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MR POWELL

EUROPEAN COMMUNITY VEHICLE EMISSION STANDARDS

I attach a brief for the Prime Minister on E(A)(85) 12 for the meeting of the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Economic Affairs at 11.30 am on 1 March.

I am sending copies to Sir Robert Armstrong, Peter Gregson and Sir Robin Nicholson.

D F WILLIAMSON

28 February 1985

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MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY, SUB-COMMITTEE
ON ECONOMIC AFFAIRS

EUROPEAN COMMUNITY VEHICLE EMISSION STANDARDS (E(A)(85) 12)

Brief for the Prime Minister for meeting at 11.30 am on 1 March

PURPOSE OF MEETING

1. To decide the United Kingdom line on the proposed Vehicle Emissions directive at the Environment Council on 7 March.

BACKGROUND

2. E(A)(84) 28th meeting on 28 November 1984 decided that the United Kingdom should insist that the proposed new directive providing for tighter vehicle emissions should be permissive - ie it should set maximum standards which individual member states need not apply in their own markets if they did not wish. E(A) also agreed that for cars over 2 litres the United Kingdom could accept permissive maximum standards equivalent to United States standards ie requiring 3-way catalysts. For all other cars, however, the United Kingdom should oppose standards requiring 3-way catalysts, even on a permissive basis.

3. Since the United Kingdom does not intend to require 3-way catalysts for any cars in its own market, what is in issue is not United Kingdom car production or sales but United Kingdom car exports to Western European countries. More specifically, as we have already decided that we could accept US emission standards for large cars (over 2000 cc) and, if we negotiate firmly, we should be able to get agreement to standards for small cars (below 1400 cc) not requiring catalysts, the issue could narrow down to the formulation of improved permissive emission standards which could affect our exports of medium cars (1400 - 2000 cc). Although these cars are important in the home market, our exports are small.

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4. As a result of subsequent negotiations by a High Level Group of officials in Brussels, there are now two options on the table which member states will be asked to consider at the 7 March Environment Council. These are set out in the annex to E(A)(85) 12. Any decision will need to be taken by unanimity. Both options propose US standards as the permissive maximum for large cars, ie a position which is in accordance with the conclusions of E(A), and there is unlikely to be any disagreement within the Community on this point.

5. For small cars (below 1400 cc) and medium cars (1400 - 2000 cc):

Option 1 provides for US standards to be the ultimate aim, in the case of medium cars not later than 1992, and in the case of small cars by a date to be decided later.

Option 2 provides for the adoption of tighter standards (not yet precisely defined) in a two stage approach but with no decision to go beyond standards which can be achieved without 3-way catalyts.

6. The Germans, supported by the Danes, oppose both options as not tough enough; they want US standards introduced for all cars by 1989. The French and Italians prefer option 2. Unlike the United Kingdom (for whom the main Community markets are France, Italy and the Republic of Ireland), France and Italy are chiefly interested in the German market, especially for small cars. Therefore, both are showing signs of readiness to do a deal which goes some way towards the German position on medium cars - ie by accepting option 1 or a variant of it for cars in the 1400-2000 cc range - in exchange for option 2 for small cars. The French and Italian desire to seek a compromise acceptable to the Germans has been increased by a German threat to introduce unilaterally in July 1985 fiscal incentives for the purchase of cars of all sizes which meet US emission standards. Other member states are likely to fall in with whatever solution is acceptable to the big four.

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7. Further background, including the volume of United Kingdom car exports and the specific emission standards under discussion, is contained in the attached note by officials (flag A).

MAIN ISSUES

8. In E(A)(85) 12, the Minister of State, Department of Trade and Industry (Mr Lamont) proposes that at the 7 March Environment Council the United Kingdom should reject option 1 for both small and medium cars and support option 2. The main issues for consideration are:

(i) whether option 2, or a variant of it, should be the United Kingdom's position for both medium and small cars;

(ii) the implications of blocking a decision at the 7 March Council;

(iii) whether at the end of the day the United Kingdom would be better off with no directive rather than an unsatisfactory one;

(iv) what, if anything, can be done about German fiscal incentives.

