



COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

**Implementing the Community Strategy to Reduce CO₂ Emissions from Cars:
An Environmental Agreement with the European Automobile Industry**

I. Introduction

One of the elements of the Community's strategy to reduce CO₂ emissions from passenger cars and improve fuel economy (COM(95) 689) is an environmental agreement with the automotive industry (the other elements being vehicle-related fiscal measures to promote fuel-efficient cars within an overall Community framework on vehicle taxation, and a consumer fuel-economy information scheme (fuel-economy labelling)). These three instruments will reinforce and add to each other when implementing the strategy. Following the outcome of its negotiations with the European automobile industry (*European Automobile Manufacturers Association - ACEA*) and its earlier consultations with the Council and the European Parliament on this matter, the Commission intends to conclude an agreement with ACEA (hereinafter '*the Agreement*').

The Community's strategy on CO₂ emissions from passenger cars was proposed by the Commission. The Council endorsed its overall approach. The Council specified that the objective of the strategy should be to achieve an average CO₂ emission figure for new passenger cars of 120 g/km by 2005, or by 2010 at the latest (Council conclusions of 25.6.1996). The Council also indicated that an agreement should seek to commit the industry "to make the major contribution" to this objective.

The European Parliament for its part has so far objected to the principle of an agreement and has called on the Commission to propose CO₂ emission limit values for passenger cars, with even more ambitious objectives than those set by the Council, while supporting fuel-economy labelling and fiscal measures (resolution of 10.4.1997). However, the Commission understands that though maintaining its opposition to an agreement in principle, the Parliament might go along with an agreement under certain conditions. During the successful conciliation between the Parliament and the Council on the Auto-Oil I fuel quality directive on 29.6.1998, the Commission at the invitation of the European Parliament made the following declaration: "In the event of negotiations with ACEA not coming to a successful conclusion, the Commission undertakes to consider the introduction of binding legislation."

The Commission will shortly put forward a legislative proposal for a consumer fuel-economy information scheme.

The Commission believes that the terms of the *Agreement* which the Commission intends to conclude with ACEA correspond to the Council's expectations and the Commission's own original objectives (COM(95) 689). Furthermore, they take account of the general criteria for environmental agreements contained in the Commission Communication on Environmental Agreements (COM(96) 561). The *Agreement* will take the form of: a *Commitment* formally adopted by the Board of ACEA (see Annex); a Recommendation to be adopted by the Commission subsequently; and (as far as its practical implementation is concerned) an exchange of

letters between ACEA and the Commission.¹ This Communication sets out the Commission's assessment of the terms of the *Agreement*.

II. The terms of the Agreement: The Commission's assessment

The Commission Communication on Environmental Agreements (COM(96) 561) recommends a number of general guidelines for environmental agreements. The *Agreement* with ACEA takes account of these guidelines, and satisfies the requirements of the Community's strategy on CO₂ emissions from cars.

1. CO₂ emission objective:

The ACEA *Commitment* contains a clearly quantified CO₂ emission objective for the average of new passenger cars sold in the European Union, i.e. 140 g/km to be achieved by 2008, measured according to the Community's current measurement procedure (Directive 93/116/EC). The scope of the *Agreement* are passenger cars of category M1 as defined in Directive 70/156/EEC, although innovative vehicle concepts and cars using alternative fuels or radically new propulsion systems will equally be counted towards ACEA's CO₂ objective (see the assumption concerning the acceptance of innovations in the *Commitment*). In the Commission's view, these specifications meet the requirement of a quantified objective and unambiguous definitions as a major criterion for a good environmental agreement.

The CO₂ objective of the *Agreement* for 2008 also corresponds to the Council's benchmark that an agreement should make "the major contribution" to the objective of the Community's strategy as a whole by covering about 70% of the gap between the current (1995) market average (186 g/km) and the Community's 120 g/km objective. The target year of 2008 is within the timeframe set by the Council, i.e. 2005 - 2010. In addition, ACEA commits itself in 2003 to review the potential for additional CO₂ emission reductions in the 2012 perspective.

Given that the Community's strategy on CO₂ from cars consists of instruments which complement each other in achieving the strategy's overall target, it is essential that the added value of the instruments is maintained. CO₂ emissions from cars can be reduced:

- by technological improvements. Technological improvements can furthermore induce changes in the market by increasing the attractiveness of certain categories of cars to the consumer and/or creating new market segments; and
- by changes in the market, and in particular by a shift towards smaller and more fuel-efficient cars ('downsizing'). Market changes can be the result of changes in consumer preferences, product policy and marketing efforts by the automotive manufacturers, and fiscal measures and fuel-economy labelling, *inter alia*.

