




The European Small Volume
Car Manufacturers Alliance


PERFORMING FOR EUROPE

2022

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ABOUT ESCA

The European Small Volume Car Manufacturers Alliance (ESCA) is the trade body representing the interests of independent European car manufacturers.

ESCA members make advanced, high performance cars with individual production of less than 10,000 units per year, recognised by EU legislation as Small Volume Manufacturers (SVMs).

Based in Brussels and London, the ESCA team is made up of policy and public affairs professionals who coordinate the work of the Alliance and policy interventions on a range of issues including access to export markets, emissions targets and safety technology.

The Alliance advocates on behalf of its members in the European institutions, in EU Member States and in the United Kingdom to ensure their interests are represented alongside the mainstream automotive industry.



FOREWORD FROM THE ESCA PRESIDENT



2022 has been a pivotal year for our business as the European (Ultra) Small Volume Manufacturers ((U)SVMs). This has been driven by fundamental regulatory changes, which were, in turn, pushed by societal pressure to mitigate climate change and decarbonize the EU economy, and its road transport sector in particular.

Indeed, high-level targets such as the phase out of the internal combustion engine or full electrification of road transport have been high on the EU political agenda and widespread in the national press and media and, ultimately, within the European civil society.

The (U)SVM sector fully supports such change: ESCA Members have been heavily investing in (and in some cases are already operating) alternative powertrain for their vehicles.

At the same time, the (U)SVM sector is structurally affected by continuous regulatory changes: while large volume manufacturers can benefit from economies of scale to recuperate the investments needed for technological change, this proves challenging for (U)SVMs, which only register significantly lower amounts of vehicles per year in the EU.

On the other hand, each of the vehicle produced has a tremendous economic value: European (U)SVMs produce and export worldwide some of the most iconic, desirable and innovative vehicles. The combined total turnover of our members has a value of over €2 billion, while ESCA members' R&D spend is worth over €200 million and we continue to break new ground in industry expertise and in the development of new technologies. Our members employ over 8,000 thousand people directly across borders and hundreds more through their supply chains.

Vehicles produced by ESCA members also have a much longer use cycles and residual value, and are often prized possession by their owners, not meant for everyday driving.

Not granting sufficient transition periods for (U)SVMs to adapt to new regulatory requirements would therefore have a dramatically negative economic impact on our sector, with negligible environmental benefits (as (U)SVMs are responsible for a very limited quota of emissions – both CO2 and pollutants – within the whole road transport sector).

Thanks to ESCA's work over the last year, EU policy-makers have acknowledged these concerns, and have granted our sector a reasonable regulatory context. This will give our businesses additional time to ensure compliance in terms of safety technologies, and allow the transition to electrification and zero-emission powertrains to upkeep sector's competitiveness and longevity, making it able to continuously contribute to the EU policy objectives.

The regulatory challenges will continue over the coming years, in areas such as pollutant emissions, noise emissions, or trade. I would call any European (ultra) small volume manufacturers to join forces and speak with one voice in ESCA, the only association representing the very specific interests and concerns of the (U)SVM sector.



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Our members are responsible for



some of the world's

Koenigsegg Rimac Wiesmann Goupil Bugatti

most recognisable, iconic and innovative



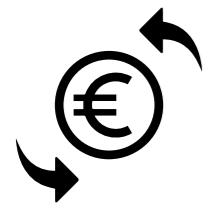
Pagani RUF Ineos Automotive Donkervoort Alpine Lotus

brands, breaking the mould in the automotive industry.