Should the United Kingdom support Option 2?

9. Option 2 is basically the United Kingdom's own option for lean burn and not 3-way catalysts, and there is certainly no chance of negotiating any less rigorous standards than those proposed in it. Ford (UK) have indicated that they can accept option 2. Although the Chief Executive of British Leyland has expressed a marginal preference for turning down even option 2, there is no real indication that British Leyland have thought through the cost of the alternative of no directive. Most members of E(A) are therefore likely to accept that option 2, as it does not involve 3-way catalysts but could be met by lean burn, is in line with the previous conclusions of E(A) and should be supported.

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10. Option 2 may prove negotiable for small cars, as there will be strong French and some Italian support for the United Kingdom position and the Germans have indicated that they are prepared to show some flexibility on small cars. If so, we should pocket this as soon as possible. Both France and Italy, however, are likely to move towards option 1 for medium cars, if they get option 2 for small cars. If so, they may seek the longest negotiable deferment or a commitment to US levels but with a decision on the timescale deferred to a later date.

Implications of blocking a settlement on 7 March

11. There will be considerable pressure for a settlement at the Environment Council on 7 March. The support which the United Kingdom has received from France and Italy will probably not be sustained for medium cars. It is possible that we may be faced by some sort of deal done between the French and Germans at the Franco-German summit involving German concessions on small cars in exchange for US standards on medium cars. If so, the United Kingdom may find itself isolated in blocking agreement. In these circumstances the matter is likely to be taken to the European Council on 29-30 March, where we shall come under pressure to accept a deal which departs from option 2. Other heads of government will stress that, as the directive is permissive, we shall not ourselves be obliged to impose the new standards in our own market and our export interest (particularly in medium cars) is small. It is unlikely that the Germans will take any unilateral measures to introduce US standards in their market before the European Council.

Unsatisfactory directive or no directive

12. If agreement is not possible on the basis of option 2, it will be within our power to block a directive, as it must be adopted by unanimity. It is a fine judgement whether or not we would be better off with no directive or with a directive which was acceptable for large and small cars but allowed US standards on a permissive basis for medium cars. In either case there could be a divided market as some countries would be likely to impose US standards and some not.

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a. No directive: the Secretary of State for Transport (his letter of 26 February at flag B) expresses the view that, in the absence of a directive, the Germans would not act unconstitutionally by unilateral imposition of US standards. Most other observers, both here and in France and Italy, believe that the Germans will feel politically obliged to act unilaterally, probably imposing US standards at an early date for all cars. Denmark and most EFTA countries would be likely to follow suit. It would be open to the Commission or another member state to bring a case against Germany in the European Court. Any such case would take some time, during which the new standards would become well established. Such a case might serve to deter France and Italy from following the German lead.

b. An unsatisfactory directive: insofar as a directive either delayed the imposition of US standards or avoided their imposition for small cars, it could have advantages over no directive as it would restrain the Germans and other Community members from early introduction of US standards for all cars. On the other hand, insofar as a directive did allow the imposition of US standards, a larger number of Community members than otherwise might adopt these standards. It is still uncertain, however, whether they would be imposed in the important French and Italian markets. In view of the very high political importance of this issue to Chancellor Kohl, a unilateral United Kingdom blockage of a permissive directive would probably spill over into other areas of our bilateral and Community relations.

13. As for the views of the United Kingdom industry, Ford, while preferring option 2, have said that they would nevertheless tool up for the divided market which would be created by either an unsatisfactory directive or no directive; they have not, however, expressed a preference between the two alternatives. British Leyland have indicated that they would prefer no directive. Either way, they are likely to argue that changes will need to

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be made to their corporate plan; however, the £250 million figure mentioned in E(A)(85) 12 has not been backed up by any supporting evidence. Their position in favour of no directive may be partly an attempt to improve their bargaining position for extra funds should the Government accept a directive which is not totally satisfactory.

German fiscal incentives

14. The Germans propose to introduce fiscal incentives for all cars meeting US standards from July 1985. The effects of these incentives are not easy to judge. The Secretary of State for Trade and Industry is likely to argue that they will result in the de facto introduction of US standards throughout the German market. The Secretary of State for Transport believes that they will work badly.

