International Transport Forum

Joint Transport Research Centre

OECD

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

FOCUS ON THE EU CASE

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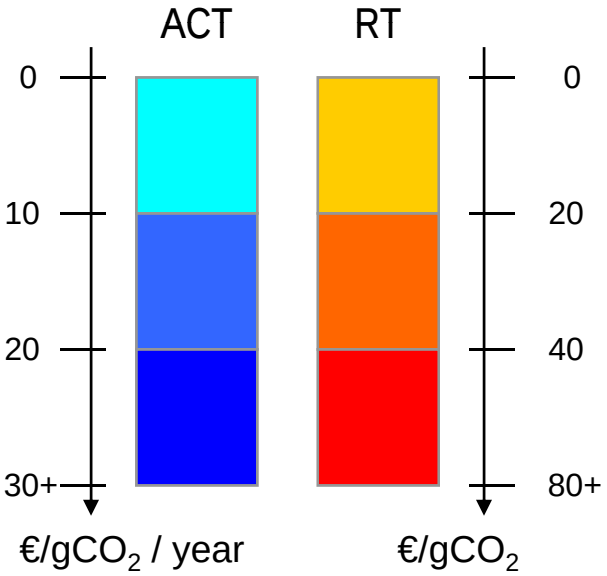
FRANCE

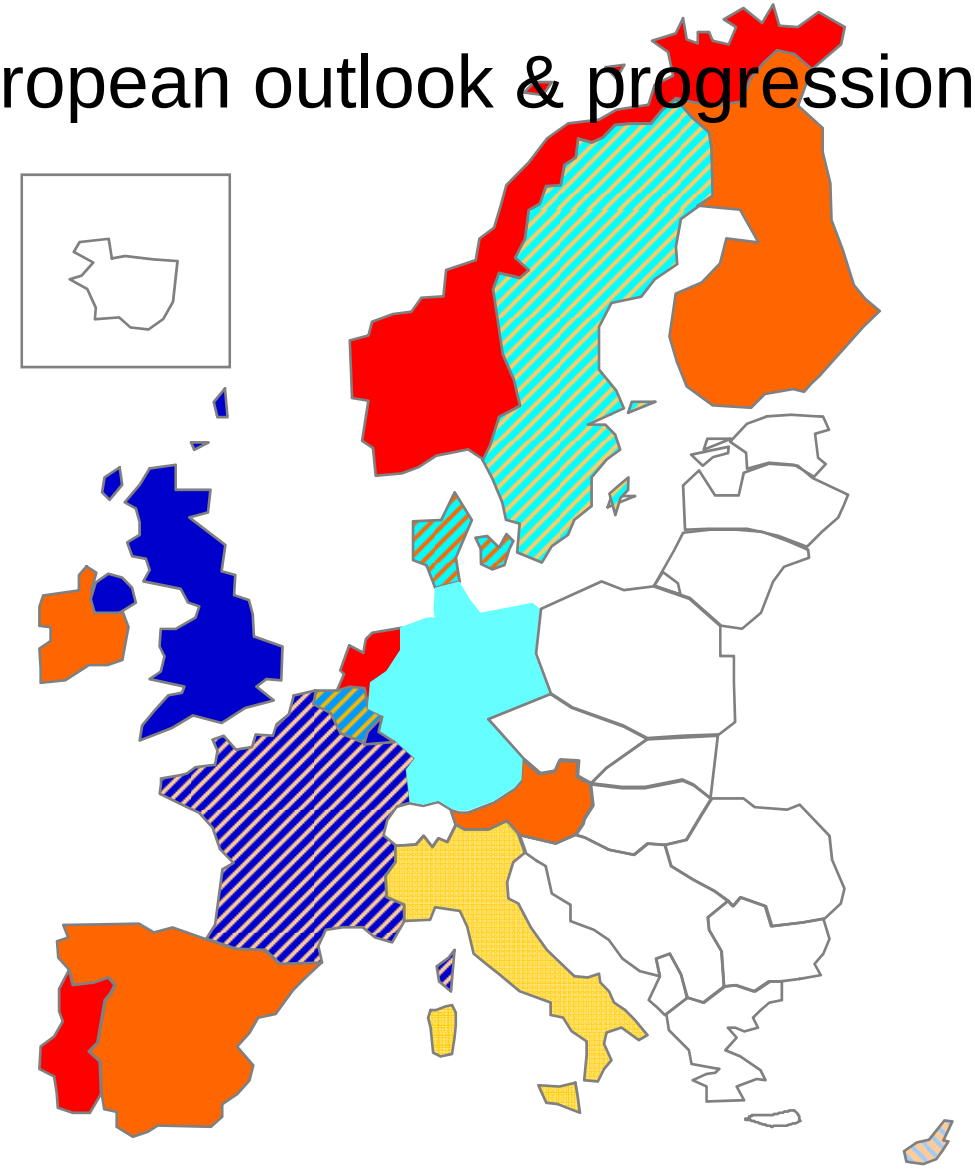
CO_2-based taxes : European outlook & progression

