

## Sustainable Mobility: From EU Emissions Reductions to a Regional Industrial Strategy

### Tatra Summit 2018 Focus Group: A Call to Action for Central and Eastern Europe

The Sustainable Mobility Focus Group was a truly multi-industry affair with top business representatives and public officials locked into a spirited discussion concerning the challenges and opportunities facing Central and Eastern Europe's low-emission mobility path. In closing, moderator Julian Popov of the European Climate Foundation enumerated his main takeaways from the two-hour session and received widespread support within the room of more than twenty senior experts, policy makers and executives that it is time for the region to move forward with a sense of urgency, not only for its own benefit but also for the benefit of the whole of European industry. The **GLOBSEC Initiative for Sustainable Mobility (GISM<sup>1</sup>)** is intended to serve as the platform to push this agenda forward with further research, debate and outreach.

The competitive cost advantage of CEE makes it viable for V4+2 to become the industrial hub that would help the EU compete with China and other countries. With manufacturing costs and salaries rising in China, Europe has an opportunity to reclaim some of the industry with these lower costs. It would be a political mistake to simply attract old car industries, and more sensible and strategically wise to support the development of battery and EV industries in V4+2. In this way, Europe would be able to combine tradition, climate related innovation and lower production cost to reposition itself in the global automotive industry.

The countries in the region should not only offer an excellent outsourcing destination for incumbent automotive industry but play a more active role in the industry innovation. The **Slovak Battery Alliance** is a good signal in the right direction for the opportunities that the region has to offer.

As for the **West to East diesel leakage**, just a few days after the convening of the Focus Group several CEE ministers strongly echoed their concern about the shift of old polluting cars from West to East by tabling a note at the EU environment ministers council on 9<sup>th</sup> October. GISM will follow the Focus Group and continue to explore this issue and search for policy solutions at an EU wide level.

### Focus Group Summary

E-mobility will be a key contributor to Europe's low-emission transition in the short- and medium-term. With far greater efficiency, performance and zero-emissions compared to combustion vehicles, electric vehicles (EVs) are emerging as the next form of personal transportation; the question is not if, but how many and how fast. It is more than simply swapping out combustion vehicles, it's providing the foundation for integrating new technology and business models that will completely overturn the conventional system. Electrification, however, should not be regarded as the singular solution or winner in the transportation sector - rather it will take a combination of technologies and applications to deliver needed results.

This is why it is important for the EU and national governments to support different technologies that maximize e-mobility and compete with it according to underlying traits that vary from Member State to Member State. On the whole, while China holds a technological advantage in batteries, it is not across the board in all forms of transportation. Europe for instance has a very strong technological base in rail. In any case, the Chinese advance in clean mobility

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<sup>1</sup> With multi-industry support, the initial year-long GISM research project will include comparative analysis and representation of V4+2 countries (Poland, Czechia, Slovakia, Hungary, Romania and Bulgaria), contextualizing private sector stakeholder meetings and interviews into a final report that will inform policy and decisionmakers in Brussels and regional capitals. Under GISM, we propose to advance this debate and take it to European legislators, policy makers, the European Commission, and influential industry bodies and think tanks.

should not be a reason for raising trade barriers but rather for strengthening the research and development focus of the EU and for improving the competitiveness of the European industry along the whole new mobility supply chain.

For Central and Eastern Europe, unique regional challenges must be overcome for EVs to have an impact on urban emissions. New battery and hybrid passenger EVs sales remain highly correlated to national incentive schemes, yet even with generous direct rebates available and strong year-to-year growth, their share of total vehicles sold in the region still remains statistically irrelevant. Part of this is attributable to the unregulated transfer of cheaper, older and dirtier vehicles from West to East. The other part is a lack of consumer confidence. Technology is driving down costs and infrastructure is growing, but these trends need to be better managed and integrated across borders to build consumer confidence. Until then, EVs will not be considered as reliable primary vehicles but only as backups for short commutes. Even with greater social awareness of the negative environmental impact of combustion vehicles, it is convenience that ultimately dictates consumer choice, whether towards the purchase of an EV or use of a ride-sharing service.

There is widespread optimism and belief in technology, but the work of policymakers and businesses, as well as education is required to ensure it develops and is properly put to use. At the same time, pragmatism and patience are recommended because while emerging business cases in this field are very real, such a massive transition in the face of pre-existing infrastructure and lingering consumer habits is likely to be an incremental evolution rather than a revolution. That said, even if the change is slow, its impact on employment and economies across Central and Eastern Europe will be felt as production and supply of the conventional vehicles inevitably declines. Even if foreign automakers decide to invest in new EV production facilities, fundamentally they have a fraction of the components compared with combustion vehicles and require little service and repair. At the same time, the battery EVs and hydrogen cars will trigger large scale development of new infrastructure, carrying significant positive air quality impact while boosting innovation. Thus, it is important for governments of the region to proactively engage in dialogue with the auto companies and elevate this important social issue in the context of Europe's 2050 climate strategy, the advancing energy transition and the future industrial positioning of the region.

### **Key recommendations**

The following five policy recommendation for Central and Eastern Europe were agreed upon:

- CEE needs to have a greater voice in Europe's clean mobility transition given its deep ties to the conventional automotive industry.
- CEE must look for ways to promote technologically neutral innovation in clean mobility combining education and EU funding.
- Finding a European solution to 'diesel leakage' from West to East is a most pressing political challenge to urban air quality.
- Standardization of charging rules and information is key to sustaining growth of EV sales.
- Ride-sharing is a profitable business but the greatest risk is regulatory uncertainty.