15. The United Kingdom has already asked the Commission to take action against the German measures under Articles 92 and 93 of the EEC Treaty (which forbid state aids except in certain closely defined circumstances). Whether these incentives are in fact illegal state aids in terms of Articles 92 and 93 is, however, uncertain, and there may be no way of preventing their introduction. Clearly, the United Kingdom should press ahead with its opposition to the German incentives. But if the Germans appear ready to accept a reasonable Community directive provided they can introduce their fiscal incentives - possibly with a delay for small cars - a deal of this sort might be worth considering. Although it would mean that a large part of the German market would be lost except for cars with 3-way catalysts, it could be argued that this would be bound to happen anyway and that we should at least be better off vis-a-vis other more important European markets.

HANDLING

16. The Secretary of State for Trade and Industry and the Minister of State (Mr Lamont) will introduce their paper. The
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Secretaries of State for Transport and the Environment will also wish to give their views. The Minister of State, Foreign and Commonwealth Office (Mr Rifkind) may wish to comment on the likely German reactions to any blocking of agreement on a directive, and on the implications of the matter coming to the European Council. The Chancellor of the Exchequer may wish to comment particularly on the possibility of British Leyland seeking extra funds. The Secretary of State for Energy may point out that the proposed directive also lays down dates for the introduction of cars which can run on unleaded petrol; if, therefore, it falls, this will have to be covered in some other way.

CONCLUSIONS

17. You may wish to reach conclusions on the following points which are directly relevant to the United Kingdom's position at the March European Council -

(i) that the United Kingdom will only accept a directive if it is permissive, not mandatory;

(ii) whether the United Kingdom should support option 2, (possibly with minor changes) for

(a) small cars and

(b) medium cars

even if isolated at the Environment Council;

(iii) whether, while maintaining our declared opposition to German fiscal incentives, we should explore informally the possibility of a deal on fiscal incentives in exchange for a reasonable Community directive.

18. If, as seems possible, we can get option 2 for small cars but not for medium cars, it may be desirable to give to United Kingdom Ministers at the Environment Council some discretion on the wording on medium cars, in case there should

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be an opening for agreement. - If there is no agreement, it would be necessary to decide later, after the Environment Council, whether the United Kingdom's interest would best be served by continued blocking of the directive or by negotiating the best available deal on medium cars.

Cabinet Office

28 February 1985

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VEHICLE EMISSION LIMITS: STATE OF THE NEGOTIATIONS

Note by Officials

I. BACKGROUND

1. Since 1970 the Community has increasingly tightened permissible levels of emission from new car exhausts. The last harmonised standard directive was adopted in 1983 and provides for standards close to the limits of current technology excluding catalysts by 1986 (line A of Annex I). In June 1984, in response to German pressure, the Commission proposed the two stage application of still tighter Community standards. Stage 1, beginning in 1989, was to involve standards which all major European manufacturers had said they could meet in the timescale (line B of Annex I). Limits equivalent (taking account of Community conditions) to United States Federal emission standards, requiring 3-way catalysts, would then be introduced in 1995 (line C of Annex I). This did not, however, satisfy the Federal Republic of Germany, which in October 1984 announced its intention to introduce US emission standards from 1988 for new cars of 2 litres or more, and from 1989 for all other new registrations; and to introduce fiscal incentives in 1985 to encourage purchase of cars conforming to those standards.

United Kingdom approach

2. In the view of the United Kingdom a cost-effective reduction in European vehicle emissions would be environmentally prudent. We are therefore strongly in favour of the development of lean burn engines which combine better fuel savings with lower emissions. We do not consider that the expensive addition of 3-way catalysts, which raise costs for the consumer by incurring fuel penalties and reduce vehicle efficiency, are the right way forward.

3. E(A)(84)28th Meeting on 28 November 1984 agreed that the United Kingdom's objective in the Community should be to move towards a tightening of vehicle emission standards by cost-effective means, without damaging the development of lean-burn technology and without any mandatory requirement for 3-way catalysts. E(A) agreed, however, that the United Kingdom could accept non-mandatory Community standards involving 3-way catalysts for cars over 2 litres (the range at which US standards would cause least problems for the British industry, and at which lean burn would be least capable of substantial emission reductions).

