

Starting up

- What do you think the biggest challenge facing Europe's car industry will be in the next few years?
- The EU is about to introduce strict new rules about CO2 emissions. Do you know what they are?

Reading

The need to cut CO2 emissions dramatically is a huge challenge for the European car industry. To find out more, read the article and then do the exercise below.

Reading comprehension

Decide whether the following statements about the content are *true*, *false* or there is *not enough information provided (N)*. Select relevant extracts from the article to support your choice.

- 1 Brexit is the biggest challenge facing Europe's car industry.
- 2 Strict new CO2 emission targets will start to be introduced by the EU in 2020.
- 3 Some car manufacturers have already admitted that they will not be able to meet the new targets by the deadline.
- 4 The CEO of the French manufacturer PSA said that meeting the targets will be very difficult.
- 5 Each car manufacturer could face a fine of up to €30bn if they fail to meet the targets.
- 6 Diesel cars are mainly responsible for the rise in CO2 emissions.
- 7 Several car manufacturers have stated that they will phase out the production of diesel cars by 2025.
- 8 The problem of CO2 emissions is bigger than the production of harmful nitrogen oxides by diesel cars.
- 9 Meeting the CO2 target is the biggest challenge now facing the European car industry.
- 10 The introduction of electric vehicles is one way for car manufacturers to reduce the average CO2 emissions for their fleet.

Europe car groups face huge profit hit to cut CO2

Forget the global trade war, declining sales or even Brexit — the biggest challenge facing Europe's car industry comes from the *exhaust pipes* of its vehicles.

Strict new carbon dioxide emissions targets will start to be introduced next year across the EU, with the *threat* of heavy fines for those who fail to *comply*.

Yet the industry, broadly, is not ready.

"It's going to be a hell of a job," Carlos Tavares, the chief executive of Peugeot owner PSA, said last month. "But we have to meet them, whatever it takes."

Under the rules, carmakers must cut their average fleet emissions to less than 95 grammes of CO2 per kilometre by 2021.

They face a €95 fine for every gramme of CO2 that *exceeds* the target — multiplied by the number of cars sold that year.

"We are talking about a potential €30bn penalty for the industry," Volkswagen chief executive Herbert Diess warned investors at the company's annual capital markets day.

Yet emissions are heading the wrong way.

CO2 emissions from new cars are rising as consumers *reject* diesel models and *opt for* petrol alternatives.

New data for 2018 showed average emissions rose to a four-year high of 121g of CO2/km.

Sales of SUVs, which are heavier and therefore produce more CO2 than traditional saloons, have risen by three quarters since 2015, according to IHS Markit.

Another complicating factor is the sharp *decline* in diesel sales.

Buyers lost faith in the eco-credentials of diesel cars following the Volkswagen scandal of 2015, when it emerged that the cars produced far higher levels of harmful nitrogen oxides than advertised.

Carmakers had been relying on diesel vehicles to cut CO2 emissions, as they typically emit a fifth less carbon than petrol cars.

Auto analysts have described meeting the new CO2 targets as the "biggest challenge" facing the sector — even more potentially damaging than trade wars with China, US tariffs, diesel bans and Brexit.

It is estimated it will cost the industry €15.5bn just to make its vehicles compliant.

Many manufacturers are relying on "supercredits" from electric cars that offset more polluting vehicles, which partly explains the *flood* of battery models arriving on the market in the coming 18 months, even though sales of electric cars account for less than 1 per cent of the market.

But battery costs mean many of these cars have *thinner* margins than traditional vehicles. Some are even lossmaking.

"Either you increase the price of your vehicles, and clean mobility becomes elitist, and possibly you do not meet the numbers you need to avoid penalties . . . or you sell at a loss, and you need to restructure your company to *compensate*," Mr Tavares said, laying out the challenges facing auto executives.

The timing could not be worse for carmakers, which will be forced to sell these lossmaking models to comply with the rules coming just as the industry cycle begins to decline.

Vocabulary 1

Look at the words and phrases in *italics* in the article. If you are unfamiliar with them, try to work out their meaning from the context. Then match them with these definitions.

- 1 lower, smaller (gross profit)
- 2 the part of a car from which emissions come
- 3 to choose
- 4 fall
- 5 to make up for a negative effect somewhere else
- 6 large and rapid increase in the numbers of a product coming on to the market
- 7 to refuse to accept something
- 8 statement of the intention to inflict something negative on someone for not doing something
- 9 to go beyond what is allowed
- 10 to meet specified standards

Vocabulary 2

Look at this list of some verbs used in the article. Complete the table by inserting the nouns and adjectives which form part of the same 'word family'. In some cases, these are also in the article. The first one has been completed as an example.

