

Brief on the PCFV Used Vehicle Working Group



Establishment of the Used Vehicles Working Group

- ▶ The **Partnership for Clean Fuels and Vehicles (PCFV) Used Vehicle Working Group** is a multi-sectoral group exploring policy, financing and regulatory strategies on the international trade of used vehicles
- ▶ The working group was conceived from the **11th PCFV Global Partners Meeting (GPM)** held in London in June 2016 where the issue of used vehicles was highlighted
- ▶ As a follow up to this, the first ever international meeting on used vehicles was held on 20 Feb 2017 in Geneva co-organized by **UN Environment** and **UN Economic Commission for Europe**

Working Scope of the Used Vehicles Working Group

- ▶ UN Environment staff are working on a **database** covering Africa, Latin America, Asia and the Pacific and Eastern Europe & the Caucasus
- ▶ The database covers each country in the region and looks into:
 - ▶ **Supply chain** (main entrance points, key transit points, main exporters etc.)
 - ▶ **Import regulations** (age, emission, road worthiness, import license etc.)
 - ▶ **Custom tariffs** (based on age, engine size, type etc.)
 - ▶ **Levy reduction/policies** in importing cleaner vehicles
- ▶ The working groups recommendations would also be pushed through the **UN Environment Assembly** and the **EU - Africa Meeting**
- ▶ There was also a need to involve **NCAP** for the safety aspects of used vehicles as well as **JAMA** and **JICA** from an exporters perspective

Factors encouraging trade in used vehicles

- ▶ The global demand for the export of used vehicles from developed countries to developing and underdeveloped countries has grown significantly as cheaper used vehicles have a **positive impact on the economies** of underdeveloped countries as **mobility and access to opportunities** is enhanced by a larger section of the population
- ▶ **Used vehicle exporters** offer better returns to used vehicle sellers in developing countries than the incentives offered for **scrappage**, this has seen the growth of used vehicle exports continue to rise
- ▶ **Used vehicle importers** operate in an environment where price is the key factor in growing sales, hence the trend to import the lowest priced vehicles which also means the vehicles in the worst condition
- ▶ This practice leads to the importation of vehicles with the **worst compromise in safety and emissions** as they are priced the lowest

Factors for consideration in trade of used vehicles

- ▶ **Regulation** is key in controlling the **quality of used vehicle imports** in line with the importing country's aspirations
- ▶ There are however challenges with the **capability and capacity** of enforcing ideal regulations leading to the use of compromised regulations such as age limits which achieves some of the objectives but not all of the objectives comprehensively
- ▶ **Exporting countries** of used vehicles therefore could facilitate the enhancement of regulations by supporting capacity and capability to reduce the **adverse health impact** of poor emissions and unroadworthy vehicles
- ▶ **Manufacturers** of exported used vehicles could also provide solutions and have a **commitment to manage the lifecycle use** of their products and should recognize that used exports constitutes a part of that lifecycle even if they have not been scrapped in the country of original sale
- ▶ In many used vehicle importing countries, **franchise dealers refuse** to provide **aftermarket support** for their brands that have not been purchased through their local outlets

Used Vehicle Export Trade



Used Vehicles - Exporting Countries

- ▶ Roadworthiness requirement proposals
 - ▶ Ensure zero star NCAP rated cars are all scrapped and banned for export
 - ▶ Ensure repaired vehicles with an accident history of a structural nature are not exported
 - ▶ Ensure key safety aspects of export vehicles are in working order; airbags, steering, brakes, headlights, tyres etc.
 - ▶ Ensure vehicle identifiers are not tampered with
- ▶ Emissions compliance proposals
 - ▶ Ensure no vehicle below Euro 4/IV emissions standard is exported
 - ▶ Identify and label zero emissions vehicles
 - ▶ Provide access to data of vehicles' CO2 emissions rating

Used Vehicles - Exporting Countries

- ▶ End-of-Life recycling proposals
 - ▶ Introduce small-scale end-of-life recycling technology and capability to final destination countries of used export vehicles
 - ▶ Import economically viable recyclable reusable components, preferably “value added” from these countries
 - ▶ Offer suggestions on other productive uses of end-of-life materials in these countries
- ▶ Vehicle age limit and mileage proposals
 - ▶ Comply with a harmonized agreed global maximum age limit for vehicle exports
 - ▶ This should be seen as a fall-back position should other technological restriction criteria fail
 - ▶ Ban exports of vehicles that are close to the end of their economic mileage life.

