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**FRIENDS OF THE EARTH  
RIGHTS & JUSTICE CENTRE**

**By post**

Our Reference: PM/GP/HCars

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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 Honda, as the fourth 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. 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 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<sup>0</sup>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<sup>0</sup>C, with the trend over the last 50 years being nearly twice that

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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 2020<sup>1</sup>. 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 2050<sup>2</sup>. 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.

## **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 Honda and others has fallen short, both of what is needed and of what Honda 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:

*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 <sub>2</sub> /km)	162	172	169	164
2005 (g CO <sub>2</sub> /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

<sup>1</sup> Environment Council Conclusions March 2006

<sup>2</sup> Paragraph 3.4 Consultation document on Draft Climate Change Bill, March 2007

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.

Honda had an average of 184g/km for new cars sold in 1997. In order to meet the 140g/km objective in 2008 it had to reduce average emissions by 31 g/km between 1997 and 2005. In 2005 Honda achieved 166g/km or a 18 g/km reduction. This is 60% of the reduction you should have achieved in order to be on track, assuming a straight line progression. We further note that Honda was ranked 11<sup>th</sup> out of the 20 brands surveyed by T&E, forming part of the bottom 50%.

### **3. Performance of car manufacturers in the UK**

According to the website of the Society of Motor Manufacturers and Traders (SMMT), Honda is the fourth biggest manufacturer of cars in the UK. As well as its UK operations, Honda Motor Europe's Headquarters are housed in the UK. The plant produces complete cars and 75% of the cars produced by Honda within the UK are exported.

As one of the biggest manufacturers of passenger cars in the United Kingdom, Honda, in our submission, has an obligation significantly to reduce the CO<sub>2</sub> 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 Honda 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 Honda, 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, Honda has produced approximately 1,038,000 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 Honda's UK car production in 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 Honda 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 and/or engines produced were sold within the UK and which were exported.

2. In respect of each model of car and/or engine falling within 1. above<sup>3</sup>, 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) .

On the information available to us it appears that of the 7 Honda Civic models manufactured in the UK the only model produced by Honda with CO2 emissions falling within the limit is the Civic Type S diesel at 134-138 g/km (the Civic Diesel is 135-140 g/km). The largest level of emissions appear to come from the Civic Type-R which produces emissions of 215g/km. We should be grateful if you would set out the full position in respect of all 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 we should be grateful if you would specify the measurable objectives and/or targets that you have established for reducing the CO2 emissions from each such model as required by Section V.1 (b) (and which you are required to disclose under Section III.4(b); We note in this regard that Honda's Swindon facility is currently producing the Civic Type-R and would be grateful for information on how you are reconciling its continuing production with any targets set.

(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;

(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).

(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 carried out 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. In the case of Honda, none of the three advertisements placed within that period were for models with less than 140g/km emissions. All 3 adverts were for vehicles in VED Band E (166-185 g/km) although 14 of Honda's 62 models (23%) have emissions of less than 140 g/km.

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

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<sup>3</sup> 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.

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