



Working group on AUTOMOTIVE INDUSTRY
Minutes of the breakfast debate of Wednesday 12 May 2010 on
"Clean and energy efficient vehicles - From hype to reality"

Chaired by Jorgo Chatzimarkakis MEP

Introduction by

- Jorgo CHATZIMARKAKIS MEP, Liberal, Member of the Industry Committee, European Parliament

Speakers:

- Philippe JEAN, Head of Unit "Automotive Industry", DG Enterprise and Industry, European Commission
- Ivo BELET MEP, EPP-ED Group, Member of the Committee on Industry, Research and Energy in the European Parliament
- Ivan HODAC, Secretary General of ACEA, the European Automobile Manufacturers Association

1. Introduction by Jorgo Chatzimarkakis MEP

- *Chairman of the Kangaroo Group's Working Group on Automotive Industry*

Mr Chatzimarkakis introduced the subject of the breakfast debate: clean and energy efficient vehicles, how to move from hype to reality. Setting the scene, he mentioned the Elektromobilität forum held in Berlin on 3 May 2010, which everybody rushed to, recalling that a similar hype had surrounded biofuels initially before they were drowned in a flood of concerns and critics. Hoping that electric vehicles would not meet the same fate, he pointed out that the road from hype to reality would be long still and stressed that political pressure must be balanced by realism and taking into account users' needs. The proof of the pudding would after all be in the eating.

2. Presentation by Philippe Jean

- *Head of Unit "Automotive Industry", DG Enterprise and Industry, European Commission*

Philippe Jean articulated his intervention around three main points: the current state of play, technical neutrality and green and electric vehicles.

Mr Jean highlighted the broad consensus in the Commission, Council and Parliament on the need for an EU strategy to promote clean vehicles. In the current difficult economic context, it is crucial - he stressed - to think of the medium and long term. He welcomed the support already expressed by the Parliament and Council following the publication of the clean and energy efficient vehicles strategy. This strategy would complement actions already taken by Member states (Germany, UK, etc.)

Mr Jean stressed that the Commission wanted to promote R&D and innovation but not back a particular technology although remaining fully technologically neutral was always difficult. There are currently a range of promising technologies - he argued - but none has been fully tested on the market and questions of costs, infrastructure and batteries remain. The strategy thus looks at electric vehicles but not only, promoting generally green vehicles. Mr Jean pointed out that hybrids were already on the market and that 14 Member States had currently incentives in place. The strategy therefore mainly focuses on addressing current critical issues: developing standards for the infrastructure, promoting R&D (especially to improve the batteries).



3. Presentation by Ivo Belet MEP

- Member of the Industry, Research and Energy Committee in the European Parliament

Ivo Belet welcomed the Commission's communication. He agreed that electric vehicles were maybe not for tomorrow but for the day after tomorrow but stressed that in any case, the EU must prepare itself. To that end, the European Parliament has adopted a resolution on electric vehicles highlighting key pillars to focus on, including the development of EU standards and guaranteeing interoperability to avoid fragmentation. Mr Belet supported more R&D efforts, calling for the 7th and 8th framework programmes to have green vehicles as priority. R&D will have to look at batteries but also at raw material, he argued, stressing the importance of cooperation between stakeholders, including geological institutes.

Mr Belet welcomed the green car initiative of the EIB and the 10 million Euros which have been made available in the form of loans and stressed that such loans must continue. He stated also that the access of SMEs to such funds should be facilitated. The EIB tends to be risk-adverse, he pointed out. Whereas cautiousness is generally desirable, he reminded the audience however that investing in new technologies always implied a risk.

Mr Belet went on to stress the importance of skills and training. New technologies imply new skills and EU funds such as the social funds should be used to ensure that the workforce is trained/re-trained accordingly. He called for the CARS21 platform - with an added social component - to be re-launched rapidly. If new technologies were to mean fewer workforces needed moreover, he urged the EU to prepare itself to avoid increased unemployment.

Working on smart grids with all stakeholders, coordinating financial incentives across Member States (for the vehicles but also for the infrastructure) and the role of green public procurements should all be tackled rapidly. Finally he pointed out safety aspects that needed to be worked on, including batteries but also vulnerable road users (noise).

Ivo Belet concluded his presentation underlying the unique opportunity given to the automobile industry to reinvent itself. It is a chance to come up with something new, something good for the consumers, the environment and the industry's competitiveness.