Not 2010 updated

Annual or Registration taxes based on CO_2 / FE criterion :

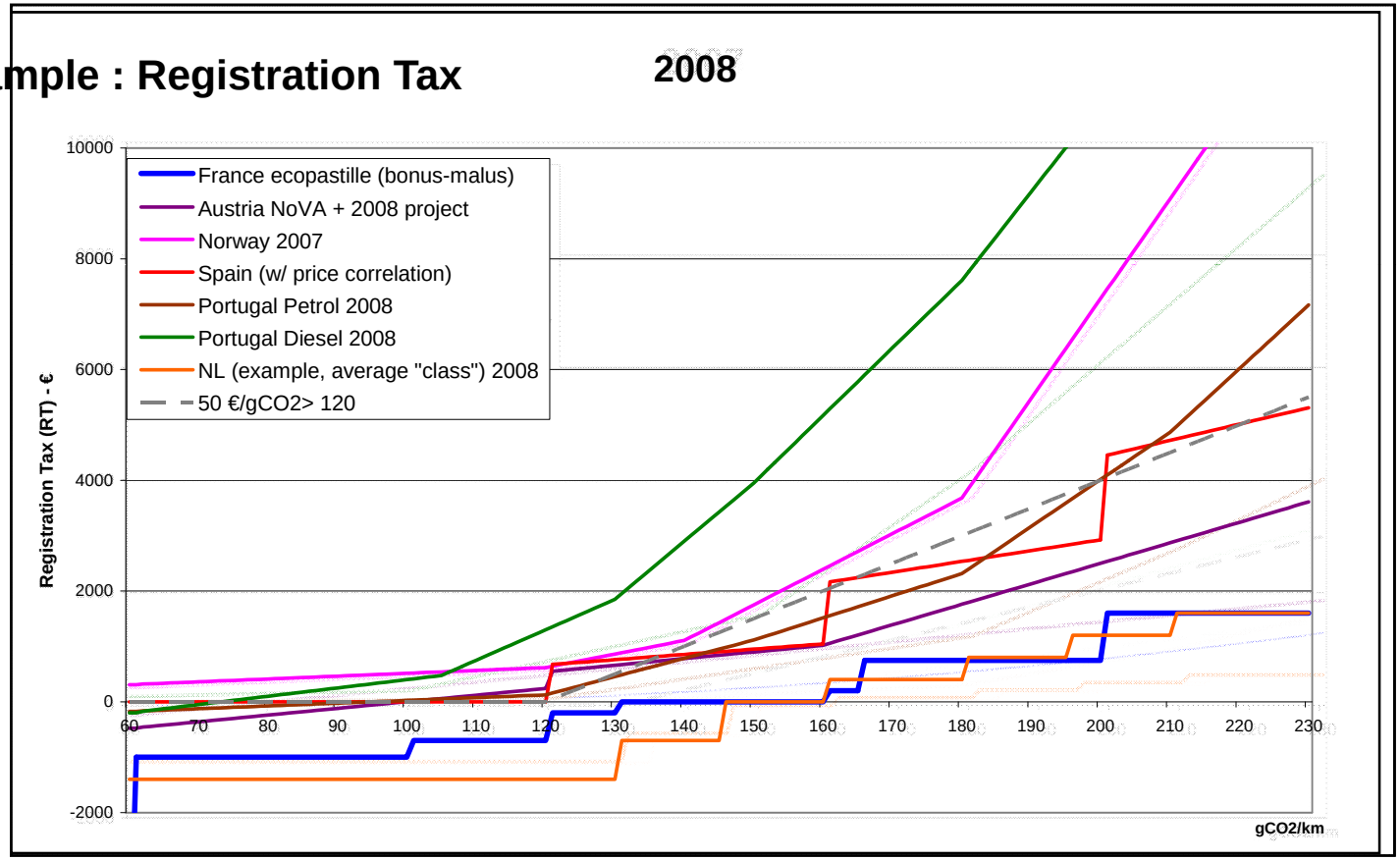


Average indicative cost of one additional gCO_2/km on mid-market [100g-200g CO_2/km]