4. United Kingdom officials, with French and Italian support, therefore evolved a compromise two-stage proposal which it was hoped could form the basis for Community agreement. For cars below 2 litres, introduction by 1989 of the Commission's stage 1 standards was proposed, followed by the introduction in the mid 1990s of further improvements, the details to be decided but capable of being met without 3-way catalysts (lines D and G of Annex I). For cars over 2 litres the United Kingdom compromise provided for introduction by 1989 of US emission levels, in accordance with the E(A) decision. All these standards, however, would be permissive and member states could set less stringent levels for their own markets.

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5. There is some pressure now to make mandatory any standards which may be agreed. This would be a sticking point for the United Kingdom, as we do not want 3-way catalysts to be compulsory on any cars in our market. It is important to keep in mind that, provided that the permissive character of the directive is maintained, what is in issue in this debate is a decision on stricter Community standards which will be applied in Germany, Denmark, Netherlands, possibly Belgium and Luxembourg, and the EFTA countries. They may also be applied in France and Italy. They will not be applied (unless the Government rules otherwise) in the United Kingdom.

Position of other member states

6. There have been continued negotiations in the High Level Official Group in the Community on both the British approach and other proposals with a view to the drafting of a Presidency paper with recommendations for the Environment Council on 7 March 1985. The Germans, supported by Denmark, have continued to press for introduction of US standards for all cars by 1988 or 1989. The French and Italians have broadly supported the United Kingdom approach. However, whereas the United Kingdom's chief export markets in the Community are France and Italy (see Annex II) and our main interest is in maintaining these markets open, the important export market for France and Italy is Germany. They are therefore both ready to move nearer to the German position in different respects. The French are particularly keen to ensure that cars below 1400 cc should be subject to standards which can be met without catalyst technology and are less concerned about larger cars. In the last resort, therefore, they will be prepared to make concessions to the Germans on medium cars in the interests of an acceptable deal on small cars. They will have been encouraged by the fact that the only area where the Germans have shown any hint of flexibility is the small car range (where 3-way catalysts make least economic sense). The Italians are also mainly interested in small cars and are most concerned that the delays for adoption of US emission standards should be as long as possible. While, therefore, it is clearly in our interest to maintain as effective an alliance as possible with the French and Italians, this may not be sustained. Other member states will probably accept whatever is agreed by the big four.

II. CURRENT STATE OF THE NEGOTIATIONS IN THE COMMUNITY

7. Member states generally consider that different approaches should be adopted for large, medium and small cars.

Large cars

8. There is general agreement that the big car range should be defined as cars of 2000 cc and above, despite German pressure for the minimum to be lowered to 1800 cc. In this range, it is also agreed that standards equivalent to current (1985) United States Federal emission standards - ie necessitating the use of 3-way catalysts - should be introduced as part of an acceptable overall package. This position is in accordance with the conclusions of E(A). The only outstanding point of disagreement is over the date of introduction of the new standards. Germany is pressing for 1988; the rest of the Community would agree to 1989. There are signs that France would be prepared to concede the German demands on this point in the context of a satisfactory final package. We should continue to seek agreement on 1989 as the year of introduction for these standards for cars over 2000 cc, but this is not a sticking point for us.

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Small cars

9. A consensus may be within sight on small cars. There is still disagreement as to whether the top of the small car range should be 1100 cc (as proposed by Germany and the Netherlands) or 1400 cc (as proposed by the UK, France and Italy). The Germans have given some indications that they would be prepared to agree to 1400 cc as part of a package. Given that the standard for small cars is likely to be less rigorous than for medium cars, there is clearly advantage in aiming for the top of the small car range to be set as high as possible.

10. As for the standards to be set for small cars, there is general agreement on a two stage approach. Agreement is also within sight that the first stage should begin in October 1989, and that standards should by then correspond at least to those in Stage 1 of the Commission approach (line B of Annex I). Such standards could be achieved without catalyst technology of any kind, and are acceptable to both British Leyland and Ford (UK).

