



MOCK Oral Presentation

AD5 - Economics

Participant Information



IMPORTANT NOTICE:

This exercise should be considered as an example of case study that could be used in the EPSO Assessment Centre. The problems have not been fully elaborated, but give a global overview of the type of problems you could be confronted with in a real assessment centre.

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EPSO - EN-INT - Mock OP - AD5 - EX - 170710 - V01.06

ASSIGNMENT

IMPORTANT NOTICE:

This is a fictitious document only produced for the purpose of this exercise. All references to existing states, international organisations, private companies, departments, their representatives etc. should be considered as mere examples. They do not represent any position of these bodies or persons.

Participants are therefore advised to rely solely on the information presented in the exercise and not on any prior domain expertise when responding to questions.

For this exercise you will assume the role of member of the Secretariat of the Committee on Industry, Research and Energy of the European Parliament. The documentation you need, is integrated in this booklet. You will find in it a certain number of e-mails, letters and other documents that you will have to analyse and integrate in order to be able to properly deal with the assignment given to you. This is your first day.

It is important that you accept the simulated situation as it is presented to you. Although in a real life situation you would have access to other sources of information and would be able to consult your colleagues, in this exercise you are limited to the information contained in the exercise documents. You are, however, allowed to make logical assumptions where information is missing or incomplete. You may rearrange the documents in any order you wish and add remarks or make notes as necessary.

The Oral Presentation aims at assessing the following competencies: Analysis and Problem Solving, Communicating (Oral communication), Delivering Quality & Results and Resilience. It does not require any previous knowledge to deal with the assignment or to solve the questions.

You have been entrusted with the task of preparing a compromise proposal concerning the EC's proposition on setting Emission standards for new passenger cars.

Your concrete task will consist in presenting a recommendation concerning the proposal described in this booklet. You should pay a particular attention to following questions:

- What are the stakeholders' points of view and suggested modifications on the main elements of the proposal?
- What are the differences between these points of view?
- What would you recommend as the ideal compromise between these different points of view?

You have 30 minutes to analyse the information, take note of the most important findings and prepare a presentation for the Rapporteur and your Head of Unit (role played by 2 assessors). After your preparation, you will have 10 minutes to present your recommendation followed by a 10 minute question and answer session during which the assessors will ask you specific questions in relation to your presentation.

Please note:

Today is October 25th 200X

Last year was 200X-1, next year will be 200X+1

ABBREVIATIONS USED

COUNCIL	Council of the European Union
EC	European Commission
EGAI	European Group of Automobile Industrialists
EP	European Parliament
EU	European Union
EU ETS	European Union Greenhouse Gas Emission Trading system
FET	Federation of Environment and Transport
GHG	Greenhouse gases
ITRE	Committee on Industry, Research and Energy
OEM	Original equipment manufacturer

BACKGROUND INFORMATION


The United Nations Framework Convention on Climate Change, approved on behalf of the European Community by the Council Decision 200X-14/57/COUNCIL of 21 November 200X-15, requires all parties to formulate and implement national and, where appropriate, regional programmes detailing measures to mitigate climate change. In this regard, the Commission proposed in February 200X-1 that the EU pursues the objective of a 30% reduction in greenhouse gas emissions by developed countries by 200X+12 (compared to 200X-18 levels). The EU should make a firm independent commitment to achieve at least a 20% reduction of greenhouse gas emissions by 200X+12 (compared to 200X-18 levels). This objective was endorsed by the Council and the European Parliament.

One of the implications of those commitments is that all Member States should significantly reduce emissions from passenger cars. Cars are an important part of the everyday lives of a large number of Europeans furthermore the automotive industry is a significant source of employment and growth in many regions of the EU. Car use also has significant impacts on climate change. Passenger car use accounts for about 12% of overall EU emissions of carbon dioxide (CO₂), the main greenhouse gas. Improvements in vehicle motor technology, in particular fuel efficiency, have led to a 12.4% fuel efficiency improvement between 200X-13 and 200X-4. However, improvements in fuel efficiency have been offset by increased demand for freight transport, and an increase in vehicle size. While the EU as a whole has reduced its emissions of GHG by approximately 5% over the period 200X-13 – 200X-4, and emissions have been declining in non-transport sectors, the CO₂ emissions from road transport have increased by 26%. Despite significant improvements in vehicle motor technology, in particular in fuel efficiency which results in lower CO₂ emissions, the demand for freight transport and larger passenger vehicles have grown. In the Community's view progress has been too slow in meeting the objective of average emissions from the new car fleet of 120 g CO₂/km.