¹ See also the analysis by the Commission Services of ACEA's proposal for a *Commitment* of 2.6.1998 (SEC(1998) 1047) which already contained most of the elements of the *Commitment*.

The added value of the different elements of the Community's strategy is ensured as ACEA commits itself in the *Agreement* to technological improvements and as its CO₂ target allows for CO₂ emission benefits from market changes in addition to ACEA's CO₂ commitments, which could be induced by fiscal measures and fuel-economy labelling.

ACEA's *Commitment* explicitly recognises the possible added value of fiscal measures, and does not contain any clauses which question the right of the Community or its Member States to exercise their prerogatives in the field of fiscal policy. At the same time, ACEA assumes that it can achieve its CO₂ objectives under the *Commitment* without additional fiscal measures. Furthermore, ACEA commits itself to achieving its CO₂ target for 2008 'mainly' by technological developments and related market changes which leaves scope for further market changes being induced by the other instruments of the Community's strategy. The Commission will emphasise in its Recommendation the added value of fiscal measures. With the added value provided by the other instruments foreseen in the strategy, the Commission considers it desirable to build upon ACEA's commitment with a view to achieving the Community's 120 g/km objective.

2. Assumptions:

ACEA's *Commitment* contains certain assumptions. The assumptions reflect the fact that the automotive industry's ability to attain its CO₂ objective may be affected by developments outside its control, reflecting technical and economic constraints, and they are therefore justifiable. More particularly, the Commission sees the assumptions in the following context:

1. The availability of enabling fuels for the application of technologies required to achieve ACEA's CO₂ objective: The *Commitment* is based on the requirements resulting from the conciliation procedure between the Council and the European Parliament on 29.6.1998, notably the maximum sulphur specifications of 50 ppm in petrol and diesel and the maximum aromatic content for petrol of 35 %, although ACEA expects that the market average fuel quality will be better than these legislative requirements for technical and market reasons. Any problems with respect to fuel quality would be considered in the monitoring of the *Agreement*.
2. No distortions of competition which disfavour the European manufacturers due to their efforts to reduce CO₂ emissions: This assumption is in line with the Community's strategy on CO₂ emissions from cars. (See also Section III below.)
3. The unhampered diffusion of fuel-efficient technologies into the market: It is the Commission's and ACEA's common understanding that this does not restrict the Community's and the Member States' freedom to use fiscal or regulatory measures. However, such measures would be considered in the monitoring of the *Agreement* and could be grounds for its review under certain circumstances.

4. Impacts of the strategy on the general economic situation of the European automobile industry to be taken into account: These would in any case be taken into account by the Community.

The Commission has no reason to believe that the assumptions² will not be borne out, and therefore it should not be necessary to review the *Agreement* at any stage.. Furthermore, the Commission would agree to a review of ACEA's CO₂ objective only once both sides had jointly conducted a careful analysis of all relevant circumstances, having consulted other experts as appropriate, and once both parties had exhausted all other means to maintain the CO₂ objective. ACEA and the Commission will lay down the procedure to be followed in such an event in an exchange of letters at a later stage.

Overall, the Commission views the CO₂ emission objective of ACEA's *Commitment* as a firm and unequivocal basis for the *Agreement* which satisfies the requirements of the Community's strategy to reduce CO₂ emissions from passenger cars.

3. Intermediate objectives:

The Commission, the Council and the European Parliament have emphasised the importance of intermediate targets in an agreement with the automotive industry. A staged approach is also an essential guideline for environmental agreements generally (COM(96) 561). The *Agreement* with ACEA conforms with this criterion by setting the following two intermediate objectives:

1. Not later than 2000, some European manufacturers will begin to sell models emitting 120 g/km CO₂ or less in the EU market. This demonstrates ACEA's commitment to undertake efforts soon to reduce CO₂ emissions from cars.
2. An "estimated target range" for the average new car CO₂ emissions is provided for 2003. This target range, however, is indicative and does not represent an additional commitment by the industry.