11. There is still disagreement on the second stage. The two options currently on the table (although they may be modified before the Environment Council) are:

Small car option 1:

"before the end of 1987 the Council will take a decision on the basis of a Commission proposal and in the light of technological developments, on as early a date as possible for the application of standards equivalent to United States emission standards" (line H of Annex I);

Small car option 2:

"as soon as possible and taking account of technological development, the Council will decide on a date, not later than 1.10.1994, for the application of a substantial new reduction in pollutant standards" (line I of Annex I);

12. The United Kingdom, France and Italy support option 2. For the French this is likely to be a sticking point. Italy will waver and could almost certainly accept option 1. Germany regards neither option as tough enough but would probably agree to option 1. A crucial question is whether at the end of the day Germany will agree to option 2 in exchange for deals in other areas.

Medium cars

13. This is the chief area of disagreement. Germany is likely to stick to its demand for application of US standards as soon as possible. France and Italy seem prepared to concede US emission standards for medium cars as a quid pro quo for a reasonable deal on small cars. The Italian and French judgement seems to be that Germany is determined to have US emission standards for medium cars but will accept a permissive short-term derogation allowing these standards to be introduced earlier in Germany. They therefore seem to accept that, given the importance of the German market for them, they might as well accept a directive on these terms and concentrate on negotiating as late a date as possible for introduction of the new standards.

14. Following discussions in the High Level Group, two options are now on the table:

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Medium car option 1: application by either 1 January 1989 (the German position) or by 1 October 1992 of standards equivalent to US emission standards.

Medium car option 2: application by 1 October 1989 of the Commission's stage 1 approach, followed by application not later than 1 October 1994 of improved standards achievable in effect by lean burn engine plus simple oxidation catalyst (line F of Annex I).

15. Option 2 is acceptable to Ford (UK). It is opposed by British Leyland senior management. Germany and Denmark have rejected option 2. France and Italy have so far joined the United Kingdom in supporting option 2. But Italy has already indicated that it would also be prepared to accept option 1 if the 1992 date is used, and France may do likewise in exchange for a deal on small cars and German fiscal incentives (see paragraphs 18-20 below).

Derogation for old models

16. There is also disagreement between member states on the length of the derogation for the applications of the new standards to "old model" cars, ie new cars of models already introduced before the introduction of the new standards. Most member states want a 1 or 2 year derogation; Germany would prefer no derogation. The United Kingdom has been pressing for 2 years, but this is not a sticking point for us.

IV. FISCAL INCENTIVES

17. The German proposal to introduce fiscal incentives from 1 July 1985 for all sizes of cars conforming to US emission standards, regardless of what standards the Community has decided to set, could tend in practice to make such standards the norm in the German market, at least for new models. Thus even if the standards finally agreed by the Community were less strict than US standards, there would nevertheless be a risk of a de facto divided internal market.

18. It is arguable that the German proposals for fiscal incentives are contrary to the Articles 92 and 93 of the EEC Treaty which ban state aids to industry except in certain defined circumstances. The United Kingdom has already made representations to the Commission urging them to take action against the German measures under Article 93. But the legal case for doing so is not watertight, and the Commission may decide not to implement the necessary procedure. It would then be open to the United Kingdom to take the matter to the European Court; the chances of winning the case are, however, uncertain.

19. There may also be scope for negotiating with the Germans some modification of their proposals for fiscal incentives. The French seem keen to proceed along this path. Their objective would seem to be to negotiate a delay in the impact of fiscal incentives for small cars conforming to US standards or to remove small cars altogether from this device. In exchange they would accept the early introduction of fiscal incentives for other cars as part of a package involving German acceptance of a reasonable deal on Community standards. We do not know whether the Germans, if they were allowed to achieve the de facto introduction of US standards in their own market by means of fiscal incentives, with possibly a delay for small cars, might be prepared to be flexible on Community standards.

