3 November 2015

Open investor letter to key EU policy-makers: Protecting long-term investment value in Europe’s automotive industry

Dear Madam or Sir:

The Institutional Investors Group on Climate Change (IIGCC) represents a growing network of 118 European – mainly mainstream – investors with a combined €12 trillion of assets under management. IIGCC members are important providers of capital to Europe’s automotive sector. We are writing to express our strong view that: 1) robust testing of vehicle emissions is critically important to ensure that car manufacturers are fulfilling legislative requirements and public health is protected; and 2) that investors need to be reassured that testing is reliable so we are in a position to allocate capital to those entities that are best placed to deliver enduring value to shareholders.

With respect to the efficacy of the emissions tests, this is vital for investors as they assess how prepared car manufacturers are for emissions limits that are likely to become more stringent in the future.

IIGCC members base their investment decisions on official data regarding these regulatory risks. As a result of Volkswagen’s conduct, our members have lost significant investment value. Trust in emissions data urgently needs to be restored so that investors can be sure that official data is reliable.

At the same time, it is important for us all that standards are not watered down. Whether this is for particulate or greenhouse gas emissions, public welfare depends on a strong and predictable regulatory framework. The pace of the low-carbon transition needs to accelerate. To help investors identify those companies that are leading the step change in innovation that is necessary, we require reliable data on emissions.

IIGCC therefore urges European institutions to take the following decisive action to strengthen Europe’s vehicle emissions testing regime, for all pollutants covered by current legislation:

1. Restore confidence into CO2 testing procedures by going beyond UNECE requirements for the Worldwide Harmonized Light Vehicles Test Procedures (WLTP) and by introducing real driving emission test procedures for CO2. This change should be phased in over time to become mandatory for new vehicles within a few years.

2. Introduce real driving emissions test procedure for non-CO2 pollutants as soon as possible and ensure these tests are robust and conformity factors are not overly generous

3. Either strengthen requirements for national type approval authorities to conduct mandatory real driving emissions test procedures for non-CO2 pollutants, including random on-the-road testing, or establish an independent European type approval authority.
IIGCC also urges European institutions to set **2025 CO₂ emissions standards at an ambitious level** that is fully in line with the EU’s 2030 and 2050 climate-energy objectives and will require a step-change in innovation across vehicle classes.

European competitiveness does not depend on how well cars perform in laboratory testing. European competitiveness depends on how well car manufacturers and their value chains prepare for more stringent future emissions standards applying on the road. We urge you to adopt all these measures.

IIGCC members would like to request the opportunity to meet to discuss this with you in person at a time suitable for you.

Yours sincerely,

On behalf of the IIGCC

Stephanie Pfeifer  
Chief Executive, IIGCC
IIGCC Membership October 2015

Aberdeen Asset Management
Aegon
Amundi
AP1 (First Swedish National Pension Fund)
AP2 (Second Swedish National Pension Fund)
AP3 (Third Swedish National Pension Fund)
AP4 (Fourth Swedish National Pension Fund)
AP7 (Seventh Swedish National Pension Fund)
APG Asset Management
ATP
Aviva Investors
AXA Real Estate
Baillie Gifford & Co
BBC Pension Trust
Bedfordshire Pension Fund
BlackRock
BMO Global Asset Management (EMEA)
BNP Paribas Asset Management
BT Pension Scheme
Caisse des Dépôts
CB Richard Ellis
CCLLA Investment Management
Central Finance Board of the Methodist Church
CF Partners (UK) LLP
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Church of Sweden
Climate Change Capital
Danske Bank
Deutsche Asset & Wealth Management
DIP
Dragon Capital Group Ltd.
Earth Capital Partners
Edentree Investment Management
Environment Agency Pension Fund
Environmental Technologies Fund
ERAFP
Ferrostaal Capital
First State Investments
Fonds de Réserve pour les Retraites (FRR)
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Greater Manchester Pension Fund
Henderson Global Investors
Hermes
Hermes GPE LLP
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HSBC Investments
Impax Asset Management
Inflection Point Capital Management
Insight Investment
Janus Capital International
JOEP
Joseph Rowntree Charitable Trust
Kempen Capital Management (KCM)
Kent County Council Pension Fund
Kleinwort Benson Investors
La Banque Postale
Legal & General Investment Management
London Borough of Newham Pension Fund
London Borough of Newham Pension Fund
London Pensions Fund Authority
Low Carbon Ltd
M&G Real Estate
Marguerite Advisor S.A.
Mayfair Capital Investment Management
Mercer Global Investments Europe Limited
Merseyside Pension Fund
Mn Services
National Employment Savings Trust (NEST)
NextEnergy Capital Ltd
Nordea Investment Funds
Northern Trust Asset Management
Ohman
OU Endowment Management (OUem)
PBU
PensionDanmark
The Pensions Trust
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Robeco
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Sampension
Sarasin & Partners LLP
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Universities Superannuation Scheme
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Church of Scotland
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Polden-Puckham Charitable Foundation
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Representative Body of the Church in Wales
Roman Catholic Diocese of Plymouth
Roman Catholic Diocese of Portsmouth
Servite Friars
United Reformed Church Ministers Pension Fund
United Reformed Church South Western Synod
United Reformed Church Trust
United Reformed Church Wessex Synod
William Leech Foundation

Institutional Investors Group on Climate Change Ltd. Co Registration Number: 7921860
Tel +44 (0) 207 960 2987 Email info@iigcc.org Web www.iigcc.org
Postal Address
Second Floor, Riverside Building
County Hall, Belvedere Road
London SE1 7PB
Registered Address
IIGCC c/o JS2
One Crown Square
Woking, Surrey GU21 6HR