

**COMPANY CAR POLICIES TO REDUCE CO₂-EMISSIONS:
A SURVEY AMONGST SELECTED WEC MEMBER COMPANIES**

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KEY RESULTS

The survey evaluated companies with a car policy in place to reduce CO₂-emissions (Green Car Policy). Survey findings include a need to:

- a) Involve top management and communicate clearly and precisely the business case of reducing CO₂-emissions
- b) Implement a central car policy with – wherever possible – more stringent local policies.
- c) Set clear limit values for CO₂ emissions as informed by government policy and stakeholder expectations
- d) Provide incentives for adhering to the limit values (e.g., bonus plans)
- e) Lower the limit values of CO₂-emissions periodically.

Furthermore, research reveals that companies have been successful by doing the following:

- f) Lead by example – convince top management and CEO to choose low-emitting cars
- g) Do not allow employees to use penalty fees in order to be eligible for a larger car, thereby trying to demonstrate a higher status within the company hierarchy.

Generally speaking, the performance of company car fleets on CO₂-reduction lags behind their business expectations and Corporate Responsibility goals. Although many companies have reacted to the gap and have either implemented a “green” car policy or are currently developing one, they need to become even more ambitious if they want to make full use of available technology and catch up with the leaders.

(1) INTRODUCTION AND METHODOLOGY OF THE SURVEY

The introduction of an ambitious car policy can contribute to reducing a company’s overall greenhouse gas emissions and costs. As technological solutions are not the limiting factor, the task is to design a policy that reduces emissions significantly while making sure that all other priorities concerning the car fleet such as safety issues, costs, etc. are not being compromised. Another major task is gaining acceptance for change amongst executives, managers and the entire staff.

Merck KGaA asked WEC to do a survey amongst selected WEC member companies to better understand how to successfully implement a central car policy that effectively reduces the CO₂-emissions of the company car fleet. A questionnaire, with 10 questions, was created by WEC in close collaboration with Merck KGaA and sent to senior officials in the sustainability function of eight selected WEC member companies in the period of September 12 – September 26, 2011. These companies were selected for fulfilling at least three of the following criteria:

- (a) Pharmaceutical/chemical industry (value: a major part of Merck KGaA’s business)
- (b) global geographical distribution (value: information on different country approaches)
- (c) anticipated leadership in energy efficient car fleet management (value: best practice learnings)
- (d) WEC member company (value: higher rate of participation in survey)

While several of the companies are currently in the process of creating such a policy themselves and thus unable to deliver results, three companies were able to answer all questions in detail. Their answers have been analysed and form the basis of this evaluation

Although not a representative number for a survey, the evaluation provided enough information to reach the goals of the survey – to identify practical business approaches on how to implement a car policy in global companies that aims at reducing CO₂-emissions.

Participants:

- AstraZeneca (UK)
- Bayer (Germany)
- F. Hoffmann – La Roche (Switzerland)

WEC has also supplemented the survey results with recent research on the topic, thereby putting the findings into a broader context.

Further References:

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- Deutsche Umwelthilfe (2011): Unternehmensstrategien zur Verringerung des CO₂ Ausstoßes
- European Federation for Transport and Environment (T&E) (2010): How green are Europe's cars? An analysis of carmaker progress towards EU CO₂ targets in 2009.
- GE Capital (2011): CO₂ emissions from company car fleets across Europe's major markets between 2008 and 2010. London.

Websites:

- European Commission Climate Action: http://ec.europa.eu/clima/policies/transport/vehicles/cars/index_en.htm (October 21, 2011)
- MoneyCab: <http://moneycab.com/mcc/?p=46040> (October 18, 2011)
- KFZ-Auskunft: <http://www.kfz-auskunft.de/news/9112.html> (October 18, 2011)
- VMF: <http://www.vmf-fuhrparkmanagement.de/fuhrpark-branchentrends.html> (October 18, 2011)

(2) EXISTING STRATEGIES TO IMPLEMENT A CAR POLICY WITH CO₂-LIMITS

Research on this topic is rather limited. However, from the few papers available some interesting facts are worth mentioning: Typically, 20-25% of the total cost of ownership (TCO) of global companies' car fleets consists of fuel costs, according to a recent study by GE Capital (GE Capital, 2011). That is why reducing fuel consumption is at the forefront of fleet managers' agenda.