The Commission recognises that the intermediate target for 2003 is of a purely indicative nature, which is in line with the guidelines in its Communication on Environmental Agreements (COM(96) 561). It nevertheless attaches special importance to this intermediate objective as a basis for verifying whether the *Agreement* is effective. This corresponds in particular to concerns expressed by the European Parliament. Against this background, the Commission would thoroughly review the *Agreement* should ACEA fail to achieve its target range in 2003, and consider drawing up a proposal for binding legislation. Of course, the Commission would in any event take measures to allow the target to be achieved should any

² Another 'assumption' besides those mentioned above is that innovative vehicle concepts, and cars using alternative fuels or radically new propulsion systems will be counted towards the CO₂ objective of the *Agreement*. However, this 'assumption' relates more to the definition of the scope of the *Agreement* (see above), and as the Commission accepts the inclusion of such vehicles in the scope of the *Agreement*, it is not strictly speaking an assumption.

circumstances arise at any point during the life of the *Agreement* suggesting that the *Agreement* is not being honoured. This intention should be included in the Commission Recommendation and will, as a result, form part of the *Agreement*. ACEA is fully aware of this clause. It should be noted that the Commission has already stated its intention to consider the introduction of binding legislation should the negotiations with ACEA fail (through its declaration made during the successful Auto-Oil Conciliation on 29 June - see above).

4. Monitoring, verification of results and reporting:

The Council conclusions of 25.6.1996 stressed the importance of a monitoring system to follow the development of the average CO₂ emissions of new passenger cars on the basis of data provided by the Member States. A monitoring system independent of industry data is the best basis for an independent verification of results (one of the criteria for environmental agreements recommended by the Commission (COM(96) 561)). The Commission has presented a proposal for a Community monitoring system along these lines (COM(1998) 348). It invites the Council and the European Parliament to treat this proposal rapidly so that the system can become operational as soon as possible. At the same time, the Commission welcomes ACEA's offer to provide its own data derived from official government sources, in particular with a view to monitoring progress before the future Community monitoring system is operational.

In addition to the statistical exercise of tracking the evolution of average new car CO₂ emissions, a broader, 'holistic' monitoring system is established by the *Agreement*, to be administered jointly by the Commission and ACEA. This system would give particular scrutiny to the assumptions underlying the ACEA *Commitment*. ACEA has agreed to provide the necessary information in order to allow this monitoring system to function and to enable it to identify in a proactive way problems which might arise in the achievement of the CO₂ emission objective of the *Agreement*. It will allow the early identification of any circumstances which might facilitate or hinder the achievement of the objectives of the *Agreement*. The procedures for this joint monitoring system will be laid down in an exchange of letters between the Commission and ACEA. The future Community monitoring system and the joint monitoring mechanism with ACEA will, in the Commission's view, together provide an effective instrument for the monitoring of the *Agreement* and a basis for a broader co-operation between both sides in the area of CO₂ emissions from passenger cars.

Based on the future Community monitoring system on CO₂ emissions from cars, the joint monitoring system with ACEA and any further studies as necessary, the Commission will report annually to the Council and the European Parliament on the implementation of the *Agreement* and of the progress and impact of the Community's strategy on CO₂ emissions from cars overall in the light of the Kyoto commitments. If appropriate, it will involve technical experts from the Member States in the preparation of this report.

Together with the publication of the ACEA *Commitment* and the Commission Recommendation in response to this *Commitment* in the Community's Official

Journal, the Commission's annual reports will satisfy the criterion of public information and transparency as set out in the Commission's guidelines for environmental agreements (COM(96) 561).

5. General provisions:

The *Agreement* will also fulfil the other guidelines in the Communication on Environmental Agreements (COM(96) 561) where applicable.

1. In the way of additional guarantees for ACEA's commitments under the *Agreement*, the Commission should make it clear in its Recommendation that it will consider regulatory measures should ACEA not honour its commitments. The *Agreement* does not affect the Commission's right of initiative under the Treaty.
2. ACEA's *Commitment* clearly declares the parties to the *Agreement* on the industry's side. The *Commitment* will be made by the President of ACEA acting on behalf of ACEA according to ACEA's statutes. Those members of ACEA which manufacture passenger cars support the *Commitment* and have agreed to make every endeavour to contribute to the achievement of ACEA's commitments.
3. In principle, the *Agreement* ends once its CO₂ emission objective has been achieved in 2008. However, the Commission warmly welcomes ACEA's commitment to review the potential for additional CO₂ reductions in 2003 with a view to moving further towards 120 g/km CO₂ by 2012. This could be the basis for an extension of the *Agreement*.
4. The terms of the *Agreement*, and in particular its CO₂ objective, may be subject to review, especially if any of the assumptions underlying ACEA's commitments are not borne out. Procedures will be laid down for such an event in the above-mentioned exchange of letters. In turn, the Commission maintains its prerogatives under the Treaty. Both parties to the *Agreement* will act in good faith in the implementation and any review of the *Agreement*.
5. As a general rule, the Commission's attitude towards co-operation as regards environmental protection is positive. However, the ACEA *Commitment* has to comply with Community competition rules. As far as the *Commitment* would contain or build upon certain restrictions of competition, a formal notification would be required under Article 85 of the EC Treaty before the Commission can take a position on the *Agreement*. At this stage, the Commission has no reason to believe that the *Agreement* would not be in compliance with Community competition rules. The Commission Services will work closely together with ACEA in order to clarify this issue as quickly as possible.

