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Dear Sirs

Reducing greenhouse gas emissions from passenger cars manufactured in the UK: investigating compliance with the OECD Guidelines on Multinational Enterprises

Friends of the Earth is concerned at the contribution that car manufacturers in the UK are making to reduce greenhouse gas emissions, and has decided to investigate whether BMW, as the third largest manufacturer of cars in the UK in 2006, is complying with the above Guidelines. We would therefore be grateful if you would answer the questions set out below in section 3 of this letter, by 31 August 2007. We trust that the above address is the correct address at which to correspond with you on this subject and that you will also be able to deal with the questions posed in respect of Rolls-Royce. However, if this is not the case we should be grateful if you would forward this letter to the correct recipient.

We firstly set out the key legal, policy and scientific background to this matter, followed by an explanation of the inadequate progress in reducing emissions from cars.

1. Background

The ultimate objective of the 1992 United Nations Framework Convention on Climate Change is to stabilise greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Under the 1997 Kyoto Protocol, most developed countries have a legal obligation to reduce or limit their GHG emissions, amounting to a total cut in emissions of at least 5% from 1990 levels in the commitment period 2008-2012. As you will be aware, for the EU as a whole, this overall cut is 8%, and under the intra-EU Burden Sharing Agreement the UK's specific cut is 12.5%.

You will also be aware that these cuts are nowhere near sufficient to prevent dangerous climate change. As the G8 stated earlier this month, "global greenhouse gas emissions must stop rising, followed by substantial global emission reductions". The UK Parliament is currently in the process of passing a Climate Change Bill committing all sectors of its economy, including the road transport sector, to a reduction in carbon

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emissions of 60% below 1990 levels by 2050.

In order to prevent dangerous climate change, many, including the EU, have accepted that preventing temperatures rising by more than 2°C above pre-industrial levels is necessary. In February 2007, the Intergovernmental Panel on Climate Change reported that the global average surface temperature over the last 100 years has increased by about 0.74°C, with the trend over the last 50 years being nearly twice that for the last 100 years; that further warming will occur; and that continued greenhouse gas emissions at or above current rates would cause further warming and induce many changes in the global climate system during the 21st century that would very likely be larger than those observed during the 20th century.

EU ministers have already said that developed countries should consider greenhouse gas emissions reductions in the order of 15-30% by 2020¹ The UK government is now pushing for the EU to go further. At the launch of the Stern Review the Chancellor of the Exchequer announced the UK's proposal for a new Euro-wide emissions target of 30% by 2020 and at least 60 % by 2050²

2. Inadequate progress in reducing emissions from cars

Also in February 2007, the European Environment Agency reported that the climate change performance of the transport sector was “unsatisfactory”. Transport is responsible for 21% of total GHG emissions in EU-15 (excluding international aviation and maritime transport). From 1990-2004, EU-15 GHG emissions decreased in most sectors, whilst emissions from domestic transport increased by approximately 26 %. Road transport is by far the biggest transport emission source (93 % share). Emissions have increased continuously from passenger transport, an increase of 27 % between 1990 and 2004.

Whilst increased vehicle use is leading to increased emissions, it is also clear that the progress made in reducing the GHG emissions from the passenger cars manufactured by BMW and others has fallen short, both of what is needed and of what BMW is committed to.

In 1996, the EU approved a ‘Community Strategy to reduce CO₂ emissions from passenger cars’. The strategy’s objective is to reduce the average CO₂ emissions of newly sold passenger cars in the EU to 120 grams per kilometre by 2005, or 2010 at the latest. The 120 g/km target represents a 35% reduction over 1995 levels. In 1998 the European Automobile Manufacturers Association (ACEA) committed to the EU on behalf of its members to reduce the average CO₂ emissions from their new car sales in the EU to 140 g/km by 2008. This is a reduction of 25% over 1995 levels. The 120 g/km objective was, informally, postponed to 2012. Friends of the Earth, along with many other European NGOs active in this area, is calling for car emissions to be reduced to 80g/km by 2020, a 33% reduction on the 2012 objective.

In 1999, the Japan Automobile Manufacturers Association (JAMA) and the Korean Automobile Manufacturers Association (KAMA) made similar commitments for their EU sales. The only difference is that their target year to achieve an average 140 g/km CO₂ figure is one year later, 2009. All three associations, in other words, were given a decade to comply.