Used Vehicles - Exporting Countries

- ▶ Aftermarket support proposals
 - ▶ Provide franchise dealers in import countries with access to digital/on-line vehicle maintenance and parts catalogues of all used vehicle import models that are not supported by the franchise
 - ▶ Encourage franchise dealers to stock fast moving service components of used vehicle imports that are not supported by the franchise
 - ▶ Continue to support long-term / life-time warranties through the franchise dealer of the importing country that were granted upon first sale of the vehicle, such as against body rust which compromises structural integrity and safety

Used Vehicle - Importing Countries



Used Vehicles - Importing Countries

- ▶ Roadworthiness policy proposals
 - ▶ Introduce incentives for purchasing five star NCAP rated cars
 - ▶ Ensure vehicles are inspected before export by recognized authorities/institutions/organizations who provide certification
 - ▶ Ensure chassis number has not been tampered with and exists on global/national database
 - ▶ Conduct basic roadworthiness inspection
 - ▶ Increase roadworthiness inspection capability at port of entry
- ▶ Emissions policy proposals
 - ▶ Introduce Euro 4/IV minimum emissions standards
 - ▶ Introduce incentives for zero emissions vehicles
 - ▶ Establish recognized harmonized sources of vehicles' CO2 emissions data
 - ▶ Introduce vehicle CO2 emissions rating based fiscal policies

Used Vehicles - Importing Countries

- ▶ End-of-Life recycling proposals
 - ▶ Introduce vehicle scrappage policies with incentives
 - ▶ Develop end-of-life vehicle recycling sector
 - ▶ Exploit export opportunities of recycled vehicle products, preferably value added
 - ▶ Innovate other productive uses of scrapped vehicle components to enhance vehicle scrappage values
- ▶ Vehicle Age Limit and Mileage
 - ▶ Regions to harmonize used vehicle import age limits to suit their economic development agenda
 - ▶ This should be seen as a fall-back position should other technological restriction criteria fail
 - ▶ Ban imports of vehicles that have exceeded more than one third of their economic mileage life, this should be a regionally harmonized figure

Used Vehicles - Importing Countries

- ▶ Aftermarket support proposals
 - ▶ Franchise dealers to provide service support to used import vehicle owners and/or on parts identification for purchase or import
 - ▶ Franchise dealers to stock economically viable fast moving service components of used vehicle imports
 - ▶ Franchise dealers to support the manufacturers' long-term / life-time warranties on used vehicle imports that were granted upon first sale of the vehicle, such as against body rust which compromises structural integrity and safety

Global Used Vehicle Trade Solutions



Adverse Aspects of Used Vehicles

- ▶ There exists a **black market for metals used in vehicle after treatment technology**. This means that the used vehicles imported into developing countries are not necessarily clean
- ▶ There may not be **in-country capacity and competence** of countries to test various vehicle parameters
- ▶ **Fuels** may not be the **right quality for cleaner vehicles**. An example was given on the Nigeria case where there seems to be 3 specifications for fuels being imported despite the fact that the country made a commitment to move to low sulphur fuels by July 2017
- ▶ Ghana's adoption of the **low sulphur fuels** is however on course

Used Vehicles Issues of Concern

- ▶ One of the issues highlighted was the fact that there are **minimal regulations on used vehicles** and therefore the need for a global approach / harmonization
- ▶ It was also noted that there is **limited available data** on used vehicle flows, volumes, and that the internet lacked details on vehicles
- ▶ There was no agreement whether the model to manage used vehicles should be **age based** or **vehicle emissions based**, perhaps a combination of the two could be considered as a fall back if the one or the other failed

Innovative Financing Mechanisms

- ▶ A **levy** that is **globally managed, nationally implemented** on the export of used vehicles
 - ▶ Whereby **the levy is on high-income countries**, with the revenues being transferred to low and middle-income countries to address a recognized development priority
- ▶ For example:,
 - ▶ A US\$10 levy per second-hand vehicle exported from the USA, Japan, Germany and South Korea would raise an estimated \$40 million a year,
 - ▶ With a US\$20 levy doubling this to \$80 million per year (*Road Safety Management Limited; FIA*).

Global Trade in Used Electric Vehicles

▶ BATTERY LIFE

- ▶ Resale values of used electric vehicles are likely to depreciate proportionately with the **reducing battery capacity** along with other depreciation factors, naturally many importers will opt for the lowest cost vehicles
- ▶ Importing countries should consider protecting consumers by **limiting the age of used imported electric vehicles** to two or three years to avoid dumping of scrapped batteries

▶ BATTERY TYPE:

- ▶ **Lead-acid batteries** are difficult to dispose of and are an environmental hazard
- ▶ **Banning the importation** of new and used battery electric vehicles fitted with lead acid batteries should be considered

Way Forward for the Used Vehicles Working Group

- ▶ The secretariat will draft a **terms of reference** for the Working Group noting that:
 - ▶ Part of deliverables should be a **technical paper**
 - ▶ The audiences targeted will include **Finance Ministries** in developing countries, **EU regulators** and **Environmental Protection Agencies**
- ▶ The secretariat will reach out to **NCAP**, **JAMA** and **JICA** amongst others to be part of the working group

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