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10 DOWNING STREET

From the Private Secretary

1 July, 1985.

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VEHICLE EMISSIONS

The Prime Minister held a meeting today to discuss EC standards for vehicle emissions. Present were the Secretaries of State for Trade and Industry, the Environment, and Transport, Mr. Rifkind, Mr. Waldegrave, and Mr. Butcher. Also present were Sir Robin Nicholson and Mr. Williamson (Cabinet Office).

The Secretary of State for the Environment said that negotiations at last week's Council in Luxembourg had proved very difficult as it became apparent that the Germans were resiling from the agreement provisionally reached at the Council on 20 March. Discussion had centered on the standards to be set for the middle range of cars between 1.4 and 2.0 litres. Prompted by the UK, the French had suggested combining the limits for hydro carbons and NOx. The combined limit had the advantage that any additional improvement in hydro carbon emissions would contribute to an easing of the NOx limit. At its discussion in March, E(A) had agreed that the UK should accept an outcome which was achievable with lean burn technology. The figures for Option 2 in the papers for that meeting had implied a range of 7-12 grammes per ECE test for hydro carbons plus NOx, although they were expressed separately at that time.

Following difficult negotiations a combined figure of 8 grammes per ECE test had emerged. It was believed that this was the lowest to which the Germans were prepared to go. The alternative was, therefore, no agreement or a different arrangement in which the market was divided at the 1.7 litre mark, with three-way catalysts for the larger cars so defined. After consulting the Ministers in London, Mr. Waldegrave had agreed to the 8 gramme limit ad referendum to his colleagues. The Secretary of State for the Environment believed that this agreement was not only within the E(A) remit, but was better than no agreement or an agreement which denied lean burn technology to the medium-sized cars. He recommended that the UK representative at the COREPER meeting on Wednesday should be authorised to lift the reserve.

The Secretary of State for Transport strongly supported lifting the reserve. He believed that the outcome of the negotiations was a successful one for the UK, and that BL

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and Ford should be able to meet the standards set. The Government should not allow BL to use the issue to bargain for an expansion of its capital expenditure programme.

The Secretary of State for Trade and Industry said it was not clear whether the standards could be met by lean burn technology alone. This would force the motor industry to continue a costly, and perhaps unnecessary, catalyst development programme as a safeguard. He had advised that the UK should not sign up on standards which BL did not believe it could meet. He pointed out that Ford was spending £150 million on a catalyst programme which BL would have to match. Before the UK agreed to lift its reserve, answers were required to a number of questions. Would Germany adhere to this agreement or would they opt for still higher standards? What standards would France, Italy and Spain adopt? There were also a number of technical questions to be resolved, such as the definition of the European Test Cycle, and the tolerance being allowed for automatic transmissions.

In discussion doubts were expressed about how much BL would need to spend on achieving the standards suggested. Much of the development of catalysts had been undertaken by Johnson Matthey for the industry as a whole. The proposed standards could still be achieved with a single catalyst though this might have to be rather more advanced than originally envisaged.

Summing up the discussion, the Prime Minister said the balance of advantage lay in confirming the agreement provisionally reached in Luxembourg. The UK representative at COREPER should be authorised to say that the UK was likely to raise its reserve at the next Council. In the meantime, the Council working group should be convened as soon as possible to clarify the issues raised by the Secretary of State for Trade and Industry. The UK should seek to agree with France, Italy and Spain that higher emissions than those specified in the directive would be permitted in their markets.

I am sending copies of this letter to Len Appleyard (Foreign and Commonwealth Office), John Mogg (Department of Trade and Industry), and Richard Allan (Department of Transport), and to Sir Robin Nicholson and Mr. Williamson (Cabinet Office).

Andrew Turnbull

John Ballard, Esq.,
Department of the Environment.