



**Korea Automobile Manufacturers Association**

658-4 Deungchon-dong, Gangseo-gu, Seoul 157-030, Korea  
TEL: (82-2) 3660-1800 FAX: (82-2) 3660-1900 www.kama.or.kr

July 10, 2007

European Commission  
Secretariat-General  
Consultation "Reducing CO<sub>2</sub> emissions from cars"  
BERL 6/262  
B-1049 Brussels

Dear Sirs:

With regard to the European Commission's consultation on the implementation of the Commission's proposed strategy to reduce CO<sub>2</sub> emissions from passenger cars and light commercial vehicles, we are pleased to submit our views as attached herewith.

We hope that the Commission will duly take it into account in the procedure of relevant legislation and implementation in the future.

Sincerely yours,

A handwritten signature in black ink, appearing to read "M. Hoh". The signature is fluid and cursive, with the first letter being a large, stylized 'M'.

Moon Hoh

Executive Vice Chairman

Encl.

# **KAMA's Comment to the Commission's Consultation on Implementation of the Renewed Strategy to Reduce CO<sub>2</sub> Emissions from Passenger Cars and Light-commercial Vehicles**

## **□ Introduction**

- o KAMA has reduced its fleet average CO<sub>2</sub> from 197g/km in 1995 to 167g/km in 2005. KAMA has also repeatedly confirmed its commitment to meeting the 140g/km target by 2009 and kept reduction trend until recently with new technologies development and their application to the market. The Commission has acknowledged, in its sixth annual Communication on the effectiveness of the strategy, COM(2006) 463 final, that KAMA met all the obligations stated in its Commitment and the car industry has, in doing so, delivered a sizeable contribution to the EU strategy for reducing greenhouse gas emissions and to its Kyoto reduction objectives.
- o "Result of the review of the Community Strategy to reduce CO<sub>2</sub> emissions from passenger cars and light-commercial vehicles", another communication published by the Commission, recognized that the CO<sub>2</sub> reduction under the Voluntary Agreement was mostly achieved by development of CO<sub>2</sub>-efficient vehicle technologies, while the contribution by the other two pillars, such as labeling and taxation, was either not visible or disappointing.
- o KAMA's Voluntary Agreement to reduce CO<sub>2</sub> Emissions from New Passenger Cars with the European Commission(1999) clearly states that "as long as its commitments are being honoured, KAMA is assuming that this Commitment provides complete and sufficient substitute for all new regulatory measures to limit fuel consumption or CO<sub>2</sub> emissions, and for

any additional fiscal measures in pursuit of the CO<sub>2</sub> objectives of this Commitment."

- o Despite all the CO<sub>2</sub> reduction efforts by the industry, the Commission, on Feb 7th, 2007, announced a proposal for regulatory approach for CO<sub>2</sub> reduction from vehicles without sufficient discussion with auto industry, disregarding the consistent efforts under the Voluntary Agreement, as a result, increasing CO<sub>2</sub> reduction burden on vehicle manufacturers for the future.
  
- **Integrated Approach for Achieving the Community Target of 120g/km**
  - o KAMA supports the adoption of integrated approach for achieving the Community target of 120g/km.
    - The conclusion of European Climate Change Program(ECCP) clearly indicates that the integrated approach, where all relevant stakeholders contribute to reducing CO<sub>2</sub>, can achieve the Community target of 120g/km most efficiently, rather than focusing on vehicle technologies development.
    - Even with the integrated approach, most of the contribution for reaching the Community target of 120g/km would still come from vehicle technologies.
  
  - o Clear and measurable targets can be set for traffic infrastructure improvement and eco-driving.
    - The independent study carried out by the Commission (TNO Task A final report) indicates that eco-driving is one of the most cost-effective measures for CO<sub>2</sub> reduction. KAMA urges the Commission to include such measure in the strategy to meet 120g/km target.

#### □ **Lead Time (Target Year)**

- o KAMA asks for the target year to be extended to 2015.
  - Korean vehicle manufacturers so far have made CO<sub>2</sub> reduction efforts based on the plan to meet the target 140g/km by 2009. As the Commission has announced that a legislative proposal for CO<sub>2</sub> reduction will be made by the middle of 2008, it is reasonable to think that the industry would not be able to expect legislative certainty until 2010, which is only 2 years prior to the Commission's proposed target year 2012. However, at least 5 years are required for vehicle manufacturers to develop new technologies or implement them cost-efficiently. Therefore, target year 2015 shall be adequate.
  - Moreover, KAMA calls on the Commission to align the timing of the CO<sub>2</sub> regulation with the implementation of EURO 6 as EURO 6 will require the development of a new generation of engines that will be more efficient in every respect including CO<sub>2</sub> emissions.

#### □ **Target Value for M1 Vehicles**

- o KAMA urges that 135g/km should be the target for M1 vehicles while 15g/km can be achieved cost-effectively through other measures.
  - According to the analysis carried out by the Commission under the ECCP, supplementary measures such as GSI(1.5Mt), MAC(1.0Mt), TPMS(2.0Mt), LRRT(2.4Mt), additional replacement of 1% of fossil fuel use by the use of biofuels(3.1~4.0Mt), can jointly reduce CO<sub>2</sub> by 10~10.9Mt (equivalent to about 15g CO<sub>2</sub>/km) more cost-effectively than engine technologies development.

## □ **N1 Vehicles**

- o KAMA asks the Commission to re-consider the CO<sub>2</sub> emissions reduction target and timing for N1 vehicles.
- Statistics for N1 vehicles are not sufficiently available. According to the TNO report "Measuring and Preparing Reduction Measures for N1 Vehicles (2004)", for KAMA, the portion of grey area found regarding the registration of M1 and N1 vehicles for both year 2000 and 2001 accounts for 6.3%(around 25,000 units), making it difficult to get accurate N1 CO<sub>2</sub> emissions data. With the limitation of the grey area, the TNO report assumes that KAMA's average N1 CO<sub>2</sub> emissions for 2002 fleet are 261g/km for gasoline vehicles and 236g/km for diesel vehicles. Given the baselines are so high, it is not feasible to reach the Commission's proposed targets of 175g/km by 2012 and 160g/km by 2015.
- Moreover, given the small volume of N1 vehicles, the financial burden for meeting the N1 CO<sub>2</sub> target proposed by the Commission is comparatively heavier for KAMA member companies than for other vehicle manufacturers with greater sales volumes, and therefore the Commission target would virtually undermine the market access of KAMA member companies.

## □ **Flexibilities in Achieving the Target**

- o KAMA calls on the Commission to allow group averaging, where compliance can be made by corporate group.
- o KAMA asks for credit and banking system, where manufacturers can earn credits if their average CO<sub>2</sub> emissions outperform the target and under-achievement can be offset by over-achievement of the same manufacturer.
- o KAMA urges the Commission to include auto industry in EU ETS from 2013 onward.

□ **Competition Neutrality**

- o Regulatory arrangements should not make difficult access to EU market for a certain vehicle manufacturer or vehicle type.
- o Fair and equitable CO<sub>2</sub> reduction burden among vehicle manufacturers should be implemented, for which the EU Commission should make a through assessment to determine the base of CO<sub>2</sub> emission standards.

□ **Technology Neutrality**

- o All types of CO<sub>2</sub> efficient technologies should be accepted equally in terms of contribution to CO<sub>2</sub> reduction, not favoring one type over another.

□ **Criteria for CO<sub>2</sub> Statistics Allocation**

- o KAMA calls on the EU Commission to provide clear and distinct criteria for CO<sub>2</sub> allocation rules to avoid grey areas.