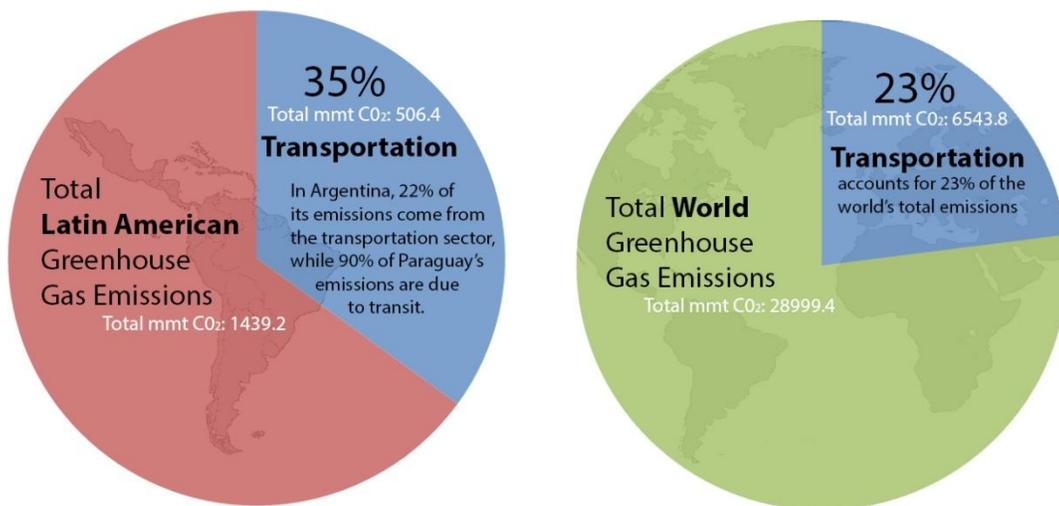


Success Stories in Vehicle Efficiency

Recent studies have shown Latin American total greenhouse gas (GHG) emissions and transport emissions have doubled from 1980 to 2007. Although economic growth is the underlying factor, a study by the World Bank suggests the growth of transport emissions is sometimes due to a rise in transportation energy intensity of the economy. In countries where growth of energy consumption in the transport sector outpaces GDP growth, the study recommends regulatory policies. Fiscal policy instruments are recommended in countries where basic economic growth alone is the driver. In either case, it is clear that auto ownership and freight movement are projected to increase as Latin America develops economically, so vehicle efficiency policies will be necessary to encourage low carbon development and reduce air pollution.



In countries that have a domestic motor vehicle industry, regulations directed at manufacturers can strongly influence the supply of efficient vehicles and the choices available. However, most developing countries must import vehicles to meet their demand. Due to the size of their markets, these countries may have less success with policy tools directed at manufacturers.

Vehicle efficiency policy tools can be grouped into four types:

Regulations – Fuel economy or GHG emissions standards for manufacturers of vehicles, based on fleet averages or bins by size, footprint or weight class. Requirements for certain technology to be sold or produced. Requirements to purchase vehicles meeting certain standards, generally applied to fleets, not individuals. Restriction on importing used vehicles.

Fiscal Incentives – High fuel taxes. Differential tariffs, taxes, registration fees or rebates based on fuel economy or emissions. Policies that allow or restrict certain types of vehicles on various facilities or vary charges to access facilities depending on vehicle efficiency.

Investments – Funding for advanced technology research and development. Construction of specialized infrastructure such as electric vehicle charging networks.

Awareness programs – Fuel economy labeling requirements. “Eco-driving” education programs.

Chile - Fuel Economy Labeling

Chile was the first country in Latin America to announce a light duty vehicle fuel economy labeling system. The system, based on consumer legislation, requires GHG emission and fuel efficiency data to be placed on all vehicles with a gross weight under 2,700 kg. The labeling was implemented on a voluntary basis at the beginning of 2011, and by September 2011 labeling was required for all new lightweight vehicles sold in Chile (excluding commercial vehicles). In Chile, the importation of used vehicles is prohibited. The label's information is similar to the German system and includes fuel use expressed in kilometers per liter, CO emissions expressed in grams of CO emitted per kilometer traveled, and emissions standards, e.g. EURO III, that the vehicle meets.



Hong Kong - Feebates

Hong Kong introduced a tax incentive scheme based on fuel economy in 2007. Vehicles with a fuel efficiency of at least 40% better than the average fuel efficiency in the corresponding private car class qualify for a reduction in the First Registration Tax (FRT). The latest revision of the FRT reduction rate has been raised from 30% to 45%, subject to a cap that has been increased from HK\$50,000 to HK\$75,000 per car. The so-called “environment-friendly petrol private car qualifying standards” are tightened annually to accommodate technological advancements.

Efficient commercial vehicles are also offered reductions which can be even more than for private cars: 100% for taxis, light buses and 50% for goods vehicles. Since the program began, the transport sector has gone from 18% to 16% of total GHG emissions.

US - Smartway Freight Program

The US EPA has had a voluntary program for improving fuel efficiency in the freight industry since 2004. The Smartway program was developed with input from the trucking industry and environmental groups. The program has recruited nearly 2,900 companies and associations. These companies take advantage of the technical assistance programs, such as technology assessments, and financial mechanisms such as reduced interest loans with flexible terms, to meet the voluntary equipment specifications set out in the program. There is also a research and development component that centers on finding new ways to optimize the transportation of materials and products. In 2009-2010, the SmartWay Finance Program awarded \$13.5 million to support truck financing programs. Between 2004 and 2010 this program is estimated to have resulted in 16.5 mmt CO₂ reductions as well as NO_x and PM reductions.



For more information, visit www.ccap.org or email Transportation Policy Analyst Chuck Kooshian at ckooshian@ccap.org.