In recent years, governments have become the ally of fleet managers in this respect as they are planning to continuously lower the limits for CO₂-emissions. In the EU, for instance, the limit average value for new car fleets of automobile manufacturers is gradually being reduced to 130 g CO₂/km by 2015 and to 95 g CO₂/km by 2020, thereby supporting the efforts of fleet managers to switch to fuel-efficient cars.

To reach such limits though, companies still have a long way to go: In a recent survey by the German Environmental NGO "Deutsche Umwelthilfe" it was discovered that most company car fleets currently show a rather poor performance (Deutsche Umwelthilfe, 2011). In its 2011 survey amongst 153 major German companies the average fleet emissions of just seven companies were at or below 140 g CO₂/km, with Phoenix Solar AG at the forefront. On the other hand 140 companies (91.5%) showed an unsatisfactory performance either due to high CO₂-emissions of up to 191 g CO₂/km for the fleet or due to inability to provide data.

However, there is a growing trend that more companies are considering the importance of this issue. A recent survey amongst large European companies revealed that almost 50% are actively trying to reduce CO₂-emissions of their fleets (Moneycab, 2011). And according to a survey amongst large companies in Germany (CAR, 2008) 15% already had a car policy in place aiming at reducing CO₂-emissions while 25% were planning to create such a document. However, the major challenge is not announcing the policy itself – the challenge is to implement a strong policy that is actually reducing CO₂-emissions, thus helping to achieve the green goals of the company.

Gaining the support of senior officers is crucial to this goal, and they should lead by example. There are several efficient automobile models on the market already that can emphasize the status of senior executives and still comply with CO₂-emissions reduction goals, such as the Porsche Panamera Hybrid (159g/km) or the Audi A8 Hybrid (144g/km). Other manufacturers such as BMW, Toyota or Volvo also have models in their product range that are already or soon will be available.

Characteristics of "green car policies" of global companies:

Several global companies have already implemented green car policies and some of the most successful actions taken by these companies are summarized below:

- German solar company Phonenix Solar introduced 120 g CO₂/km as target value for the fleet. Their CEO and Board also commit to this value and chose middle sized cars for themselves (Phoenix Solar).
- Siemens and Phonix Solar continuously lower the maximum limit for company cars.
- DuPont introduced limits for expected CO₂-emissions with upper and lower values that will be continuously reduced. If a driver emits more CO₂ than the upper value allows he/she has to pay 2€/g CO₂. If he/she is below the lower value a bonus payment is received.
- Deutsche Telekom and Ricoh Europe, respectively, are using penalty payments resulting from too high CO₂-emissions for investments in environmental projects (Deutsche Telekom) or to fund social projects designated by the Workers Council (Ricoh Europe).
- MTI Aero Engines offers eco driving training to drivers with relatively high fuel consumption.
- Several companies are organizing driving contests enhancing the driving style of employees. Tchibo, with its "Eco driver" contest, is one example.
- Several companies are providing permanent service on the air pressure in tires for all company cars

Furthermore, although not found in the studies evaluated, unconventional non-monetary incentives for reducing CO₂ emissions can be considered. They include:

- Attractive parking lots on the company site.
- Regular free cleaning and maintenance of the car by a service provider.
- Visible labels for high performers.
- Option to switch to a different type of car for a day/few days several times a year.

Finally there is one practical observation for global companies that need to decide on how to set the baseline for their central car policy: Looking at the average CO₂-emissions of new cars sold in France (134g/km) or Italy (136g/km) in 2010 they will notice that the values are much lower than in countries such as Germany (154g/km). Car fleets in specific countries follow this trend, especially since they often draw on cars from automobile manufacturers from that specific country (on average CO₂-emissions of new BMW's and Volkswagen's are 151g/km and 153g/km respectively while these values are 136g/km for PSA Peugeot and 131g/km for Fiat (European Federation for Transport and Environment (T&E), 2010). Considering this kind of data can be helpful to decide upon the baseline for the central car policy and for more ambitious local policies, if wanted.

(3) EVALUATION OF COMPANY RESPONSES

The evaluation of the survey focus on the experiences of three European companies from Germany, Switzerland and the UK.

Types of car policies with CO₂-limits

All companies have central car policies in place. These are supplemented by local car policies.