A very fast-growing fiscal value of CO_2 in recent years

Example : Registration Tax **2008**

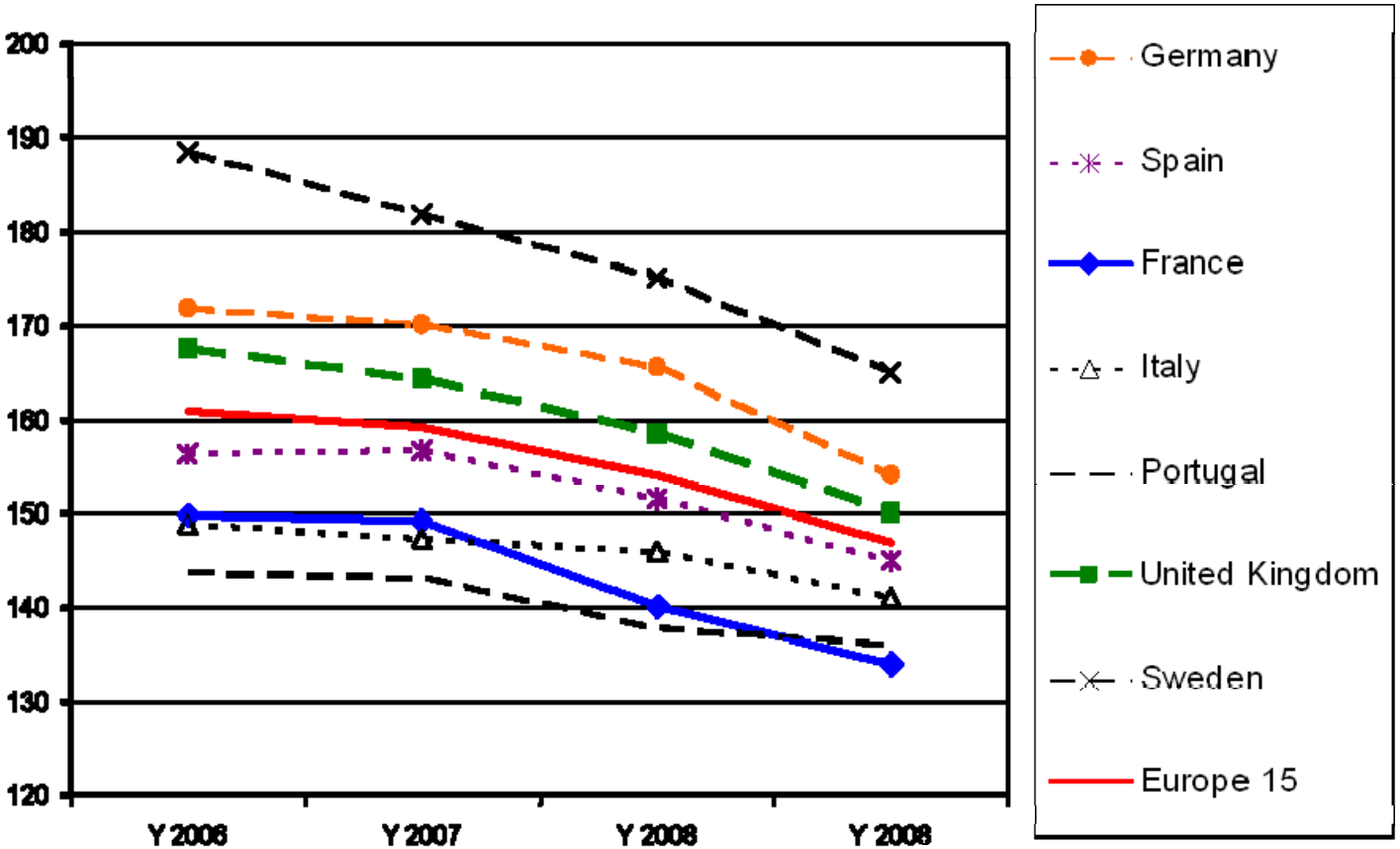


➔ **Taking into account the customer benefits of reduced fuel consumption *and* fiscal costs, Renault currently estimates the customer value of CO_2 as high as the fuel cost**