In December 200X-1, the Commission submitted a proposal for setting emission performance standards for new passenger cars. In laying down harmonised rules the proposal aims to enhance the cohesion of the internal market for passenger cars by limiting the average permissible CO₂ emissions from the Community's new car fleet to 130g CO₂/km by 200X+4. Without harmonisation there is a high risk that the internal market be undermined by Member States taking unilateral action to improve the fuel efficiency of passenger cars and reduce CO₂ emissions. The Commission's proposal is part of an integrated approach, and will be complemented by measures delivering an additional 10g CO₂/km to meet the Community objective of 120 g CO₂/km as set out in Communication EC(200X-1)23.

The aim of this Regulation is to create incentives for the car industry to invest in new technologies. The Regulation actively promotes eco-innovation and takes into account future technological developments. The benefits are twofold, the competitiveness of the European Industry is enhanced, and further high skill, high-quality employment is created.

**MAIL MESSAGE**

From: Jörg Berlitz, Head of Unit, Secretariat of the ITRE of the EP
To: (Your name), Secretariat of the ITRE, EP
Cc:
Date: 25/10/200X
Subject: EC(200X-1) 749 final
Attachments:  Summary_EC_EP_Proposal.pdf

Dear (Your name),

First, I would like to welcome you very much to our team!

On 7 December 200X-1, the Commission submitted a Proposal for a Regulation of the Parliament and of the Council to set emission performance standards for new passenger cars. This initiative forms part of the Community's integrated approach to reducing CO₂ emissions from light duty vehicles.

In May 200X Elias Papalia, the Rapporteur, stated the EP's amendments to the EC proposal. He gave his opinion and expressed the EP's view based on a summary of the proposal that was prepared by Aaren Sutton, the Secretariat member assigned to this case. The first reading has passed and the proposal now needs to be evaluated by stakeholders that have a high interest in the subject area. It is at this stage that I have again appealed to Aaren Sutton to gather all relevant input from the stakeholders and to get an overview of the different views on this matter.

As I mentioned on the phone last Friday, Aaren Sutton has had an unfortunate accident and will be out of action for some time. She has already summarised the proposal of the EC and the EP and collected the points of view of the stakeholders involved. However she has not yet had time to summarise the different points of view, or to propose a compromise solution for the main topics in the proposal. I would like you to take over her responsibilities and to present your recommendations on the 27th October 200X.

If you have any questions, please do not hesitate to contact me.

Kind regards,

Jörg Berlitz



SUMMARY OF THE EC AND THE EP PROPOSAL

SUBJECT: SETTING EMISSION PERFORMANCE STANDARDS FOR NEW PASSENGER CARS AS PART OF THE COMMUNITY'S APPROACH TO REDUCE CO₂ EMISSIONS FROM LIGHT-DUTY CARS

OBJECTIVE OF THE PROPOSAL

The objective is to ensure the proper functioning of the internal market for passenger cars by laying down harmonised rules to limit the average CO₂ emissions for the new car fleet in the Community.

OVERVIEW OF DIFFERENT POSITIONS ON THE MAIN TOPICS

TARGET AND DATE:

EC proposal: Reduce CO₂ emissions to 130g CO₂/km by 200X+4 for the average new car fleet and a further reduction of 10g CO₂ by other technological improvements and by an increased use of bio fuels.

EP-proposal: Reduce CO₂ emissions to 130g CO₂/km by 200X+7 and a further reduction of 10g CO₂ by other technological improvements and by an increased use of bio fuels.

Specific emissions targets:

EC proposal: To maintain the diversity of the car market and its ability to cater for different consumer needs, CO₂ targets for passenger cars should be defined as a function of the utility of the cars on a linear basis. To describe this utility, mass is the most appropriate parameter for it provides a satisfactory correlation with present emissions and would thus result in more realistic and competitively neutral targets. In addition data on mass is readily available. The Commission proposes a 60% slope for the limit value curve which signifies that heavier cars are allowed higher emissions than lighter cars while preserving the overall fleet average as CO₂ emissions do not rise in parallel with increased weight.

EP-proposal: Specific emissions targets dependant on the mass of vehicle. Vehicle weight (mass) is the best parameter for the specific CO₂ targets. Using vehicle weight as a parameter will result in fewer distortions of competition than other parameters, such as 'footprint'. In Japan and China weight is already used as the basis for legislation on CO₂. The use of the 'footprint' parameter would lead to all vehicles on the same platform¹ being given the same CO₂ target, regardless of their specifications and body weight. Moreover, the 'footprint' parameter would place small and CO₂ efficient city-cars at a considerable disadvantage. The EP supports the proposed 60% slope for the limit value curve.