III. Non-ACEA manufacturers

The *Agreement* with the *European Automobile Manufacturers Association* (ACEA) represents the critical first step in implementing this element of the Community's strategy on CO₂ emissions from passenger cars. According to the strategy, similar agreements should be concluded with non-ACEA manufacturers and importers. The Commission welcomes the fact that ACEA has not made its *Commitment* conditional on these other agreements. At the same time it recognises that ACEA's assumption regarding distortions of competition will best be met by concluding agreements with the major (groups of) non-ACEA manufacturers present on the EU market, and in particular the Japanese and Korean automobile manufacturers and Chrysler (the status of the latter remaining under review in the light of recent developments).

The Commission has in the meantime begun negotiations with the *Japan Automobile Manufacturers Association* (JAMA) and is confident that an agreement with them can be concluded soon. The Commission has also invited the *Korean Automobile Manufacturers Association* (KAMA) and Chrysler to begin negotiations.

IV. Further steps in the follow-up to the *Agreement*

The *Agreement* foresees that innovative vehicle concepts as well as cars using alternative fuels or radically new propulsion systems are included in ACEA's CO₂ objective. This requires that their CO₂ emissions be measured and/or calculated according to a standardised procedure. Directive 93/116/EC will therefore have to be amended by the Commission accordingly. At the same time, the driving cycle in this directive should be aligned with the driving cycle according to Directive 91/441/EEC as modified by the outcome of the Auto-Oil conciliation procedure between the Council and the European Parliament on 29.6.1998.

V. Conclusions

In the Commission's opinion, the *Agreement* with the *European Automobile Manufacturers Association* (ACEA) on the table corresponds to the guidelines in the Communication on Environmental Agreements (COM(95) 561) and to the benchmarks for an agreement with the industry according to the Community's strategy to reduce CO₂ emissions from passenger cars (COM(95) 689; Council conclusions of 25.6.1996). The *Agreement* makes "the major contribution" to the overall objective of the strategy, as called for by the Council, and is based on sound terms which justify the expectation that it will be fully implemented. The Commission has entered into negotiations on similar agreements with non-ACEA manufacturers and expects to conclude these negotiations in good time. The *Agreement* will make a significant contribution to the achievement of the Community's greenhouse gas emission objectives under the Kyoto Protocol.

Against this background, and provided that the notification under Community competition law does not give rise to problems, the Commission believes that this *Agreement* with ACEA is satisfactory and intends to adopt a Recommendation to ACEA as its part of the *Agreement*. Before doing so, however, the Commission would

like to give the European Parliament and the Council an opportunity to express their views on the ACEA *Commitment* and the assessment in this Communication, and will therefore defer the adoption of the Recommendation until the end of October.

ANNEX:

**ACEA Commitment on CO₂ Emission Reductions from New Passenger Cars
in the Framework of an Environmental Agreement
between the European Commission and ACEA**



European
Automobile
Manufacturers'
Association

The President

Mrs.
Ritt Bjerregaard
Member of the Commission
European Commission
200 Rue de la Loi
1049 Brussels

July, 27th 1998

ACEA CO2 Commitment

Dear Mrs. Bjerregaard,

I am pleased to forward to you officially the Commitment of ACEA and assure you the support by ACEA's member companies. ACEA wants to forward and honour its Commitment in the spirit, that this leads to a mutual satisfactory environmental agreement.

Yours sincerely,

Bernd Fischetsrieder

Encl.

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ACEA

**ACEA COMMITMENT
ON CO2 EMISSION REDUCTIONS
FROM NEW PASSENGER CARS
IN THE FRAMEWORK OF AN
ENVIRONMENTAL AGREEMENT
BETWEEN THE EUROPEAN COMMISSION AND ACEA**

INTRODUCTION AND PRINCIPLES

- (1) This Commitment is based on an undertaking by ACEA itself and has the support of all its car manufacturing companies: BMW, Fiat, Ford of Europe, GM Europe, Daimler-Benz, Porsche, PSA Peugeot Citroën, Renault, Rolls-Royce, Volkswagen and Volvo, who have agreed to make every endeavour to contribute to the achievement of ACEA's goals.