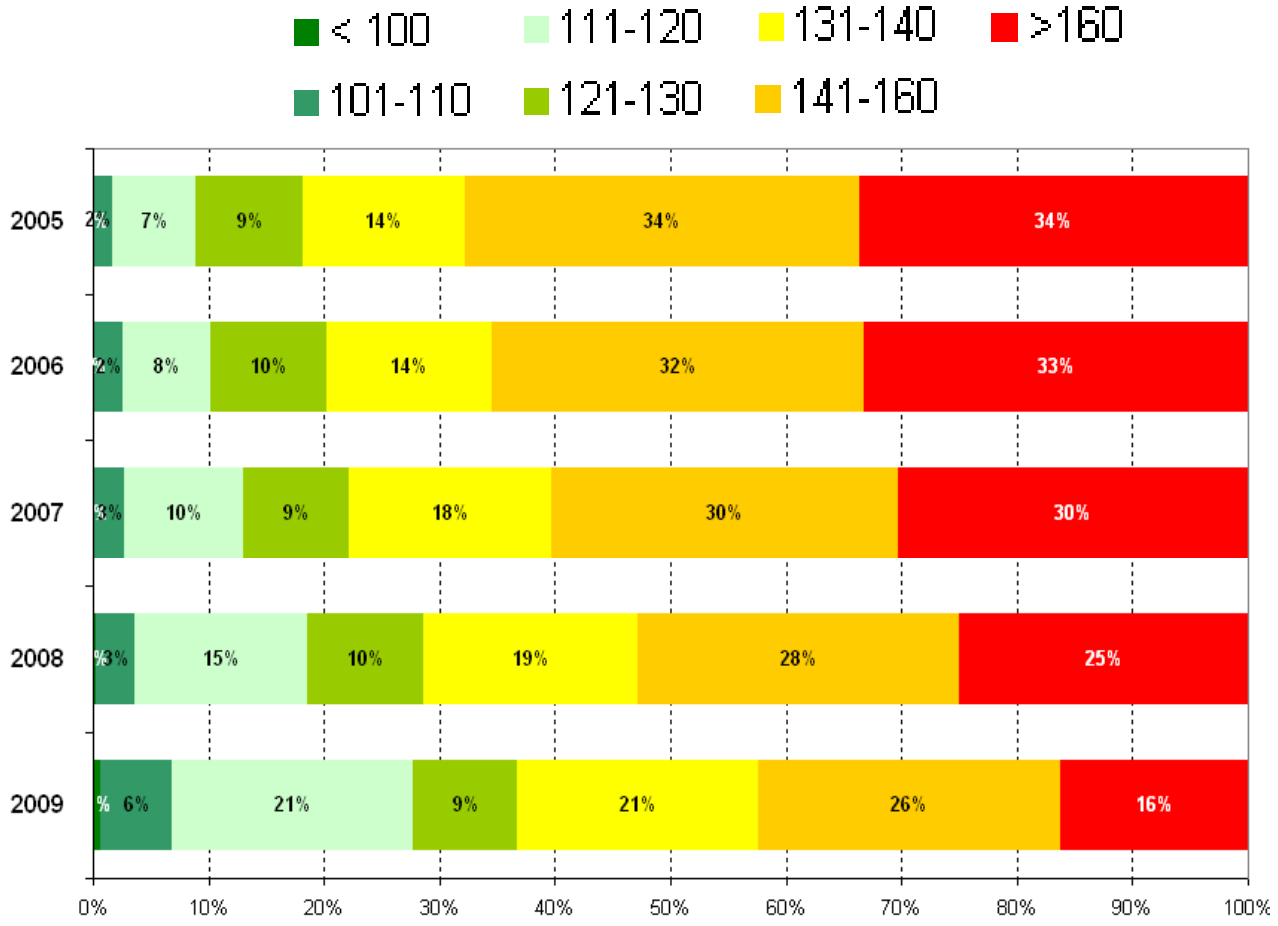
Key elements of the presentation

- 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 t optimise…

