INECE Compliance Conversation: Addressing Emissions from Secondhand Car Imports in Africa and Asia

Session 1 Notes (June 17)

The second session of this Compliance Conversation will take place on July 2 at 9:00 am (GMT – 4). Please register here to join us for a follow up discussion during which we will delve deeper into the questions posed below.

Introducing the Issue:

As automotive technology and emissions standards become stronger in highly industrialized countries, a serious question arises concerning what can, and should, be done with the many aging vehicles that are no longer efficient or clean enough to meet minimum standards. Often, the answer is to sell these cars to secondhand car dealers in Africa and Asia. This option is more lucrative than scrapping or recycling the car. As African and Asian economies continue to grow, and their residents gain more expendable income, many seek to change their life-styles. This motivation to become more autonomous and by extension, more mobile, makes cheap, secondhand cars an extremely popular purchase.

The emissions from these “dirty” vehicles pose a large problem for the countries who have imported them, and who, faced with an ever-growing demand, will continue to import them. Currently 80% of air pollution in Africa comes from motor vehicles, and most of these were imported from the US or Europe. With this information in hand, the question becomes: what can be done to lessen or eliminate harmful emissions from these vehicles?

For our discussion, we focused on the following guiding questions

- What approaches have been most successful: Regulatory? Market-based? Other creative methods?
- Can successful approaches be replicated in Africa and Asia?

Panelists:

Gerry Opondo, Executive Director of the Environmental Compliance Institute – Africa (ECI-Africa) and the East African Network for Environmental Compliance and Enforcement (EANECE). Mr. Opondo has extensive experience in regulatory cycle development and has played key roles in the formulation of policies at multiple levels of governance across East Africa. He was the one to propose this topic and initiate these Compliance Conversations.
**Ariadne Baskin**, Urban Clean Mobility Consultant – United Nations Environment Program (UNEP). Ms. Baskin’s work focuses on the nexus between cities and climate change, with interests in urban planning and design.

**Kate Blumberg**, Senior Fellow and Mexico Country Lead – International Council on Clean Transportation (ICCT). Ms. Blumberg’s recent work has focused on supporting the development of light- and heavy-duty fuel economy/GHG standards and moving Mexico to world-class conventional pollutant standards.

**Seema Kakade**, Professor of Law and Director of the Environmental Law Clinic at the University of Maryland, Carey School of Law. Professor Kakade’s has extensive experience with implementation, enforcement and compliance with environmental law. Professor Kakade’s research focuses on air pollution, energy, and climate change.

**Q & A:**

- **What is the importance of transboundary cooperation?**
  - It is necessary to ensure exporting countries are not exporting waste to developing countries (e.g. Diesel Gate— manufacturer cheating standards)
  - Regional carbonization: emissions standards vary by country (potentially leading to a race to the bottom), and countries trade with each other within regions even though few ports accept the cars.

- **What is a “grey market”?**
  - This refers to the no-rules market place populated by intermediaries trafficking in illegal vehicles. Grey markets are more muddled than black markets, as they can have many players, some of which may be following regulations, some of which may not be.
  - Banning secondhand imports may not be the most efficient form of regulation, considering the heterogeneity of grey markets. Bans may actually prevent people from accessing clean technologies (e.g., Secondhand hydrogen fuel cell or electric cars from Japan/US).

- **How do we approach handling the trade of secondhand vehicles, and what can we do once they are already in use in Africa/Asia?**
  - The [Volkswagen Settlement](https://www.epa.gov/cars-and-trucks/volkswagen-emissions-case) with the US EPA provides a good example of preventing the movement of “dirty vehicles”. It included a clause preventing Volkswagen from exporting any of its vehicles that were below acceptable emissions standards.
  - It is important to note that it is difficult to differentiate between a “clean” and “dirty” vehicle. What criteria should we use? Who would be responsible for
creating this designation? Who would monitor “clean” and “dirty” vehicles once they are designated as such?
  - Issue: data on vehicles (once imported) is scarce.