KTM Praga Cars Aston Martin-Lagonda Alpina McLaren Automotive

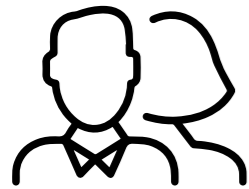
Federico Righi
Pagani



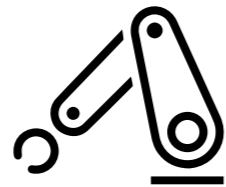
TOTAL TURNOVER
€2,180,000,000



TOTAL R&D INVESTMENT
(EUROS) IN 2021
€ 203,513,000



NUMBER OF
EMPLOYEES
8,586

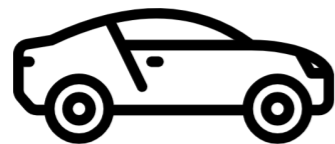


TOTAL PRODUCTION
OF VEHICLES IN 2021
9,311

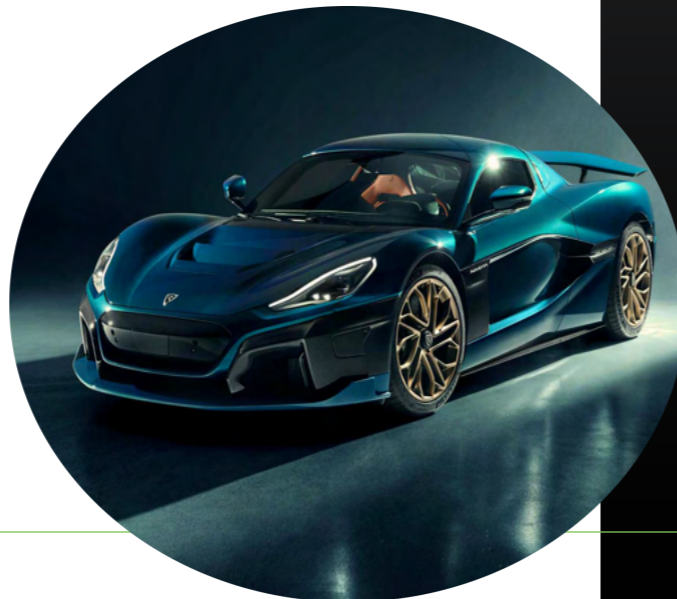
GLOBAL NUMBER OF
REGISTRATIONS IN 2021
15,083



NUMBER OF EUROPEAN
REGISTRATIONS IN 2021
8,782



TOTAL NUMBER OF VEHICLES IN USE
IN 2021
24,972



PRODUCTION CENTRES

1. **ALPINA**
Buchloe, Germany
2. **ALPINE**
Dieppe, France
3. **ASTON MARTIN LAGONDA**
Warwickshire, UK
4. **BUGATTI**
Molsheim, France
5. **DONKERVOORT** Lelystad, Netherlands
6. **GOUPIL**
Bourran, France
7. **INEOS AUTOMOTIVE**
London, UK
Hambach, France
8. **KOENIGSEGG** Ångelholm, Sweden
9. **KTM**
Graz, Austria
10. **LOTUS**
Norfolk, UK
11. **MCLAREN**
Sheffield, UK
Woking, UK
Barcelona, Spain
12. **PAGANI**
San Cesario sul Panaro, Italy
13. **PRAGA CARS**
Prague, Czech Republic
Orechová Potůň, Slovakia
14. **RIMAC**
Sveta Nedelja, Croatia
15. **RUF**
Pfaffenhausen, Germany
16. **WEISMANN**
Dulmen, Germany



GLOBAL REACH

R&D CENTRES

- China
- Slovenia
- United Kingdom
- Japan
- Norway
- South Korea

EXPORT COUNTRIES

- China
- Gulf Cooperation Council
- Japan
- Norway
- South Korea
- Switzerland
- Canada
- Thailand
- Taiwan
- USA
- EU Countries
- Mexico
- United Kingdom
- Singapore
- Hong Kong

KEY ISSUES & POLICY DEVELOPMENTS

ESCA's overarching policy objective is to help policy makers fully understand and appreciate the specificities of the (Ultra) Small Volume Manufacturers ((U)SVM) sector, thus making sure that policies are designed in a way that reflects the unique nature of the industry.

- SVMs' business model differs from Large Volume Manufacturers' (LVMs), in a number of aspects, such as:
 - Access to technologies: when customizing and delivering their products, component and engine technologies suppliers tend to prioritize LVMs over (U)SVMs, given the (very) limited number of vehicles produced per year.
 - Longer lifecycles of the vehicles: small volume vehicles typically have longer design, production and in-use cycles, spanning approximately 15-20 years per type from inception to renewal.
 - Vehicle architecture: cars produced in small volumes typically have unusual vehicle architectures, given use cases such as high-performance sports cars, off-road, utility and maintenance vehicles. In most cases, these vehicles have space and weight constraints that limit the possibility to install additional components or technologies, which are otherwise mandatory. Compromising with the vehicle architecture makes it less appealing to the customer, as the unique appearance is one of the selling points of vehicles produced in small volumes.
- Negligible number of total EU registrations: in 2020, the total number of registrations in the EU by ESCA members accounted for 6,945 vehicles. The number of (ultra) small volume manufacturers registrations has never exceeded 0,1% of annual registrations in the EU.
- Limited use of vehicles: cars produced in small volumes have an average mileage of 3,708km per year, which is significantly lower than vehicles produced in large volumes.