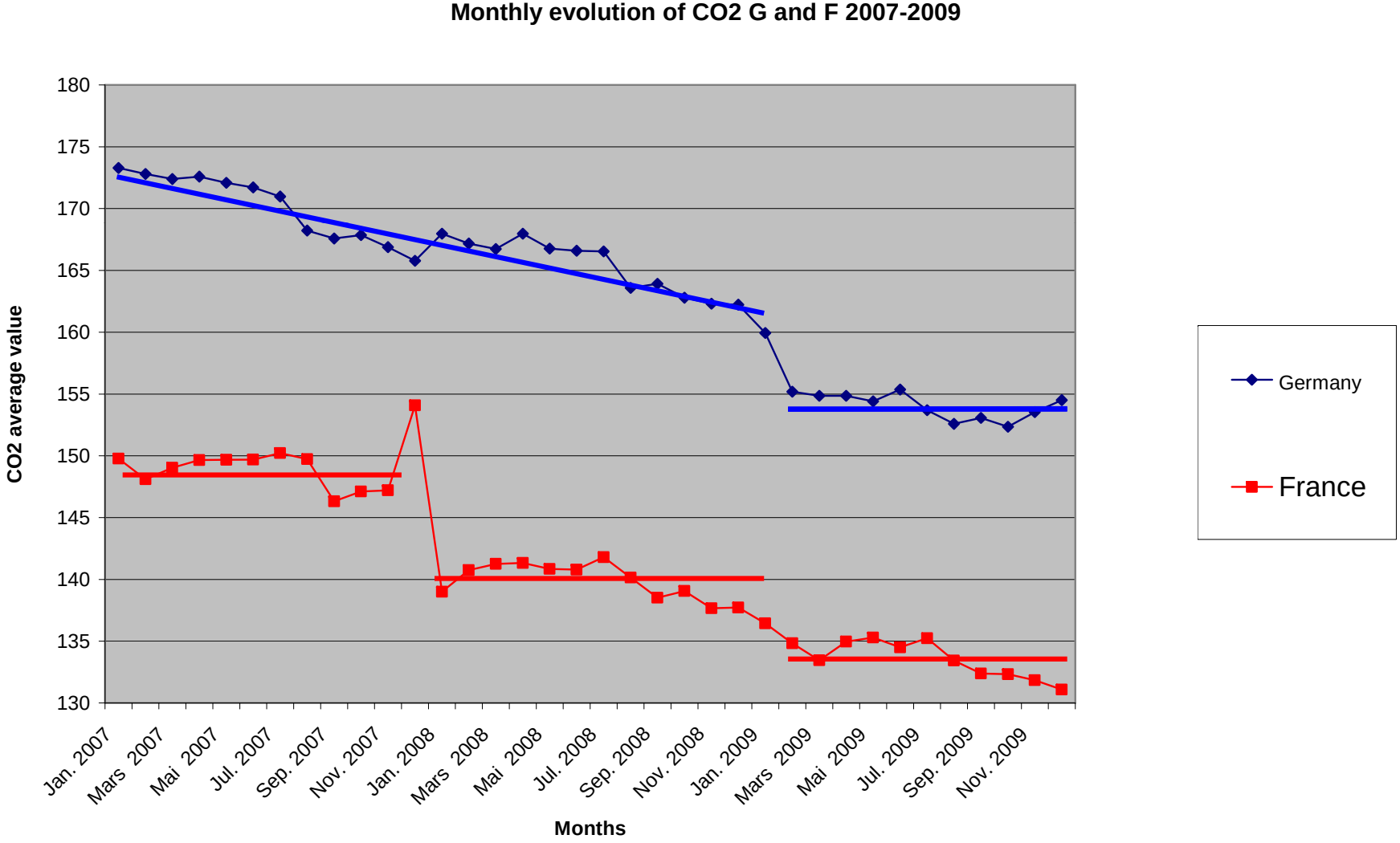
New car fleet, CO2 average, 2006 – 2009; EU 15 average, main countries and extreme countries