This Commitment demonstrates ACEA's support for significant reductions in CO2 emissions in line with the European Union's undertakings under the United Nations Framework Convention on Climate Change following the Kyoto Conference. At the same time it aims at preserving the diversity of the product offerings of the European car manufacturers and at maintaining their competitiveness, as well as their financial performance and employment.

- (2) As long as its commitments (see below) are being honoured, ACEA is assuming that this Commitment provides complete and sufficient substitute for all new regulatory measures to limit fuel consumption or CO2 emissions, and for any additional fiscal measures in pursuit of the CO2 objectives of this Commitment. Any fiscal measures, including their added value to this Commitment, will be taken into account in the monitoring procedure and their potential effects will be assessed in good faith.
- (3) The European automotive industry's CO2 reduction commitments are very ambitious in the light of present and future technologies, and the industry is willing and prepared to commit substantial development efforts to implement the following commitments.
- (4) Together with the European Commission, ACEA will ensure that the Commitment is implemented in a manner which complies with applicable competition rules.

ACEA COMMITMENTS

- (1) Some members of ACEA will introduce in the EU market, not later than 2000, models emitting 120 g CO2/km or less, measured according to Directive 93/116/EC (see Technical Annex, Point 1 Measuring Procedure).
- (2) ACEA commits to achieve a target of 140 g CO2/km by 2008, measured according to Directive 93/116/EC, on the average of the EU new car sales represented by ACEA classified as M1.

This target will mainly be achieved by technological developments affecting different car characteristics and market changes linked to these developments. In particular, ACEA will aim at a high share - to the point of 90 % - of new cars sold being equipped with CO2 efficient direct injection gasoline and diesel technologies.

Compliance with this target translates for the European automobile industry into an average CO₂ reduction of 25% for newly registered cars, compared to 1995.

- (3) In 2003, ACEA will review the potential for additional CO₂ reduction, with a view to moving further towards the Community's objective of 120g CO₂/km by 2012.
- (4) For 2003, ACEA considers an estimated target range of 165-170 g of CO₂/km to be appropriate.

This translates into a reduction of 9-11 % compared to the reference year 1995. (See Technical Annex, point 3: Review in 2003 / Estimated Target Range).

- (5) To assess compliance with these commitments, there will be a joint ACEA / Commission monitoring of all the relevant factors with regard to these commitments.

ACEA's commitments are based on the following:

A) Availability of enabling fuels

Given the outstanding importance of improved fuels for CO₂ reductions ACEA assumes the full market availability of fuels with a sufficient quality to enable the application of technologies needed for the industry to achieve its CO₂ commitments during the life-time of this Commitment (s. Technical Annex, Point 2 Fuel Specifications).

B) Distortion of competition

In order to ensure a level-playing field:

- non-ACEA member car manufacturers will be committed to equivalent CO₂ reduction efforts for their sales in the EU, in line with the Council Conclusions of 25.6.1996;
- the Community will use its best efforts to continue to seek that other car manufacturing countries, notably Japan, USA and Korea, will undertake equivalent car CO₂ reduction efforts, in line with the Kyoto Protocol spirit ensuring that the European automobile industry is not put at a competitive disadvantage in world markets by CO₂ reduction commitments in Europe.

C) Promotion of car CO₂-efficient technologies

European car manufacturers have high expectations for certain technologies, in particular those associated with direct injected gasoline and diesel engines, which are two of the most promising routes to achieve the central commitment of 140 g CO₂/km in 2008. This commitment is based on the assumption of an unhampered diffusion of car CO₂ efficient technologies into the market via competition amongst ACEA members and other market participants which is expected to result in market mix changes. Therefore it is fundamental that any measures which might hamper the diffusion process of either of the CO₂ efficient technologies will be taken into consideration in the monitoring procedure.

D) Acceptance of innovations

The acceptance by the Commission of innovative concepts for vehicles replacing conventional cars in short haul traffic and of cars not producing fossil CO₂ as well as a share of cars using alternative fuels or propulsion systems as contributing factors to comply with the Commitment.