- Are there currently any international organizations covering this issue?
  - No. Secondhand vehicle trade is not present on the global agenda, though some organizations, like UNEP, have recently started to engage with it.
  - Secondhand vehicles could potentially be covered under one of the existing frameworks (e.g., Basel Convention which deals with hazardous waste and disposal), but there remain substantial barriers to this sort of development.
  - Secondhand vehicles are a lucrative commodity and not widely considered waste. Mobility is a development question; used cars are a source of personal autonomy, and survival for many individuals.
  - There is very little data on the subject. Currently all data is provided from exporters, with little to no information concerning what happens to vehicles that reach the destination country.
  - An overarching challenge is defining the terms “used” and “waste.” Standards change quickly (e.g., NOx in the US), so it is hard to keep up.

- What would be the most effective standard?
  - The ideal move would be to create an emissions standard, but crafting this is difficult as it would require examining individual vehicles.
  - A slightly less complicated approach would be to institute a certifications standard and check to ensure each car’s emissions regulating system is still in place.
  - The third best, but simplest, option would be an age standard, which would help to separate the different components we are concerned about and as a result create less complex regulation on the subject. Some differentiation based on country of origin could be more robust.

- What economic pushback should we expect from developing countries?
  - Measures that make it more difficult to get cheap cars are viewed as a tax on the poor, and people will fight them. Practically, people need access to mobility, and cars ownership is a serious status symbol around the world.
  - Some ways to work around this:
    - A “feebate” approach (taxing the dirtiest technologies and incentivizing the cleanest), but this is generally applied to new vehicle markets rather than secondhand.
    - Working towards revenue neutral policies to prevent over-impacting the poor.
- Incentivizing cleaner and more affordable technologies that are not cars—like 2- or 3-wheelers.

- Is it better to subsidize cleaner/newer vehicles or discourage purchase of secondhand vehicles?
  o It will be difficult for low-income countries to find the funds needed for a subsidy approach. It is easier for them to levy a tax based on the value of the commodity and attempt to raise revenue from it.
  o Newer vehicles are not necessarily less polluting. It is important to impose new vehicle standards in addition to dealing with secondhand vehicles, to ensure dirty vehicles are eventually replaced with cleaner ones.
  o The cost difference between a new and used electric car poses a serious huge barrier.

- Can periodic inspections be an effective tool to address the problem?
  o Difficult logistically as these are tough to set up especially in countries where monitoring and enforcement resources are scarce.
  o The goal is to maintain data and enforcement that survives government turnover.
  o Universities and different levels (state, local) of government can take on some responsibilities, but one challenge is handling the volume. Another challenge is ensuring that the data is collected in a consistent and accountable manner, so that it is meaningful.

- What lessons can we take away from the Sri-Lankan model of handling secondhand imports?
  o **Sri Lankan Model**
    - Sri Lanka utilizes multiple taxes and regulations, including mandatory inspections and age restrictions based on the type of vehicle to prevent increased emissions from secondhand imports.
    - A successful scheme requires a combination of tools (bans, incentives, etc.)
    - This model would be difficult to implement in other countries, and to knowledge of our experts, is perhaps not the best design model.

- Who is responsible for the condition of traded/used cars? Exporters or importers?
  o Importing countries (we can look to California and Mexico, which require vehicles to pass inspections before being sold in their respective markets)
  o But intermediaries in the import/export cycle can cheat even with inspections in place.
    - The inspection business is a big and can be corrupt. This presents regulatory challenges.
  o Lack of consistency in the use of terms like “used” and “hybrids” make this difficult.
- Would mixed-use planning significantly reduce vehicle emission in urban areas?
  - Successful mixed-use planning can increase mobility and reduce emissions by encouraging biking and walking.
  - But actually, there has been a recent trend away from mobile transportation and toward greater demand for cars (status symbol).
  - Sometimes public transportation is worse than having multiple cars on the road (i.e. diesel buses), if poorly planned.

- Can we use regulations to create a net economic benefit?
  - Potentially, by reducing demand for cars.
  - Planning must involve a whole packet of policy (e.g., moving from cars to polluting diesel buses will not accomplish emissions goals)

- What classes are most often exported?
  - Passenger vehicles