New car fleet, CO2 per class of CO2 2005 – 2009 ; 5 main EU countries, average



CO2 emissions, Germany and France, 2007 – 2009

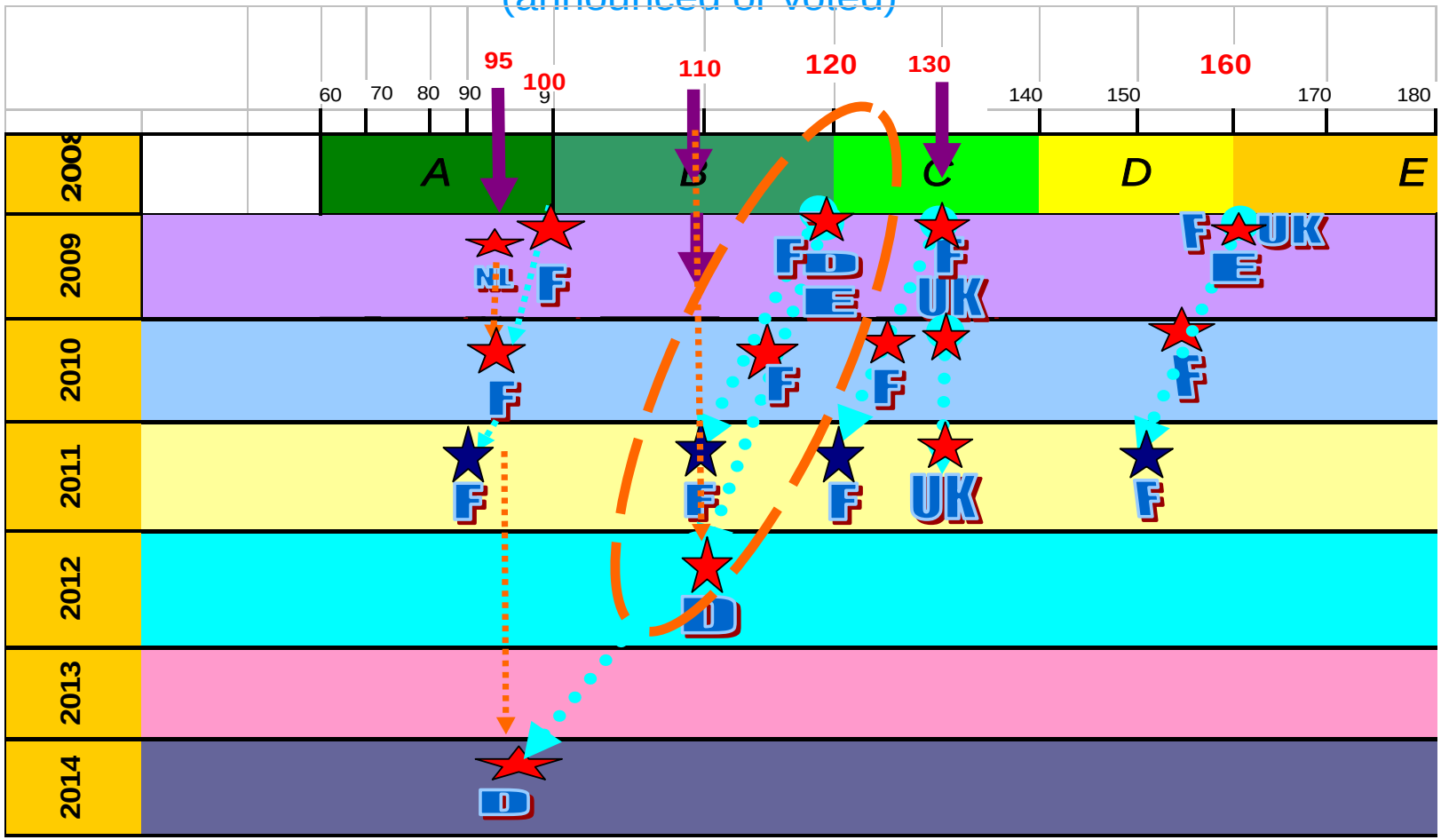


France – Introduction of economic instruments since 2006

	2006	2009	2010	Projections
TIPP (60 ct / l)	200 € / t	200 € / t	200 € / t	Risk with consumption reduction?
TVTS on company cars		1000 € / t	1000 € / t	Maintain revenues?
Bonus / Malus	0	150 € / t	150 € / t	Continuity / reinforcement and thresholds' evolution?
Carbon Tax	0	0	17 € / t	35 € / ton in 2012 and 60 to 100 € / ton in 2020?
Total without TVTS Total with TVTS	200 € / t 200 € / t	350 € / t 1350 € / t	370 € / t 1370 € / t	

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)