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IV. OPTIONS FOR THE UNITED KINGDOM

20. The main battle on Community standards is likely to be over Options 1 and 2 for small and medium cars (set out in Annex III for ease of reference); ie over whether current US emission standards should be accepted as the objective for small and medium cars as well as for large cars. At the end of the day the United Kingdom may have to choose between vetoing a new directive (which can only be adopted by unanimity); or joining the majority in accepting that permissive US emission standards should be set for medium cars (although with French support we should be able to avoid this for small cars), albeit over a long time-scale. The latter course would mean that at any rate medium cars not complying with US emission levels would be deflected from markets where such standards were mandatory (eg Germany) to elsewhere in the Community, including the United Kingdom. Apart from Germany, Denmark, Netherlands, possibly Belgium and Luxembourg, and the EFTA countries would mandate the new standards for medium cars. France and Italy might also follow suit if the majority of their main markets did. For all countries, however, as 3-way catalysts are poisoned by leaded petrol the mandating of US emission standards could only take place once an adequate network of unleaded petrol stations was in place, and this could take some years in the case of in particular the Southern European countries.

21. In the absence of a new directive, any countries which imposed standards tighter than those in the existing (1983) Community directive would be in contravention of Community rules. A case could therefore be brought against them in the European Court, although this would take several years. Political realities in Germany are such that the Germans will probably seek to go ahead one way or another with the introduction of US standards if a Community directive acceptable to them is not agreed soon, although Departments differ in their assessment of whether the Germans would flout Community rules. Most EFTA countries would probably also go ahead with the introduction of US standards.

22. The Chief Executive of British Leyland has expressed a preference for no early directive rather than an unsatisfactory one involving US emission standards. Ford (UK) have made clear that they would strongly prefer a directive based on Option 2, although they would tool up, despite the considerable cost, to meet the requirements of a divided market if the outcome of the current negotiations involved US emission standards in some countries.

Detailed points on which decisions still need to be taken

23. The following summarises the main outstanding points in the negotiations:

- a. Permissive or mandatory directive: the United Kingdom must have a permissive directive; the German proposal for a mandatory directive is not acceptable.
- b. Date of introduction of US standards for large cars: the United Kingdom supports 1989; Germany is pressing for 1988. An early date could be accepted in an otherwise satisfactory package without major damage to British interests.

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- c. Definition of small cars: the United Kingdom position is that small cars should be defined as those below 1400 cc. Germany is pressing for 1100 cc but might accept 1400 cc at the end of the day. As any deal on medium cars is unlikely to be better than for small cars, there is a very strong case for insisting, with French and Italian support, on 1400 cc.
- d. Stage 2 standards for small cars: the United Kingdom is pressing for standards which can be met without 3-way catalyts. We should stick to option 2 (no reference to US emissions standards) and should have support from the French.
- e. Standards for medium cars: the United Kingdom is pressing for a two stage approach involving the ultimate achievement of standards which could be reached without 3-way catalyts. If isolated, the United Kingdom would need to consider whether it could afford to accept a target of US standards from a date not be before 1992 (ie option 1 in the form which the French and Italians might accept).
- f. Derogation for old models: the current United Kingdom position is that new cars of old model ranges of all sizes should be given a two year derogation for the application of new standards. The Germans would prefer no derogation. This is a point on which the United Kingdom could compromise without major damage as part of a final package.
- g. German fiscal incentives: the United Kingdom opposes these incentives, the chief objective of which is to advance the introduction of the new standards on the German market. If a reasonable package on Community standards were to emerge, it would be for consideration whether a careful gesture in this area might clinch the deal, eg a short term programme of fiscal incentives or immediate introduction on the German market of US standards for large cars.
- h. Unleaded petrol: the present draft directive also includes dates by which new cars/new models must be capable of running on unleaded petrol. The setting of such dates is a United Kingdom objective. If the draft directive is vetoed, therefore, some other way would have to be found of legislating.