Experiences with company car policies

CO₂-related global car policies were introduced between 2007 and 2010. These central car policies are designed to cover all parts of the company and to reduce the overall corporate amount of CO₂-emissions by increasing the efficiency of the car fleet (typically by 20% in 5 years). In addition, all companies allow local car policies that can better adjust to local conditions, such as government regulations or acceptance of efficient technology. These local policies are also a solution to a major disadvantage central policies face: they can more aggressively reduce CO₂-emissions in leading countries since a central policy has to take into account the "weakest part" of the organization which may not result in a very aggressive goal.

Limits on CO₂-emissions defined by companies

The central car policies do not define CO₂-limits per group of employees but define an average limit for all cars. In this manner company management can decide by themselves if they want to provide larger cars to individual managers or teams and compensate by lowering the emissions of ordinary staff as long as the average CO₂-limits are met – which results in higher acceptance. For a global company a typical central car policy will aim at e.g. 160-170 g CO₂/km while national policies differ according to local acceptance. For Europe a general limit of e.g. 120 g CO₂/km was mentioned while another company allows as much as 155 g CO₂/km in Germany compared to 129 g CO₂/km in France and 110 g CO₂/km in Turkey. These limits refer to passenger cars. There are no defined limits for light commercial vehicles – only one company policy generally states that energy efficient vehicles must be used.

Future scenario concerning CO₂-limits

Surveyed companies plan to adapt the policy periodically (e.g. every 5 years) to stricter requirements according to technical progress or more ambitious company goals to reduce overall CO₂-emissions.

Bonus/penalty agreements when CO₂-emissions are below/above stated limit

Participating companies use a mix of incentives and penalties, especially financial elements, to make low-emissions vehicles attractive. One company mentioned that its local policies also make use of selected non-financial incentives such as reserved parking spaces and routine maintenance/service for those who use a low-emissions vehicle.

Content of companies' car policies

Companies provided information (in their local rather than in their central car policies) on

- (a) CO₂-emissions limits that differ depending on employee group (e.g. sales/upper management).
- (b) CO₂-emission limits for each of the cars offered.
- (c) benefits/incentives for driving with lower CO₂-emissions. Two companies also provided information on training course availability for more efficient driving.

Challenges while introducing a car policy and steps taken to obtain acceptance

Each company faced different challenges. They include:

- (a) Companies found it difficult to convince local management to introduce the car policy in those countries where having a large car is a status symbol (e.g. such as in Germany and the United States).
- (b) Companies mentioned different priorities between the departments of Human Resources, Sustainability, and Procurement.
- (c) Considerations of vehicle safety, Total Cost of Ownership (TCO) and suitability for the intended purpose of the vehicle may have priority over fuel efficiency.

However, these different challenges have been managed in similar ways: Acceptance was achieved through:

- (a) clear communication with the company top management, which resulted in their direct support of the goals.
- (b) building and articulating a strong business case in favour of reducing CO₂-emissions.
- (c) making use of local policies in order to be flexible and adapt to local circumstances.

Involvement of company departments

Surveyed companies involved the Corporate Purchasing and the Environmental/Safety/Sustainability Affairs Departments. One company that has already implemented the policy also involved Human Resources as well as Corporate Communications, something that some of the companies that currently consider developing a policy also plan to do.

Continuous improvement of the car policy

Participating companies have detailed reporting on fuel consumption and distances driven in place, so they are able to measure the efficiency of the policy over time. Hardly any changes have been made to the policies yet, due to the short period since their implementation. Each company is able to identify those elements of their car policy that has been most successful in reducing CO₂-emissions. Among them are:

- (a) definition of a clear policy goal (e.g. reduce the company fleet's CO₂-emissions below Xg/km).
- (b) availability of bonus schemes.
- (c) enabling local decision-makers to set their own, context-specific targets.
- (d) use of natural gas vehicles in specific countries.

(4) CONCLUSIONS

Although the task of reducing the CO₂-emissions of the company car fleet is yet in its infancy at the majority of large enterprises, there is enough experience to show that a well-planned restructuring of the car fleet policy can contribute to the overall emission goals of a company. It is also clear that there are some hurdles to be overcome, including staff acceptance. There is also the question how far management wants to take its commitment to reduce CO₂-emissions of its fleet – should the average limit be set at 170g/km or at 120g/km? Should the emissions be completely or partly neutralized through investments in carbon reducing projects and/or should penalty fees be invested in sustainability projects?

At any rate, this is an untapped source for both CO₂ reduction and cost reduction, without the need for high investments and there are also several ways how to motivate both management and staff to drive with less CO₂ emissions.