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28 February 1985

PRIME MINISTER

E(A) MEETING ON VEHICLE EMISSION STANDARDS

There are three comments I would wish to make on the proposals made by the Minister of State for Industry: there is real danger of the original environmental need being lost altogether, a tendency to forget the magnitude of the costs involved, and a lack of realisation that "presentational" concessions could be very expensive if they result in a move from one technology to another.

2. The United Kingdom's policy on acid deposition and associated environmental problems recognises the importance of a reduction in motor vehicle emissions as part of an integrated programme. One of the reasons for favouring lean-burn technology over three-way catalysts is that we have serious reservations about the effectiveness of the latter in achieving the desired environmental improvements under European conditions. In order to avoid the impression that we are dragging our feet on the environmental issue, the UK's negotiating position can and should be presented as one which is based on environmental as well as economic and technical considerations.

3. On costs, Europe's politicians should be aware that if the full German proposals are eventually implemented throughout Europe, then a new cost burden equivalent to that of the Common Agricultural Policy will have been imposed by Governments on Europe's consumers. Since this burden will fall directly on individual consumers rather than indirectly via tax or utility prices, the Treasury and the Finance Ministers of Europe seem unconcerned. When the consumers realise that this has happened, they will expect a real environmental improvement to have resulted, which is a further reason to ensure that the measures agreed are both effective and cost-effective.

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4. When considering 'concessions' on the present options it is important to recognise that concessions within a technology may be relatively cheap to implement whereas concessions beyond the compatibility of a given technology may be very expensive. The precise performance limits of the newer technologies, such as lean-burn, are presently difficult to quantify but will become better defined as they are developed. For this reason, if the Minister of State is given authority to make "limited and essentially presentational" concessions in the critical medium car category, these concessions should not be such as to bring forward decision points to dates before there is better understanding of the capabilities of the newer technologies.

5. Finally, on the domestic front, you should be aware that the House of Lords Select Committee on the European Communities will be publishing their report on the EEC proposals and advocating a rapid move (1991) to US equivalent standards which necessarily would involve three-way catalysts throughout. Unsurprisingly the Committee's report does not indicate that their Lordships gave careful thought to the cost implications of their advocacy.

6. I am copying this minute to Sir Robert Armstrong.

RBN

ROBIN NICHOLSON

Cabinet Office
28 February 1985

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