Verb	Noun	Adjective
decline	<i>decline</i>	<i>declining</i>
comply		
exceed		
reject		
avoid		

Grammar 1 – modal verbs of prohibition, obligation and no obligation

Must, *need to* and *have to* are the most common verbs used to express obligation.

- 1 Find an example of each in the article.
- 2 Find an example of another verb phrase used to express obligation.

Grammar 2

Mustn't, *needn't* and *don't have to* are used to express either prohibition or lack of obligation.

Match each verb to the definition of its use below.

- 1 An absence of obligation, when it is not compulsory to do something but you can do it if you want.
- 2 When something is prohibited by law.

Grammar 3

Complete these sentences using verbs or verb phrases of prohibition, obligation or lack of obligation.

Sometimes there is more than one option.

- 1 Even though it will be difficult, European car makers will _____ comply with the new regulations or risk huge fines.
- 2 Under the new rules, car makers _____ cut their average fleet emissions to less than 95grammes of CO2 per kilometre by 2021.
- 3 Car makers _____ stop producing SUVs if they can produce other cars with low or no CO2 emissions to compensate.
- 4 To meet the new emissions targets, manufacturers will _____ increase the numbers of electric vehicles in their fleets so they can offset their lower emissions against the higher emissions from petrol vehicles.
- 5 It's possible that manufacturers will _____ increase the prices for electric vehicles as the high cost of batteries means that margins on these products are quite low.

Discussion

- 1 Do you think the EU target for reducing CO2 emissions by 2021 is too strict, as it could put some manufacturers into financial difficulties?
- 2 If car manufacturers launch a lot of electric vehicles, this will have the effect of reducing their average fleet emissions so that they can comply with the new regulations, even if they don't sell many electric vehicles. But is this simply complying with the letter rather than the spirit of the law?

ANSWER KEY

Reading comprehension

- 1 False. *Forget the global trade war, declining sales or even Brexit — the biggest challenge facing Europe’s car industry comes from the exhaust pipes of its vehicles.*
- 2 True. *Strict new carbon dioxide emissions targets will start to be introduced next year across the EU.*
- 3 N. This is not mentioned.
- 4 True. *It’s going to be a hell of a job ...*
- 5 False. This is the total potential penalty for the whole industry. *We are talking about a potential €30bn penalty for the industry...*
- 6 False. Diesel vehicles emit lower levels of CO2 emissions. *Carmakers had been relying on diesel vehicles to cut CO2 emissions, as they typically emit a fifth less carbon than petrol cars.*
- 7 N. Nothing is mentioned about this.
- 8 N. This comparison is not made in the article.
- 9 True. *Auto analysts have described meeting the new CO2 targets as the “biggest challenge” facing the sector — even more potentially damaging than trade wars with China, US tariffs, diesel bans and Brexit.*
- 10 True. *Many manufacturers are relying on “supercredits” from electric cars that offset more polluting vehicles.*

Vocabulary 1

- | | |
|----------------|-----------|
| 1 thinner | 6 flood |
| 2 exhaust pipe | 7 reject |
| 3 opt for | 8 threat |
| 4 decline | 9 exceed |
| 5 compensate | 10 comply |

Vocabulary 2

Verb	Noun	Adjective
decline	<i>decline</i>	<i>declining</i>
comply	<i>compliance</i>	<i>compliant</i>
exceed	<i>excess</i>	<i>excessive</i>
reject	<i>rejection</i>	<i>rejected</i>
avoid	<i>avoidance</i>	<i>avoidable</i>

Grammar 1

- 1 *we have to* meet (the emissions targets), whatever it takes (para 4)
Carmakers *must* cut their average fleet emissions (para 5)
... or you sell at a loss, and you *need to* restructure your company to compensate (para 19)
- 2 carmakers ... will *be forced to* sell these lossmaking models (para 20)

Grammar 2

- 1 needn’t, don’t have to
- 2 mustn’t

Grammar 3

- | | |
|--|--------------------|
| 1 need to, have to | 4 need to, have to |
| 2 must, need to, have to | 5 need to, have to |
| 3 don’t have to, needn’t/don’t need to | |

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