proposed for eco-innovations is the most appropriate?
Are there unintended consequences of the proposed approach?**

The independent verification process that the manufacturers would need to undertake in the UK needs to be fully explained - who are the independent verifiers? The need to make manufacturers apply for UK and EU approval seems to complicate matters for the industry - there are likely to be costs associated to this and in terms of business plans, new eco innovations could be dissuaded if both approvals are sought, or if they are approved by EU and not UK or vice versa. Keeping a single point of approval would make the most sense and the UK could easily continue to automatically approve innovations that are approved at the EU level. Moreover, eco-innovations need to be checked against real-world testing and this is an important point that needs to be central to the verification process.

Question 4: Given the UK's general approach in copying across these regulations is to:

- **align our national policy as closely as possible with the existing EU regulations;**

- provide certainty to industry that their already established business plans will not be impacted by the UK departing the EU; and
- ensure that any UK regulation/regime is at least as ambitious as the regulations established in the EU.

Do you agree that the minor and technical changes proposed are the most appropriate? Are there unintended consequences of the proposed approach?

The removal of complementary measures is potentially significant. Whilst these did come from an EU27-wide integrated approach, it was the Member States that were responsible for them domestically. Manufacturers will likely have factored these into their already established business plans, so the removal of 10g CO₂/km may have a significant impact on their ability to meet targets. This approach is also not in keeping with being 'at least as ambitious as the regulation established in the EU' - it removes the onus on the Government to support industry in striving for cleaner vehicles and therefore the complementary measures should be retained at the national level.

The proposed changes of Article 2 suggest that 'registrations in or outside the UK' will be captured by the new regulations - but this consultation document offers no information about how registrations outside the UK will be reported on and managed - this information is certainly required so that full consideration of these proposals can be given.

More consideration needs to be given to what the UK's own post-2020 framework looks like - whether this is moving away from supercredits to ZLEV benchmarking with bonuses/penalties, some discussion is required about the changes to the system required to keep the UK context at least as ambitious as the EU.

As mentioned above under Question 1, this consultation document offers no information about how pooling is intended to work in a UK-only context. Both manufacturers covered by the regulations are already in established EU pools - will they need to leave these to meet UK targets? How will UK-only manufacturers have their targets calculated if they do indeed need to withdraw? Will pooling be obsolete in the UK context? Such information is of paramount importance to UK car companies and much more detail is required here. Moreover, will there be any amendments to the Competition Act 1998 as a result of UK withdrawal that also needs to be taken into consideration here? The implications of this need to be explored and explained in full to limit any unintended consequences from occurring. There is a risk that they might place on the UK market more emitting vehicles if no ambitious UK standards are introduced to replace EU standards.

Information about how the publicly available register of data will be set up, managed and maintained would be useful here - it is a significant element of the regulation and clarity over its set-up and function are required.

Whilst it is positive that the consultation document proposes retaining reference to paragraph 2 of the Article - the power to amend the M0 figure - it is important to ensure that the specifics are also included - will these still consider the past 3 calendar year averages or take a different approach? It is important to consider that the latest SMMT UK fleet report highlights that average CO₂ emissions and rose for the first time in 2017 - as a result of a decline in diesel vehicle sales, in small vehicle sales and also a large growth in the dual purpose vehicle sector. SMMT also state that alternatively fuelled vehicles may be heavier due to the technology they use - but this should not be used as an excuse to

sell heavier conventionally fuelled vehicles within the market as an 'overall trend. Therefore this clarification is needed as the average weight of new vehicles is on the rise and mitigative measures are required to ensure that CO₂ reductions continue despite these trends.

The consultation document discusses the formulas that should be used from 2019, it does not specify whether it is the intention to continue to use these - this should be clarified. How the information will be collected by the UK or Secretary of State is not clear and the format of the data collection also needs to be expanded on - what will be different in the UK context.

In discussing reporting, but also in a more general sense, there appears to have been no consideration of the possibility of maintaining a relationship to Cars and CO₂ akin to that of Iceland, Liechtenstein and Norway. None are EU Member States, but all have a relationship to the regulation that ensures consistency and enables manufacturers to operate at scale and have access to the mechanisms of the regulation that enable it to function. All three report to the EEA despite not being part of the EU-27 and this should be an approach explored by the UK Government to simplify the preparations for withdrawal, with or without a deal.

Yours sincerely,

A handwritten signature in black ink that reads "Keith Taylor". The signature is written in a cursive style with a long horizontal flourish underneath the name.

Keith Taylor - Green Party MEP, South East England.