

Stricter emissions limits jolt Europe's auto industry

March 4 2019, by Daniel Aronsson



The annual European Car of the Year prize went to Jaguar's new electric I-Pace model, marking only the second time in the 45-year history of the award that it has gone to a fully electric vehicle, after Nissan Leaf won in 2011

Electric vehicles will take centre stage at this year's Geneva Motor Show,

as automakers scramble to bring their fleets into line with strict CO2 emissions standards set to kick in next year.

Europe's biggest annual car show, which will open its doors to the media on Tuesday and to the public two days later, has long been synonymous with new lines of powerful and prestigious racing cars and shiny petrol-guzzling SUVs.

But even before the 2019 show got under way, it was clear that electric would be all the rage.

Monday afternoon, the annual European Car of the Year prize went to Jaguar's new electric I-Pace model, marking only the second time in the 45-year history of the award that it has gone to a fully electric vehicle, after Nissan Leaf won in 2011.

The show itself is set to be little more than a showcase for new electric concept cars, from small city autos by the likes of Citroen and Honda, to SUVs by Aston Martin, Audi and Mercedes, and even a new electric Volkswagen buggy.

Other carmakers will unveil brand new models, like Peugeot with an electric version of its popular 208, and Kia with a new compact crossover called e-Soul.

'Credible'

"Electric vehicle breakthroughs at Geneva have been predicted several times before in recent years but this time it is credible," Ferdinand Dudenhoffer, head of the Center Automotive Research in Germany, told AFP.

The first explanation is the introduction of far stricter CO2 emissions

limits that will kick in next year in Europe, he said.

A second, equally important, incentive stems from Volkswagen's pollution-cheating "dieselgate" scandal, which has hit demand for diesel-powered vehicles since 2015.

Until recently, carmakers turned primarily to diesel to bring down their emissions averages, but "there is no going back to diesel, so they have no other choice but to speed into the electrical era," Dudenhoffer said.

At the same time, electric cars are quickly becoming the norm in China, the world's biggest market for new vehicles, amid a major push by authorities.

Californian carmaker Tesla has meanwhile shaken up the high-end market by unleashing its Model 3 sedan, which in recent months has become the number one premium brand in the United States.

While Renault and Nissan, followed by Korean carmakers Hyundai and Kia, saw the electric writing on the wall early on, others are now being forced to follow.



And Californian carmaker Tesla has shaken up the high-end market by unleashing its fully electric luxury Model 3 sedan, which in recent months has become the number one premium brand in the United States

"In Europe, automakers are investing everything in electric, even if they don't believe in it, even if it is to sell them at a loss," said Tommaso Pardi, head of automobile research group Gerpisa.

Heavy fines

Automakers are at high risk of being hit with heavy fines of up to one billion euros (\$1.13 billion) if they do not follow the looming European limits that require a company's entire fleet to emit no more than 95 grammes (3.4 ounces) of CO₂ per kilometre on average per vehicle, according to a recent study by the BCG consultancy.

Over time, "if the carmakers do not sell enough electric vehicles, they will be ruined by fines," PSA chief Carlos Tavares warned Monday in an interview with the French daily Le Figaro, comparing the new emissions targets to "a threat that will lead to a Darwinian reaction."

The problem is that the market is still in the embryonic stage. Even if a wider supply in 2019 and especially in 2020 may prove stimulating, demand may too weak to support so many new electric models.

"More than 300 electric vehicles have been announced through 2025, that's a lot," said Thomas Morel of McKinsey.

Sales of electric cars in Europe jumped 50 percent from 2017 to 2018, but last year there were still just 25 models jousting for the continent's electric market, representing barely 1.3 percent of all new car registrations, according to the Jato Dynamics consultancy.

"This will grow exponentially, but we will still be talking about small volumes" in the short term, said Flavien Neuvy, head of the Observatoire

Cetelem, which conducts economic surveys in the global automotive industry.

Toyota vice president Didier Leroy told a news conference late Monday that the challenge was not technical "but to do it in the appropriate way and the affordable way for the customer."

Joking with French reporters later, he said: "If we don't find the solution we'll have to go into some other business."

Nissan's Leaf and Renault's Zoe registered the strongest sales in Europe last year, while Tesla held the global lead.

While small city cars and high-end luxury vehicles have successfully veered towards electric, "medium-sized and (medium-)priced cars are missing", said Guillaume Crunelle of Deloitte.

The problem, he said, is that the pricey batteries make electric cars expensive. But over time, the prices should drop below that of their petrol-fuelled counterparts, which Crunelle said should happen around 2022-23.

"That will mark the shift from a niche to the mass market," he said.

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Citation: Stricter emissions limits jolt Europe's auto industry (2019, March 4) retrieved 17 April 2024 from <https://phys.org/news/2019-03-stricter-emissions-limits-jolt-europe.html>

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