

Automobiles: Regulatory Changes and Demand

Expansión (Spain)

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Did you buy an automobile in 2018? If so, was this a decision you'd considered in advance? Or were you encouraged to do so by ads from manufacturers and distributors with eye-catching discounts, driven by the new emissions approval cycle known as WLTP, which came into force in September? If you changed your buying habits, you weren't the only one. [According to a recent BBVA Research study](#), without WLTP, between 35,000 and 40,000 more private vehicles would have reportedly been registered from September, which were instead sold in July, and especially in August.

What is the Worldwide Harmonized Light Vehicle Test Procedure (WLTP)? Since September 2018, all private automobile registrations must be certified according to a new procedure, which measures fuel consumption and pollutant and carbon dioxide (CO₂) emissions through more realistic lab tests than those conducted under the NEDC test that has been in force since the 1980s.

As a result of the WLTP, an automobile's CO₂ emissions may differ from NEDC test results. In particular, the volume of CO₂ emissions of some WLTP-approved automobiles, especially those with more advanced technologies, could be up to 20% higher when compared to the NEDC test. Given that the registration tax rate in Spain is based on a vehicle's CO₂ emissions, the WLTP could make automobile purchases more expensive and, as a result, reduce the demand for private automobiles. This, combined with the need to sell off non-approved automobiles, resulted in a marketing push by brands and dealers during the second and third quarters of 2018, which brought about a notable upturn in sales in the first eight months of the year.

The 7% growth in private automobile registrations in 2018, to over 1.3 million units, coincided with a sharp fall in demand for diesel engines, which accounted for barely a third of the automobiles sold in 2018. Why has the market share of diesel vehicles fallen by half since 2010 to levels last seen in the mid-1990s? In addition to the fall in the average annual breaking-in, which makes it more difficult to offset the extra purchase cost compared to gas automobiles, and the emergence of new, increasingly affordable propulsion technologies, the reduced attractiveness of diesel engines can trace its roots to the tightening of environmental regulations following the case of false pollutant emission readings, known as "dieselgate," in September 2015.

Both the regulatory changes adopted since then and the expectation of new policies that make driving a diesel automobile more expensive, more difficult or even impossible have influenced their relative demand. In this regard, notable changes include the dissuasive impact of traffic restrictions approved by certain large cities (such as Paris or Madrid) to comply with European air quality standards; the proposals included in the bill on climate change and energy transition in Spain, aimed at limiting the use of internal combustion vehicles in the most-populated areas in the short term, and at prohibiting the marketing thereof in the long term; or the intention to equalize the tax on hydrocarbons with that of other fuels.

The Global Database of Events, Language, and Tone (GDELT), which gathers real-time information from the media on millions of topics such as build sentiment or engagement indicators, confirmed that the "dieselgate" scandal and the subsequent response from the authorities have had negative and permanent repercussions on Spanish consumer perception of diesel automobiles. Since the end of 2015, a wave of negative opinions on diesel engines has been detected in the press, which cancels out positive news and therefore discourages people from buying them. This result suggests that the trend away from diesel automobiles will continue into 2019 and 2020, although probably at a slower rate. Will you contribute to this?

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