¹ Refers to cars in which track width multiplied by wheel base is equal.

Excess emissions premium (penalties):

EC proposal: If a manufacturer fails to meet its target, it will be required to pay an Excess emissions premium for each calendar year from 200X+4. The premium will be calculated by multiplying the number of g CO₂/km by which the manufacturer exceeded its target, by the number of cars newly registered, and by the Excess emissions penalty for the year. The excess emissions penalty will be paid on the whole fleet when average fleets exceeds 130g CO₂/km and this amount will be € 20 in 200X+4, € 23 in 200X+5, € 60 in 200X+6 and € 95 in 200X+7 and each subsequent year.

EP-proposal: The EC proposed fines of between €100 and € 475 per tonne of CO₂ are far higher than any conceivable trade prices for CO₂ certificates in the industry and energy sectors. Penalties should not have the effect of diminishing the industry's ability to innovate, but rather should provide an incentive for implementing measures, and possibly fund new measures, that would achieve the desired aim of reduced carbon emissions. The EP's proposed penalties of € 10 to € 40 per gram of CO₂ for newly registered cars (corresponding to a per tonne CO₂ price of up to € 200) should achieve this.

Introductory phase:

EC Proposal: No phase-in: 100% of the fleet needs to reach the target of 130g CO₂/km as of 200X+4.

EP proposal: The development of new models and new platforms will take at least five to eight years. In this light it makes sense to implement the measures incrementally over a transitional period of several years, and not by a specified date. Thus it is proposed that in 200X+4 a quarter of a manufacturer's new cars meet the targets, in 200X+5 a half, in 200X+6 three-quarters and by 200X+7 all new vehicles should achieve the target of 120g CO₂/km, including the complementary measures. This flexibility is required to allow manufacturers the necessary leeway for development and to facilitate alternative routes to adherence.

Long-term targets:

EC Proposal: No long term targets.

EP proposal: 95g CO₂/km by 200X+12.



MAIL MESSAGE

From: Giuseppe Caligiuri, Council
 To: Aaren Sutton, Secretariat of the ITRE, EP
 Cc:
 Date: 11/10/200X
 Subject: RE: Council position on EC(200X-1) 749 final

Dear Ms. Sutton,

I will be out of the office from tomorrow till the 29th of October 200X. I'm sorry I will not be able to set up a meeting in the next two weeks to give you the complete overview of the Council's position regarding the Commission's proposal. To give you some information, I am providing you with an overview of our position on the main topics of the proposal.

- **Phase-in:** 60% of fleet to reach 130g CO₂/km in 200X+4, 75% in 200X+5, 85% in 200X+6 and 100% as of 200X+7.
- **Long term targets:** Review in 200X+5 to reach a long-term target close to 95g CO₂/km in 200X+12 (+ new modalities for slope, utility parameter and penalties).
- **Specific emission targets:** we propose the same as the Commission. Targets should be based on vehicle mass.
- **Penalties:** Penalties depending on deviation from 130g CO₂ until 200X+7. Penalty per exceeded gram: € 25 for a deviation of up to 3 grams, € 40 for deviations of up to 6 grams, € 80 for a deviation exceeding 6 grams. From 200X+7 rate per gram exceeded: € 25 for a deviation of up to 3 grams, € 95 for a deviation exceeding 3 grams.

I hope this will provide you with some of the necessary information for you to propose a compromise solution. We can arrange a meeting when I am back from holiday if you have any further questions.

Kind regards,

Giuseppe Caligiuri

----- Reply from Giuseppe.Caligiuri@consilium.europa.eu- 11/10/200X -----

From: Aaren Sutton, Secretariat of the ITRE, EP
 To: Giuseppe Caligiuri, Council
 Cc:
 Date: 10/10/200X
 Subject: Council position on EC(200X-1) 749 final

Dear Mr. Caligiuri,

I am contacting you concerning the EC's proposal for a regulation of the European Parliament and of the Council on setting emission performance standards for new passenger cars as part of the Community's integrated approach to reduce CO₂ standards from light-duty vehicles.

The first reading has passed and now I have to collect the points of view of the different stakeholders to propose a compromise solution which I need to put forward on the 27th October 200X.

I would like to set up a meeting with you to discuss the Council's position on the EC's proposal. Would you be willing to do this before the 22nd October 200X? This would give me the time to integrate the different stakeholders' views in my proposal.

