THE IMPACT OF ECONOMIC INSTRUMENTS ON THE AUTO INDUSTRY AND THE CONSEQUENCES OF FRAGMENTING MARKETS

FOCUS ON THE EU CASE

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CO₂-based taxes: European outlook & progression

Not 2010 updated

Annual or Registration taxes based on CO₂ / FE criterion:

ACT

RT

0

10

20

30+

0

20

40

80+

€/gCO₂ / year

€/gCO₂

Average indicative cost of one additional gCO₂/km on mid-market [100g-200g CO₂/km]
A very fast-growing fiscal value of CO₂ in recent years

Taking into account the customer benefits of reduced fuel consumption and fiscal costs, Renault currently estimates the customer value of CO₂ as high as the fuel cost
Key elements of the presentation

• Obviously, economic instruments are strong drivers for CO2 emission reductions in the EU
  – EU ‘package’ = CO2 taxes ‘double’ the economic impact of the fuels
  – Immediate effects compared to regulations
  – Combination with fuel costs and other instruments (CC, Scap. Schemes)

• High disharmony among Member States…
  – is a high cost to OEM (Product adaptation, marketing, production and investments, obsolescence of products)
  – fuels the CO2 competition among manufacturers

• Manufacturers take highly care of fiscal instruments
  – Strong impact on the purchasing patterns and on TCO
  – Complexity due to the high diversity of customers
  – Unpredictability of planning: systematic monitoring in large States
  – Differences in intensity: not possible to optimise…
New car fleet, CO2 average, 2006 – 2009; EU 15 average, main countries and extreme countries
New car fleet, CO2 per class of CO2
2005 – 2009; 5 main EU countries, average
CO2 emissions, Germany and France, 2007 – 2009


- Germany
- France
France – Introduction of economic instruments since 2006

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2009</th>
<th>2010</th>
<th>Projections</th>
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<tbody>
<tr>
<td>TIPP (60 ct / l)</td>
<td>200 €/t</td>
<td>200 €/t</td>
<td>200 €/t</td>
<td>Risk with consumption reduction?</td>
</tr>
<tr>
<td>TVTS on company cars</td>
<td></td>
<td>1000 €/t</td>
<td>1000 €/t</td>
<td>Maintain revenues?</td>
</tr>
<tr>
<td>Bonus / Malus</td>
<td>0</td>
<td>150 €/t</td>
<td>150 €/t</td>
<td>Continuity / reinforcement and thresholds' evolution?</td>
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<tr>
<td>Carbon Tax</td>
<td>0</td>
<td>0</td>
<td>17 €/t</td>
<td>35 € / ton in 2012 and 60 to 100 € / ton in 2020?</td>
</tr>
<tr>
<td>Total without TVTS</td>
<td>200 €/t</td>
<td>350 €/t</td>
<td>370 €/t</td>
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<tr>
<td>Total with TVTS</td>
<td>200 €/t</td>
<td>1350 €/t</td>
<td>1370 €/t</td>
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Thresholds sliding in France, UK, Germany, Netherlands
(announced or voted)
Key issues resulting of the analysis (1)

• Economic instruments *versus* regulation?
• Differences in economic assessments among customers and between buyers and users
  – Keys = low / high range, company cars / private owner
  – Lower fuel sensitivity of purchaser than ‘average user’
• Incentive on purchase / ownership / usage?
  – Purchase instrument effect = immediate CO2 reduction
  – France: very strong effect of bonus on lower ranges
  – Purchasing tax/bonus particularly effective during crisis
• High CO2 reductions achievable with affordable, conventional technologies and large volume cars
  – Mix & fuel mix + affordability rather than costly technology
Key issues resulting of the analysis (2)

• Incentives should relate to environmental benefits
  – Direct link to CO2 / energy as a long term priority
  – Absolute values, not relative to price
  – CO2 reductions effective in all ranges of vehicles

• Future breakthrough technologies (EV, P-HEV) will require specific schemes both: long and strong
  – High benefits will result from very low CO2 cars (Cired St.)
  – Overall high investments and cost for EV and P-HEV
  – High purchase incentives required to compensate high costs and investments, compared to optimised ICE
  – Taxes and ‘feebate’: new budget approach for balance
  – Better harmonisation than on conventional vehicles?
Comparisons of incentives for EV and ICE comparable car

Intensity of incentives at purchasing: € / véhicule

Visibility: period of announced validity of the incentives

Width of bars: importance of market
Thank you for your attention