ESCA has been focusing its efforts on mainstreaming these concepts in the three main areas of advocacy activities in 2021: trade, emissions and safety.

TRADE

ESCA continues to facilitate its members' engagement with different legislative bodies in non-EU markets, to ensure a favourable legal framework, and continued market access for small volume manufacturers. Having uniform global standards is crucial to the small volume industry, and it is through this dialogue that ESCA is able to bring out-of-EU insights to the EU policy makers, and help Europe become a front-runner in the legislative standards and industry innovation.



EMISSIONS

In July 2021, the EU Commission adopted the "Fit-for-55 package", a set of legislative instruments aimed at reducing net greenhouse gas emissions of the EU by at least 55% by 2030, compared to 1990 levels. One of the legislative instruments proposed for a revision was a the CO2 emissions standards for cars and vans Regulation.

The future of the internal combustion engine (ICE) has been one of the main points of discussion: the Commission's most tangible proposal has been to de facto stop, as of 2035, the selling and registration of new ICE light duty vehicles in the EU market, with a clear intention to fully electrify the whole EU passenger vehicle fleet in the upcoming decades.

ESCA members fully support the objective of decarbonizing road transport. They are part of the transition, as they are progressively switching to alternative powertrains for their vehicles.

However, in order for the decarbonization target to be achievable while preserving the competitiveness of the sector, its specificities, as described above, must be taken into account. More specifically, the current exemption regime applied to USVMs (= less than 1000 vehicles registered in 1 year) must be maintained, considering the very negligible quantity of CO2 emitted by such vehicles, and the structural obstacles to get access to emission control technologies. As to SVMs (= between 1000 and 10000 vehicles), it is crucial to keep the current derogation regime, whereby manufacturers agree with the European Commission on ad-hoc CO2 emission reduction targets, based on their specific decarbonization potential.

ESCA has been actively delivering these policy messages to the EU institutions (European Commission, Parliament and Council), which have essentially endorsed ESCA's proposals. The proposal for a revised CO2 emissions standards for cars and vans Regulation is currently in its final stages of negotiations between the three institutions, which need to agree on a common text: ESCA will continue to closely monitor developments on this topic.

Similar considerations can be made concerning pollutant emissions, regulated under the so-called "Euro 6" standards. The Commission will propose revised standards (Euro 7) in October 2022, which will be up for the legislative scrutiny before entering into force.

While the focus in this legislation is on air quality rather than on decarbonization, the concerns for the (U)SVM sector are similar to those expressed on the CO2 standards file: additional time should be granted to SVMs to comply with the revised standards, and exemption mechanisms should be put in place for USVMs.

ESCA has been reiterating these policy requests to the EU Commission over the last 24 months, and will actively engage with the Parliament and the Council once the Commission presents its proposal.

SAFETY

2021 was an important year in the setting of vehicle safety technology standards. Following the adoption of the General Safety Regulation in 2019, the Commission was tasked with adopting follow-up legislation outlining technical requirements for the vehicle safety technologies.

ESCA members support the highest safety standards and strive to integrate the best technologies in their vehicles, to ensure that the industry contributes to the EU's ambition to significantly decrease the number of road accident victims through the implementation of the 'Vision Zero' strategy. At the same time, ESCA strongly believes that the legislation should upkeep the competitiveness of different industries, and take into account the specificities of small

volume car manufacturers, as well as their contribution to these ambitions, through the cutting edge technological innovation.

Throughout 2021, ESCA actively engaged with the European Commission's expert group and provided inputs on behalf of the industry. During this engagement, ESCA had a chance to present its sector and the impact that policy making has on the business. It is crucial that policies created by the EU take into account different sector realities to maintain competitiveness. This is well reflected in the Commission's proposed draft of vehicles safety standards legislation, which was achieved through bilateral negotiation and coalition building with like-minded organizations in Brussels.



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