Kind regards,

Aaren Sutton



POSITION PAPER

EGAI ADOPTS A POSITION ON KEY ISSUES REGARDING THE EC PROPOSAL ON SETTING EMISSION STANDARDS FOR NEW PASSENGER CARS AS ADOPTED BY THE COMMISSION ON 7TH DECEMBER 200X-1

PHASE-IN

The industry needs a phase-in from 200X+4 to 200X+7 to meet the proposed CO₂ targets. If the percentage of the fleet to be covered by the measures has to increase incrementally (25/50/75/100%), compliance with the proposed CO₂ targets (on average 20% reduction across the fleet) will require a fundamental redefinition of product strategies and car designs. Such a change will require a progressive introduction for the various models. The development phase of a typical car is 5 to 7 years from concept definition until start of production and the typical production cycle is 6 to 7 years. Of the new cars sold in 200X+4: nearly 2/3 are already in execution or production phase (no significant modifications possible) and about 1/3 is already in concept phase (only limited modifications possible).

EGAI asks for a phase-in from 200X+4 to 200X+7, concerning an increasing proportion of cars covered year-on-year.

LEVEL OF COMPENSATION PAYMENT

The manufacturers' objective is to comply with the regulation and not to pay compensation payments. Should compensation payments (Excess emission compensation) be part of the legislation, EGAI asks for fair treatment of the automobile industry in comparison with other sectors. The Commission's proposed Excess emissions premiums levels (up to € 95/g in 200X+7) are vastly out of line with CO₂ abatement costs and compensation payments in other EU sectors/policies and internationally.

- Assuming that a car drives 200,000 km over lifetime → 1 g of CO₂/km corresponds to 200kg (0.2 tonne) of CO₂ over lifetime → € 95 per g and car equals € 475/tonne CO₂
- Illustrative example of resulting financial burden for Car Manufacturers (for 1g distance to target):
 - Company Y: € 95 x 1g x 3 million car sales = € 285 Million

Today the CO₂ certificate price is below € 1/tonne in EU ETS with a compensation payment of € 100/tonne. Furthermore, the European Commission assumes, in the green public procurement draft directive, external lifetime costs for CO₂ of € 20/tonne.

If so, Excess emissions premiums should be used to finance both incremental research (e.g. clean and energy efficient thermal engines, integrated safety systems) and innovative technologies (e.g. hydrogen and fuel cells, development of rechargeable hybrids, second generation bio fuels).

EGAI asks for fair treatment of the automobile industry in comparison with other sectors, should compensation payments be part of the legislation.

TARGET

The EGAI Board, consisting of the CEOs of all thirteen members', reiterated that the target of 130 g CO₂/km is not feasible by 200X+4 through vehicle technology alone, as proposed by the European Commission. Furthermore, the vehicle industry needs an appropriate lead-time ahead of a legislative

framework because of long development and manufacturing cycles. European manufacturers operate in a fiercely competitive environment and their investment and innovation capacity should not be crippled. The first feasible date for implementation of new legal requirements is 200X+7. EGAI members will increasingly implement CO₂-cutting technology such as gear-shift indicators, tyre pressure monitors, efficient air-conditioning and light-weight car parts to ensure consistent carbon reduction in the coming decade.

EGAI asks for the target to be 200X+7.

WEIGHT AS PARAMETER

Within a future policy framework, cars should remain accessible to consumers to ensure fleet renewal. The effect of possible legislation should be neutral as far as competition between manufacturers is concerned. CO₂ reductions from cars should be related to the differentiation in the car portfolio of the EU manufacturers, with weight as the most suitable parameter. Manufacturers should be able to average the CO₂ performance of their fleet. Weight is the most suitable parameter for the following reasons; it is easily monitored; it is already used in Japan and China, where it has not led to an increase in mass since introduction of a mass-based legislation; it limits the (dis)advantages of certain types of cars & OEMs and it shows a better correlation to CO₂ emissions than other parameters.


Further aspects pro weight are the following:

- Weight does not penalise the installation of safety features:
 - A footprint based system would assign the same CO₂ target to a car with or without safety features → footprint penalises the installation of safety features.
- Weight does not restrict vehicle design freedom:
 - The market demands a wide range of vehicle designs concerning the footprint in relation to shadow area which is an indicator of the use of the vehicle (transport capacity for persons and goods) and a measure of how much space a vehicle takes up in traffic.
 - A footprint based system would restrict freedom in vehicle design and the high diversity of product portfolios.
- Particularly front-wheel drive vehicle designs tend to have a longer front end overhang compared to rear driven vehicles:
 - Resulting in a shorter wheelbase.
 - A footprint based system would penalise front-wheel drive vehicles.

EGAI asks for the use of a weight-based system.