European Secretariat of Cabinet Office
25 February 1985

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COMPARATIVE TABLE OF PROPOSED VEHICLE EMISSION STANDARDS

<u>Proposal</u>	<u>Pollutant Level</u> (Mass in g per ECE test)				<u>Date of Application</u>
	<u>Hydrocarbons</u>	<u>Nitrogen oxides</u>	<u>Hydrocarbons plus nitrogen oxides</u>	<u>Carbon monoxide</u>	
ALL CARS					
A. Current Community standard					
Now	16.3	10.2	26.5	87	Since 1981 (all cars)
1983 Directive	12	8	20.5	67	October 1986 (all cars)
B. Commission Stage 1 proposals	--	6	15	45	1989 new models; 1991 all cars
C. US standards (estimated equivalents)	3	3	--	15	
MEDIUM CARS (1.4 - 2 litres engine capacity)					
D. UK proposals (January 1985)					
Stage 1	--	6	15	45	1989 new models; 1991 all cars
Stage 2	--	6	11	35	
E. High Level Group "Option 1"	Application by 1989/92 of US equivalent standards				
F. High Level Group "Option 2"					
Stage 1	--	6	15	45	1989 new models; 1991 all cars
Stage 2	7 3-6	4-6	--	30-35	By 1994 all cars

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COMPARATIVE TABLE OF PROPOSED VEHICLE EMISSION STANDARDS (cont)

<u>Proposal</u>	<u>Pollutant Level</u> (Mass in g per ECE test)				<u>Date of Application</u>
	<u>Hydrocarbons</u>	<u>Nitrogen oxides</u>	<u>Hydrocarbons plus nitrogen oxides</u>	<u>Carbon monoxide</u>	
SMALL CARS (under 1.4 litres engine capacity)					
G. UK proposals (January 1985)					
Stage 1	--	5	13.5	40	1989 new models; 1991 all cars
Stage 2	--	5	9	30	
H. High Level Group "Option 1"					
Stage 1	--	6	15	45	1989 new models; 1991 all cars
Stage 2	Council to decide by end 1987 on date for application of US equivalent standards				
I. High Level Group "Option 2"					
Stage 1	--	6 or lower	15 or lower	45 or lower	1989 new models; 1991 all cars
Stage 2	Council to decide by October 1994 on substantial further reductions				

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ANNEX II

UK CAR EXPORTS TO EUROPE 1983

(Manufacturers' Exports of Cars Produced in the UK)

<u>Destination</u>	<u>Number of Cars</u>
Belgium and Luxembourg	8,010
Denmark	416
France	34,337
Germany	7,999
Greece	4
Irish Republic	15,258
Italy	16,584
Netherlands	<u>7,201</u>
Total to EC member states	<u>89,809</u>
Portugal	6,822
Spain	2,846
Switzerland	1,746
Other	<u>2,704</u>
	<u>103,927</u>
Rest of the world	<u>129,731</u>

Source: SMMT

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ANNEX III

Options currently on the table for small and medium cars

Option 1:

Medium cars: Emission limits equivalent to US limits would be applied from 1 January 1989 (German position) or 1 October 1992 (alternative date likely to be accepted by French and Italians)

Small cars:

First stage to begin on 1 January 1989 with the application of standards at least at the level proposed in the Commission's stage 1 approach (ie standards not involving 3-way catalysts which all major European manufacturers have said they could meet in the timescale).

Second stage: before 31 December 1987, the Council, on the basis of a Commission proposal and in the light of technological developments, will decide on as early a date as possible for the introduction of emission limits equivalent to US limits.

Option 2:

Medium cars:

First stage: from 1 January 1989, the adoption of the standards contained in the Commission's proposed Stage 1 (ie not involving 3-way catalysts and which all major European manufacturers could meet in the timescale).

Second stage: not later than 1 October 198⁹4, improved standards, within reach of US standards, which may be obtained by advanced combustion systems. It would be noted that further technical work would be required to define exact figures, but that these would be likely to find expression in a range from CO 35; HC 6; NOx 6 to CO 30; HC 3-4; NOx 4.

Small cars:

First stage: from 1 October 1989, the adoption of standards at least corresponding to those in the Commission's proposed stage 1.

Second stage: as soon as possible, and taking account of technological development, the Council will decide upon a date, not later than 1 October 1994, for the application of a substantial new reduction in pollutant emissions.

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