4. Presentation by Ivan Hodac

- Secretary General of ACEA, the European Automobile Manufacturers Association

Ivan Hodac first reminded the audience that the automobile industry is already producing fuel efficient vehicles and that it would continue to do so, pointing out that while xx% of cars emitted more than 161g CO₂ and none under 120g in 19xx, by 20xx 25% emit less than 120g.

Electrification is not for tomorrow but it will transform the industry in the EU and worldwide. To reap the full benefits in term of CO₂ however, low carbon energy sources will also be necessary, stressed Ivan Hodac. He underlined the importance to improve internal combustion engines further. Conventional cars can drive up to 700km on one tank and refill in less than 5 minutes, he said. Electric cars on the other hand have autonomy of up to 300km today, need from 3 to 5 hours to recharge and are much more expensive. Incentives from Member States won't last forever so electric vehicles must be viable on their own. Mr Hodac welcomed therefore the dual approach of the Commission, promoting both clean conventional engines and new technologies. He also pointed out the importance to support alternative fuels.

On the strategy itself, Mr Hodac welcomed the communication, stressing the need for coordination at EU level. Market fragmentation must be avoided at all costs. He urged the Commission to take the bull by the horns and coordinate work on standards, infrastructure and incentives.



EIB funds have a role to play in promoting clean cars and the issue of raw material must be tackled. He agreed that the CARS21 initiative was the appropriate platform but also stressed the need to get it right. While the industry does not object to welcome more stakeholders, CARS21 must remain workable and will need proper planning.

Mr Hodac also addressed the international dimension, pointing out that the hype would be a reality across the world and that countries such as the US, Japan and China were moving ahead, discussing and agreeing on standards together. The EU must participate, the Commission must act now!

Concluding his intervention, Ivan Hodac reminded the audience of the importance to keep a manufacturing base in Europe. He underlined that the Commission seemed at time to pull in opposite directions, encouraging companies to invest in Europe but at the same time imposing a regulatory framework and negotiating trade deals which will make it impossible for companies to stay. To foster innovation and a healthy manufacturing industry in Europe, he stressed, the regulatory and legislative framework must be right.

During the discussions, participants questioned the short-term viability of electric vehicles, pointing out the limited range and high costs of such vehicles and therefore the need for further research. Do electric cars, moreover, only make sense from a CO2 reduction point of view if the electricity powering them is nuclear? How much further improvement can be expected from internal combustion engines? Further CO2 reduction potential exists but there is a physical limit though.

The call for greater coordination and cooperation at EU level was welcomed and so was the mention made of the research framework programmes. The industry itself invest over 25 billions in R&D every year but EU funds, albeit smaller, have the advantage to pull efforts together and remove some of the risks associated with investments in breakthrough technologies.

Standards on connectors and chargers (interoperability and safety) could be ready by 2011 but whether they can be established as global ones remain to be seen. Within the EU, obstacles remained (such as differing national rules on wiring for example) but solutions will be found. Smart metering would be more a long-term issue. EU standardisation bodies were called on to move fast to discourage member states to adopt their own national standards.

Participants also underlined the diversity of mobility needs, pointing out that electric vehicles would maybe not satisfy all these needs and that integrating better the different transport modes should remain a priority.

Some argued that electricity was cheap, thereby decreasing the running cost of electric vehicles, and compensating for the higher initial purchasing price. Member States would soon start taxing electricity though retorted others.

Finally it was suggested that the EU institutions themselves should set the example and renew their fleet to include electric vehicles.



Philippe Jean agreed that Member States were moving fast but the Commission was giving them guidelines and common principles. Within the Council moreover, Members showed a certain will to accept coordination. Ivo Belet pointed out that the European Parliament already possess two electric vehicles while Ivan Hodac agreed that electric vehicles would not answer all mobility needs but are part of the solution for sustainable mobility. He called for more work on standardisation to be done in Geneva, quoting noise as an example where the EU cannot let Japan or the United States to set their own standards.

Wrapping up the debate, Chatzimarkakis welcomed the re-launch of CARS21. Electric vehicles will come but internal combustion engines still have an important role to play. He called for further discussions on the impact on training, jobs and on the supply chain. Finally he stressed that mobility is a fundamental right, even if it is sometimes forgotten.

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