Overall progress of the commitment is not on track. Carmakers are not reducing CO₂ emissions of their products fast enough to meet the 140 g/km target by 2008/9. On 19 April 2006, the European Federation for Transport and the Environment (T & E) presented the latest evidence of this, the progress of the commitment in 2005. The results are shown in this Table:

¹ Environment Council Conclusions March 2006

² Paragraph 3.4 Consultation document on Draft Climate Change Bill, March 2007

Table: Progress in 2005 in the CO2 commitment of the three car manufacturing associations, and annual rate of progress needed to meet the 140 g/km objective

	ACEA	JAMA	KAMA	total
2004 (g CO ₂ /km)	162	172	169	164
2005 (g CO ₂ /km)	160	169	172	162
% change	-1%	-2%	+2%	-1%
% change per year required as of 2006 to meet 140 g/km	-4%	-5%	-5%	

This table shows that for the remaining 3 or 4 years, the car makers will have to reduce the CO₂ emission and fuel consumption of their products at an annual rate of 4 to 5 per cent. This is an unprecedented rate and 3 to 4 times the rate of reduction achieved in previous years. Extrapolation of historic reductions would lead to ACEA missing the 140 g/km target by approximately 13 grams, and JAMA/KAMA missing the 2009 targets even by 20 grams or more.

T & E also assessed whether each of the 20 car brands that sold over 150,000 cars in the EU15 in 2005 (over 90% of car sales) were on track to meet the commitment, calculating the rate of progress that each of the brands should have achieved by 2005 in order to achieve the 140 g/km commitment in 2008 or 2009, under a reduction pathway with a constant percentage of improvement per year.

BMW had an average of 216g/km for new cars sold in 1997. In order to meet the 140g/km objective in 2008 it had to reduce average emissions by 58g/km between 1997 and 2005. In 2005 BMW achieved 192 g/km or a 23 g/km reduction. This is 40% of the reduction the 58g/km reduction you should have achieved in order to be on track, assuming a straight line progression. We further note that BMW was the 15th best performing brand amongst the 20 brands assessed by T&E.

3. Performance of car manufacturers in the UK

According to its own website BMW was the fourth largest UK car producer in 2004. According to the website of the Society of Motor Manufacturers and Traders (SMMT), it was the third largest manufacturer of passenger cars in the United Kingdom in 2006. BMW's Oxford plant is the only place in the world in which the Mini fleet, which is on sale in over 70 countries from Chile to China, is built. As such, BMW, in our submission, has an obligation significantly to reduce the CO₂ emissions from its fleet (whether these cars are sold in the UK, the EU, or otherwise), not only in order to comply with your trade association's commitment to the EU, but also to ensure that your company is acting consistently with international agreements and policies to prevent dangerous climate change.

One of the particular instruments with which BMW is encouraged to comply in this regard is the OECD Guidelines for Multinational Enterprises. In the opening words of Section V of those Guidelines:

“Enterprises should, within the framework of laws, regulations and administrative practices in the countries in which they operate, and in consideration of relevant international agreements, principles, objectives, and standards, take due account of the need to protect the environment, public health and safety, and generally to conduct their activities in a manner contributing to the wider goal of sustainable development.”

This Section (and other Sections) of the Guidelines goes on to set out a number of specific recommendations, for example on environmental impacts, objectives and targets for improvement, and life cycle assessments.

In light of the above, Friends of the Earth is investigating whether the UK's top six manufacturers of passenger cars are complying with these Guidelines. We would therefore be grateful if you would answer the following questions. As the Guidelines apply to multinational enterprises, we would be grateful if you

would answer them for BMW, and not pass our request on to your trade association.

1. The revised OECD Guidelines came into force in 2000. According to the data on the SMMT website, BMW has produced approximately 950,000 passenger vehicles between 2001 and 2006, that is, after the revised Guidelines came into force.

1.1 Please confirm whether the above figure constitutes the entirety of BMW's UK car production (including Rolls Royce) for the 2001-2006 period or whether it has also produced commercial vehicles and/or components of cars such as engines. If the latter, please provide a breakdown of how many cars and engines BMW produced in the UK in each of the years 2001-2006, by model.

1.2 In any case, please provide information indicating which of the cars/engines produced were sold within the UK and which were exported.

2. In respect of each model of car/engine falling within 1. above³, please:

(a) provide the information that you are required by Section V.1 (a) of the Guidelines to collect and evaluate on the CO₂ emissions from each such model, including information in respect of the usage of such models (and which you are required to disclose under Section III.I, first sentence) .

From the information we have obtained in relation to the Mini Cooper and the Mini One models produced, the only models that fall within the 140g/km limit are the Mini Cooper D (118g/km) and the Mini One D 129g/km. We note that the Mini Cooper S convertible has CO₂ emissions of 211g/km.

We note further that of the Rolls-Royce models produced, the Phantom and the Extended both have emissions of 377g/km and 380g/km respectively, according to the Government's VCA database.

