



Contribution of UEIL into CARS 21 process

As the umbrella association for the European lubricants industry, UEIL welcomes the opportunity provided to comment on the CARS 21 process. It is clear that the automotive industry's involvement in the future regulatory and technical framework for the automotive industry is vital to develop the EU's future strategy in the transport sector. Although we regret that, despite our efforts to be included, the lubricant industry is not represented in this group, we would like to express our views on some of the issues discussed and on other topics we believe should be taken into consideration:

- Open dialogue with all stakeholders and a clear comprehensive vision required
- Incentivising environmental commitments and maintaining technology neutrality
- Research and Development to review the life-cycle of all spare parts
- Maintaining competitiveness throughout the chain – addressing diverging requirements of OEMs.

A comprehensive framework and an open dialogue with all stakeholders is crucial

Whilst we recognise the considerable work undertaken by the Commission and CARS 21 in addressing some of the key issues of the automotive industry, we support a comprehensive approach to future cars and other on-road and off-road vehicles which takes account **of all automotive segments** as well as **all technologies**.

Furthermore, predictability is one of the main factors of automotive innovation. In our industry, the changes to improved fuel economy, reduced emissions, clean engines (to cite a few) will drive the development of innovative oil formulations which are required to manufacture lubricants. Constant changes in legislation (air emission levels, taxation, competition, environmental commitments) combined with little legal certainty regarding the future automotive landscape discourage investments and hinder the competitiveness of spare part suppliers, who are in general smaller than OEMs and need more lead time to introduce changes in their processes. Given the timescales and the level of investments associated to raw materials and new technologies, a clear vision for the future automotive industry is required. We believe that **CARS 21, in consultation with other stakeholders, would be the right framework to develop a more clear vision for all future technologies**, outlining the need for incentive packages and/or other measures to stimulate the R&D investment– which in the lubricant industry is extraordinarily expensive vis-à-vis the returns. In addition, a thorough reflection on the impact of new policies and the resulting new technologies in the different segments of the automotive market should be undertaken with a view to produce **inclusive and comprehensive measures** supported by the whole automotive industry.

To sum up, **predictability and legal certainty as well as an open and constant dialogue between decision-makers and all the players across the automotive chain are vital to foster the competitiveness and responsiveness to the environmental and social issues by the whole automotive industry**. Therefore, UEIL would like to recommend either the expansion of the CARS 21 group or the creation of an automotive forum – which identifies the need of new policies and assesses the implementation of current policies – where **all segments of the automotive industry are represented, including the lubricant industry**.

Incentivising environmental commitments and advocating for technology neutrality

The automotive industry is currently under pressure to provide more efficient and clean vehicles and it becomes clear that environmental concerns are the driving force behind future automotive trends. **All stakeholders in the automotive chain are taking steps towards the decarbonisation of the transport sector and should be incentivised to continue to do so.** For example, lubricant manufacturers and suppliers have adopted the new low SAPS lubricant formulations. These formulations respond to the need to reduce SO_x emissions without compromising engine integrity, and are overall cleaner spare parts. In this sense, we would like to highlight that sometimes, what is “clean” might not be necessary of “higher level of performance”, and further discussions on the OEM’ and other industry segments’ medium- and long-term objectives should take place so that these align with the EU’s environmental goals. **Given the important benefits which could be obtained, incentivising policies in this area should be put in place.**

We agree with past discussions within CARS 21 on the need to go towards **technology neutrality**. Picking a winning technology at this juncture would be detrimental for all the players in the automotive sector, which is currently investing in different CO₂ reduction technologies. Many have seen in electric cars the future of transport. However, there are increasing concerns that current commercial and political pressures to present battery electric vehicles as carbon neutral are “misleading” given uncertainties over their carbon footprint and infrastructure requirements. UEIL would like to underline that **the development and uptake of other technologies which bring proven benefits in environmental terms should also be encouraged, for example, through R&D incentives and support schemes at national level.** These measures will be critical to the sector, as the lubricant requirements of the different alternatives can vary greatly and will involve great costs.

Research and Development to review the life-cycle of all spare parts

Through the considerable investment in R&D, Europe has acquired the technology leadership which allows its industry to maintain the competitive edge on the global scale. UEIL believes that R&D efforts should not only focus on new technologies but should also review the life-cycle of all spare parts. Many lubricant manufacturers are currently investigating the area of low and mid Sulphated Ash, Phosphorus and Sulphur (SAPS) engine oils, using specific technology to improve component compatibility and fuel economy. The low SAPS lubricants are developed according to specific requirements concerning very low sulphur contents for NO_x traps. Other areas the lubricant industry is exploring are energy conservation (to save energy consumption during the manufacturing) and biological degradability, to complete the environmental **cradle-to-grave approach** that all spare parts should have. Again, given the route chosen, the supply chain may need to change drastically to support these innovations.

The lubricant industry is actively pursuing innovative new technologies and production techniques which go hand in hand with the EU’s environmental objectives. **CARS 21 members should promote the life-cycle analysis of all spare parts, as this can contribute to enhancing environmental performance of cars.** In addition, R&D investment for the development of environmentally-friendly parts would be welcome.

Maintaining competitiveness throughout the chain

Within CARS 21, the Commission has stated that a strong value chain is one of the competitiveness factors. In addition, the Commission itself has highlighted that SMEs are pivotal for the increase of competition within the EU. One of the issues that affect the lubricants industry, as other aftermarket industries, is the diverging requirements of OEMs, which increase the R&D and testing costs. It is understandable that different vehicles need different requirements; however, this should not translate into price differentials in R&D and testing cost which are detrimental to the competitiveness of SMEs. The overall increase in prices and the scarcity of supply of raw materials such as base oil for lubricants are a focus of concern for the industry. **We would like to see this point addressed in the upcoming CARS 21 discussions, with a view to find new strategies to maintain the whole automotive chain competitive.** It becomes clear that unless the EU actively promotes the financial instruments that are available to SMEs and encourages investigation on price differentials, not all stakeholders will benefit from the opportunities created by the new technologies. Nor will they be able to remain competitive, notably with the consequences of the economic recession, still looming over our industry, and the increasing interest of the Tiger economies of Asia in these technologies.

Key recommendations:

- Include all automotive industry segments in the discussions on future mobility and encourage an open dialogue with all stakeholders
- CARS 21, in consultation with other stakeholders, to develop a more clear vision for all future technologies, outlining the need for incentive packages and/or other measures to stimulate the R&D investment
- Undertake impact assessment of new policies and new technologies on all industry segments
- Support technology-neutrality
- Develop incentivising policies to encourage R&D investment for the development of 'greener' cars and parts
- CARS 21 to promote the life-cycle analysis of all spare parts which contribute to enhance environmental performance of cars.
- CARS 21 to address the issues of increase in raw material prices and scarcity of supply in future meetings

About UEIL

UEIL is the independent, umbrella association for the European lubricants industry, representing more than 400 predominantly small and medium-sized companies who account for 30% of the automotive oil market share and manufacture and distribute lubricant products throughout the European Union. The lubricant industry employs more than 100 000 people in Europe and produces a turnover of approximately €30bn. It is the sole representative body for independent manufacturers of lubricants in Europe and has been recognised as such by the European Commission.