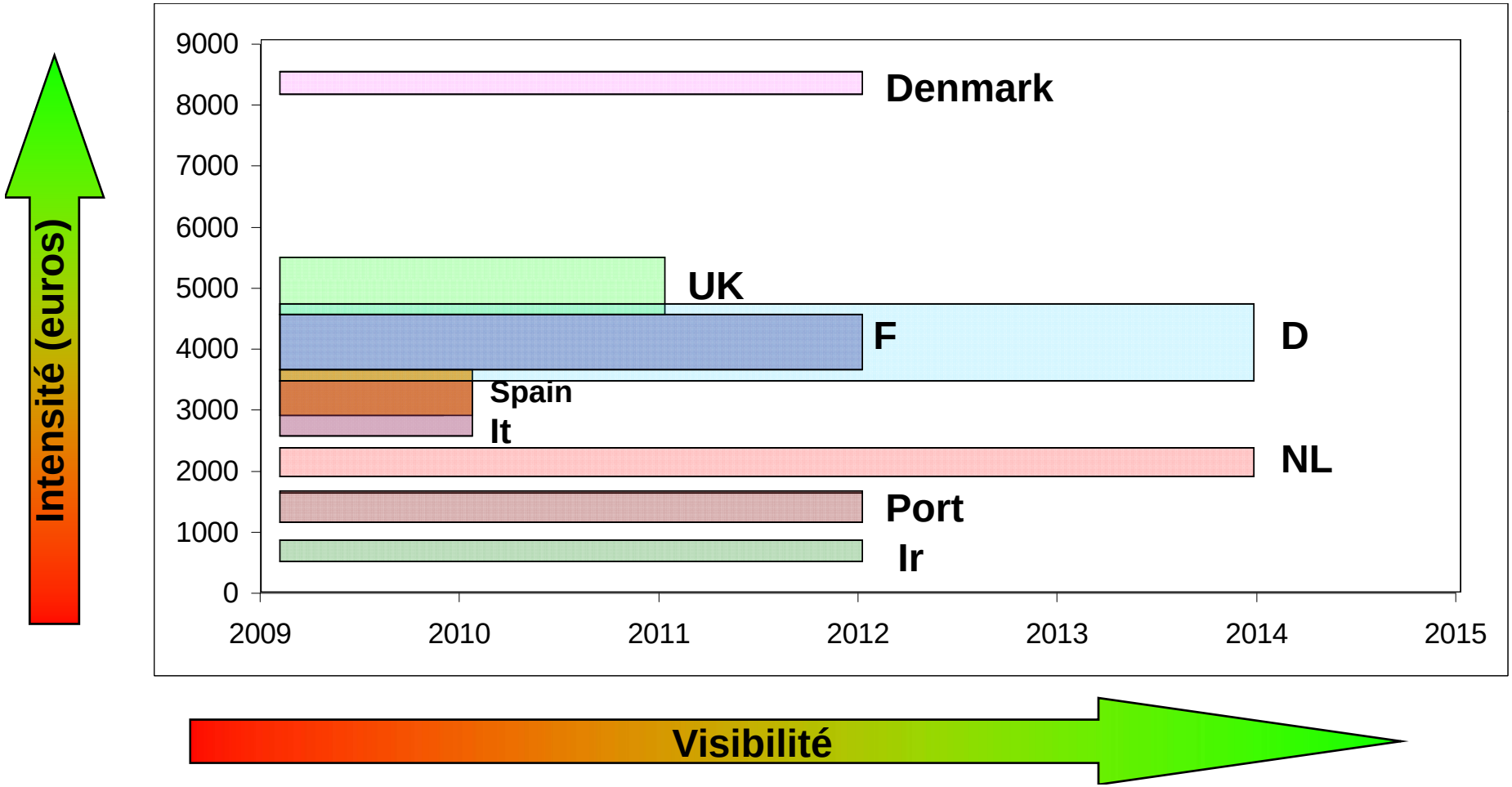
- Incentives should relate to environmental benefits
  - Direct link to CO2 / energy as a long term priority
  - Absolute values, not relative to price
  - CO2 reductions effectives in all ranges of vehicles
- Future breakthrough technologies (EV, P-HEV) will require specific schemes both : long and strong
  - High benefits will result of 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: € / véhicle

Visibility : period of announced validity of the incentives

Width of bars : importance of market



Thank you for your attention