Finally, it is clear from your 2006 annual report that while 4 of the engines produced for the BMW1 series have emissions of 140g/km and below, the remainder of the 31 models are all above this limit, reaching up to 226g/km. As far as the 3 Series is concerned only 1 of the models has CO₂ emissions of less than 140 (at 131g/km) the CO₂ emissions of the others range up to 250g/km. The emissions for the BMW1 Series X3 are from 191g/km to 248 g/km and those for the Z4 are from 181 to 292 g/km, both falling far short of the target.

We should be grateful if you would set out the full position in respect of all of your vehicles, both in terms of CO₂ emissions per kilometre, and the assumptions you have made regarding the usage of each model in order to collect and evaluate the emissions from each such model;

(b) In the light of the above, please specify the measurable objectives and/or targets that you have established for reducing the CO₂ emissions from each such model and/or engine as required by Section V.1 (b) (and which you are required to disclose under Section III.4(b)).

In this regard, we note a new petrol 1.4 petrol engine is being built to power the new Mini One and a four cylinder high-precision direct injection petrol engine is being built for the BMW1 series, both of which are to be built in the UK. The Mini One model currently has emissions of 164g/km and the BMW1 series has emissions of up to 226 g/km and we are therefore unclear as to how the CO₂ impacts of these models can have been taken into account.

(c) inform us of the regular monitoring and verification of progress toward reducing such emissions as required by Section V.I (c);

(d) inform us whether you have carried out a life cycle assessment (LCA) of each such model covering CO₂ emissions, as required by Section V.3, and provide us with copies;

³ We appreciate that a large proportion of UK production is exported. Under the Guidelines, some of the information we are requesting will therefore relate to the countries to which cars are exported.

(e) specify how you have addressed the CO2 emissions from each such model in your decisions on: (i) strategy; (ii) product planning; (iii) material and processing engineering; (iv) sales promotion, marketing and advertising; and (v) determination of buyer target groups and targeted volumes of vehicle deliveries, as required by Section V.3.

(f) specify which technologies and operating procedures you have adopted in all parts of your UK enterprise that reflect standards concerning CO2 performance in the best performing part of your global enterprise, as required, where appropriate, by Section V.6(a).

(g) specify what steps you have taken to develop and provide services that have no undue CO2 impacts as required by Section V 6 (b).

In respect of questions (e) to (g) above, we note that a press release prepared by BMW in 14 May 2007 states that:

“The BMW Group has been committed to hydrogen technology as a means of reducing car emissions, in particular CO2 emissions, for over 20 years...BMW continues to develop ultra efficient, yet very dynamic petrol engines that significantly reduce fuel consumption and CO2 emissions. Together with clean performance diesel cars and the technologically advanced hybrid systems currently under development, the BMW Group has a clear strategy for sustainable mobility with hydrogen as the ultimate goal.”

Please specify whether and how BMW’s sustainable mobility strategy addresses the questions set out at (e) to (g) above.

(h) specify what actions you have undertaken to promote higher levels of awareness among customers of the CO2 emissions arising from the driving of each such model, as required, where appropriate, by Section V.6(c).

In respect of question (h) above, we would point out that research produced in February 2007 by Friends of the Earth found that over half of all car adverts in national newspapers surveyed over a two week period were for cars in the top three most polluting Vehicle Excise Duty bands.

These figures show no improvement since similar research carried out in September 2005. Our September 2005 survey was used and quoted in the European Commission’s Impact Assessment for the mandatory standards for cars. The European Commission has recently acknowledged that car advertising is promoting the trend towards bigger and more powerful cars.

- (i) inform us of the steps that you have taken to take due account of the need to protect against climate change, and to ensure that emissions of CO2 from cars made by you in the UK contribute to preventing dangerous climate change, as required by Section V.1, chapeau, of the Guidelines (see above).

(j) Explain what steps BMW has taken to ensure that it does not make representations or omissions about the CO2 emissions of its cars, nor engage in any other practices, that are deceptive, misleading, fraudulent, or unfair. In this regard we note a comment by DR Michael Ganal of your sales and marketing department that:

“With every single one of our new models, we are proving the fact that combining the ultimate driving experience with reduced CO2 emissions is not a contradiction in terms.”

We should be grateful if you would specify how this is being done and provide copies of any relevant policies or other documentation to support this statement.

We note that Rolls-Royce Group Plc has won a Business Commitment to the Environment Award and that it endorses the goals of ACARE to reduce fuel consumption and CO2 emissions by 50%. In the light of the current CO2 emissions of Rolls-Royce vehicles set out above, we should be grateful for further information

on how Rolls Royce intends to do this.

In relation to all of the above, please explain how BMW's efforts contribute to your obligation under Section II.1 of the OECD Guidelines to contribute to economic, social and environmental progress with a view to achieving sustainable development and II.7 to develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between BMW and the society in which you operate.

We look forward to hearing from you within the time period set out above.

Yours faithfully

Friends of the Earth Rights & Justice Centre