MONITORING

The joint ACEA / Commission monitoring procedure should cover:

- (1) The development of CO₂ emissions based on the collective achievement of reductions on the average EU fleet of new car sales represented by ACEA and according to the above commitments.
- (2) The development of the CO₂ emissions of non-ACEA car manufacturers for their sales in the EU.
- (3) Any developments regarding the underlying factors upon which ACEA's Commitment is based.
- (4) The impact on CO₂ emissions of new regulatory measures.
- (5) The development of new breakthrough technologies (e.g. natural gas, hydrogen, fuel cells, electric drive), which might be available for production in the next decades, and the impact of the Community's 5th R&D framework programme, which is expected to foster research in this area.
- (6) The development and the promotion of other measures deemed to reduce fuel consumption, i.e. telematics and optimisation of the infrastructure reducing congestion; driver education for fuel efficient behaviour; driver information on fuel efficiency.
- (7) The impacts on the financial performance, competitiveness and the employment within the European automotive industry associated with this Commitment.

The Commission's official reports on the monitoring results will not refer to individual companies' achievements, to avoid competition being distorted. ACEA is willing to provide the necessary data to achieve the objectives of the monitoring.

* * *

On the basis of the outcome of the monitoring, or if the impacts of this Commitment on the European automotive industry, particularly its employment situation and its global competitive environment, are detrimental, ACEA and the Commission will review the situation and make any necessary adjustments in good faith.

TECHNICAL ANNEX TO THE ACEA COMMITMENT ON CO2 EMISSION REDUCTIONS FROM NEW PASSENGER CARS

(1) Measuring Procedure

ACEA's proposals have been established according to Directive 93/116/EC, which has been fully implemented as from 1.1.1997, and will be applicable for the coming years. The implementation of this new measuring procedure has led to an artificial average increase of 9% of the CO2 emission figures, compared to the previously used directive, whereas the CO2 emissions from cars in the real world have not changed.

(2) Fuels Specifications

Characteristics of the fuels are key factors in car CO2 emission reductions:

- A) to achieve further emission reduction together with lowered CO2 emissions the fuel efficient lean burn technology will be combined with special exhaust gas after-treatment devices capable to reduce NOx under lean burn conditions. But those systems are only working with fuels meeting specific requirements, in particular a low sulphur content;
- B) low sulphur fuels ease the NOx/CO2 trade-off in favour of CO2 emission reductions;
- C) low aromatics in gasoline and a high cetane number in diesel lead to CO2 emission reduction too.

ACEA acknowledges the outcome of the conciliation procedure between the Council and the European Parliament on 29.6.1998 and upholds its 140 g CO2/km commitment by 2008. However, ACEA is expecting that fuels of the following better quality might be available in the market due to technical reasons, commercial competition as well as possible national policies:

- A) Some gasoline (e.g. Super-Plus, 98 octane as agreed in Germany) and some diesel plus with a maximum sulphur content of 30 ppm are provided in 2000 on the whole EU market in a sufficient volume and geographical cover.
- B) In 2005 full availability of fuels on the whole EU market which satisfy the following:
 - gasoline with a maximum sulphur content of 30 ppm and of a maximum aromatic content of 30%;
 - diesel with a maximum sulphur content of 30 ppm and a cetane number of minimum 58.

Any problems which might arise with respect to fuel quality will be considered in the monitoring procedure.

3. Review in 2003 / Estimated Target Range

ACEA is willing to contribute to a periodic monitoring of its commitments, jointly undertaken by ACEA and the Commission, which it sees as the main tool to examine the evolution during the period of the Commitment. This should include a joint "Major Review" in 2003, covering both ACEA and non-ACEA developments. This would incorporate the results of CO₂ emission reductions up to and including calendar year 2003, including comparison of that year's fleet average to the estimated target range.

The reduction in CO₂ emissions will not be linear; the pace will notably depend on the timing of availability of the enabling fuels on the market as well as on the lead-times for new technologies and products and their market penetration. The reduction profile is therefore expected to be relatively slow initially and to gather pace later.

Given all the uncertainties and the lead-time necessary for introducing new technologies and models, ACEA considers an appropriate estimated target for 2003 to be within the range of 165-170 g CO₂/km. This is a reduction of 9-11 % compared to the 1995 reference year.

ACEA provides this estimated target range for 2003 on the following basis:

- A) it does not constitute a commitment of any sort by ACEA;
- B) the provisions set out under "Monitoring" are fully implemented and any necessary adjustment to the 2008 commitment or the 2003 estimate are made in good faith;
- C) in particular, fuels of sufficient quality are available - such that fuels issues do not constrain the application of technologies needed to improve fuel efficiency (see point 2 above: Fuels specifications).

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