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EU reaches compromise deal on car emission caps

Deal gives European car makers more time to cut CO2 emissions from new vehicles and relaxes penalties for pollution but ties them into a more ambitious longer-term target

Ian Traynor in Brussels

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European leaders have agreed a deal relaxing new rules to cut car pollution and reduce the penalties for the [automotive industry](#) if their vehicles continue to spew out high levels of carbon dioxide, while setting a more ambitious longer-term target for slashing emissions from new cars.

Under the deal reached by French officials and members of the European parliament late on Monday, the big European car companies will be given a longer leeway to reduce CO2 emissions from new cars while fines levied on those breaking the new law have been dramatically cut.

Green pressure groups denounced the deal as capitulation to the powerful car lobby led by Germany. But EU officials, MEPs and European governments hailed the agreement as a breakthrough in a crucial part of the EU's ambitious [climate change](#) package.

"This is one of the most important results the EU is bringing to the [UN climate change] conference in Poznan," said Guido Sacconi, an Italian socialist MEP who led the negotiations with the French government that currently holds the EU presidency.

Monday night's agreement comes the week before a major EU summit which is supposed to approve the European climate change package aimed at cutting greenhouse gases by 20% by 2020. The complex negotiations surrounding four pieces of legislation which are to make the targets binding for 27 countries and European industries have hit several hurdles.

Frantic mediation is going on in Brussels, with the French haggling with the parliament and with the 27 governments over renewable energy commitments, the EU's emissions trading scheme, the auctioning of permits for the scheme, whether or not they should be free or which industries should be exempted. Another thorny issue is over how to finance around a dozen pilot carbon capture and storage schemes, which would bury the emissions from coal-fired power stations.

Poland and eight other central European countries are in an insurrectionary mood, complaining that wealthy western [Europe](#) should bear the brunt of the package, that their electricity bills will rocket if they sign up for the scheme and that Poland in particular is being unfairly penalised because 94% of its electricity is coal-based.

Italy is also threatening to block agreement on the grounds that the package will prove too expensive at a time of economic recession. Germany is also driving a hard bargain.

"This will go down to the wire at the summit," said an EU diplomat.

President Nicolas Sarkozy of France is to go to Gdansk on the Baltic coast at the

weekend to try to finesse a compromise with the nine central European countries in what a senior Polish official described as "the moment of truth".

Despite the air of tension and nervousness in Brussels, the agreement on car pollution suggests that Sarkozy will cobble together an overall package that preserves the key targets – a 20% reduction in greenhouse gases with 20% of Europe's energy mix also coming from renewable sources by 2020.

The conflicts are not over the targets, but over how to achieve them and how to divide the costs and burdens.

In the case of the rules for car emissions, the initial proposals from the European commission last year called for all new cars were to emit 130g/km of carbon dioxide by 2012, as an average across a manufacturer's fleet. That compares to current levels of almost 160g. Cars are responsible for around 10% of Europe's CO2 emissions.

Under the compromise now reached, the targets are being staggered over three years – two-thirds of cars are to reach that target by 2012, three-quarters by 2013, 80% by 2014 and all by 2015.

Fines on companies exceeding the target were to have kicked in at €20 per excess gram on a rising scale, but are now to start off at €5.

Yesterday's deal also set a new and lower target of 95g/km for emissions by 2020 - that had not been stipulated in the draft legislation.

Smaller or niche car manufacturers that produce only high emission vehicles, such as the UK's Jaguar and Landrover, will be able to ask for special "derogations" exceeding the mandatory targets as long as they reduce emissions by 25%.

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