MAIL MESSAGE

From: Gerard Mannion, FET
 To: Aaren Sutton, Secretariat of the ITRE, EP
 Cc:
 Date: 3/10/200X
 Subject: RE: Position EC(200X-1) 749 final
 Attachments:  Weight-based standards

Dear Ms. Sutton,

Thank you for the overview, I have just one comment regarding the Targets and Timetables that must be addressed:

- The Commission has weakened the long-standing target of 120 g/km to 130 g/km by 200X+4. The 120 g/km figure was first proposed in 200X-13, originally with a 200X-3 deadline. 130 g/km by 200X+4 already represents a seven-year postponement and a 10 g/km watering down of the standard, resulting in an extraordinary 17-year lead-time. This is the reason behind our statement seeking to reach the target of 120g CO₂/km by car measures alone in 200X+4.

We have indeed reached an agreement concerning the parameters used to set specific emission targets. We have reached this position in the interest of both the environment and the manufacturers. Our position is the following:

Parameter and limit value curve

- **No weight-based CO₂ standards**

Such standards penalise those car manufacturers that produce lighter vehicles. A lighter vehicle is one of the most significant means of reducing both CO₂ and fuel consumption. Such standards will make the regulation more costly, less effective, or both, and will not be beneficial in terms of safety. The reason that weight reduction is so important for energy efficiency is basic physics: the greater an object's mass, the larger the amount of energy required to move it. In car design, lighter vehicles use less energy to accelerate: they use less energy to overcome the friction between the tyre and the road surface and also use less energy to climb uphill.

Under the proposed system, weight reduction - one of the most important methods of cutting CO₂ - is severely penalised. A weight-based system reduces the number of compliance options open to car manufacturers, and therefore makes for a less effective and/or more costly principle.

I have inserted a document in attachment to state our vision.

- **Footprint-based standards**

It is preferable to base CO₂ standards on the vehicle 'footprint' (track width multiplied by wheel base). Footprint based standards leave more options open for to reduce CO₂ and such standards do not penalise weight reduction as a compliance option.

Should you have any further questions, please do not hesitate to contact me.

Kind regards,

Gerard Mannion

----- Reply from Gerard.Mannion@FET.com - 03/10/200X -----

From: Aaren Sutton, Secretariat of the ITRE, EP
To: Gerard Mannion, FET
Cc:
Date: 2nd October 200X
Subject: Position EC(200X-1) 749 final

Dear Mr. Mannion,

Following our meeting on the 24th September 200X regarding FET's position on the EC's proposal, I have listed the shortcomings you cited.

These are the main shortcomings that we discussed:

Targets and time tables:

- **120g CO₂/km by vehicle measures alone in 200X+4**
The target should be met with vehicle measures alone.
- **80 g CO₂/km by 200X+12, 60 g CO₂/km by 200X+17**
It is crucial to set longer-term limits now for new cars sold in the EU to achieve the necessary cuts in greenhouse gases and to give the industry some future certainty. Fleet-average CO₂ emissions of 80 g CO₂/km by 200X+12 and 60 g CO₂/km by 200X+17 are needed.

Penalties:

- Manufacturers that fail to meet the standard should face a penalty high enough that compliance is preferable to payment. A penalty in the range of € 150 per g CO₂/km 'overshoot' per car will ensure that. The full application of the penalties should be enforced as of 200X+4. To postpone the penalties is to postpone the targets.

You mentioned during our meeting that the parameter for specific emission standards still needed to be discussed by the members of your federation on September 30th 200X. Did you reach agreement on this matter?

Kind regards,

Aaren Sutton

WEIGHT-BASED STANDARDS PENALISE WEIGHT REDUCTION

Under the Commission's proposed weight-based system car manufacturers producing lighter cars will be penalised by the tougher CO₂ standard. This creates a very serious problem.

The table below illustrates the result of a car reducing its weight by 100 kg in accordance with the weight-based system proposed by the Commission.

	Weight (kg)	CO ₂ target for 200X+4 under EC proposal (g/km)	Actual CO ₂ emissions (g/km)	Emissions reduction made (g/km)	CO ₂ reduction needed to reach target (g/km)
VW Golf 200X-1	1376	134	139	/	5
VW Golf (100 kg lighter)	1276	129	131	8	2

The table shows the example of a VW Golf, a typical family car weighing 1376 kg. This car would have to reduce its CO₂ emissions by 5 g/km to reach its target of 134 g/km by 200X+4 under the Commission-proposed weight-based system. Reducing the car's weight by 100 kg would take it from 139 to 131g, exceeding the original target by 3g. But bizarrely, that same weight reduction would result in a penalty in the form of a tougher CO₂ target. Even after reducing CO₂ emissions by more than required, the Golf would still have to limit emissions by an additional 2g.