Volkswagen: Climate Policy Engagement Overview

April 2022

Executive Summary

■ In April 2022, a group of investors led by AP7 and Church of England Pensions Board filed a shareholder proposal at Volkswagen AG to be voted on at its Annual General Meeting (AGM) on May 12th 2022 (see the press release here). The investors tabled an amendment to the company’s Articles of Association, intended to ensure that future sustainability reporting includes an assessment of its lobbying’s impact and alignment with its climate goals. Volkswagen has rejected the proposal on the basis that it deems it beyond the competence of the AGM. Volkswagen responded that “the Board of Management alone is responsible for deciding on the content of the non-financial report in accordance with the interests of the company”.

■ This briefing provides an overview of Volkswagen’s direct and indirect climate-related policy engagement. It contains data from InfluenceMap’s Lobbymap.org platform which tracks, assesses, and scores over 350 companies and 150 industry associations on their engagement with climate change policy against Paris-aligned benchmarks. This platform also feeds data into the Climate Action 100+ (CA100+) initiative.

■ Volkswagen’s direct engagement on climate policy engagement is broadly positive. The company has publicly pledged to stop selling combustion engine cars in Europe by 2035, and in 2021-22 has notably increased positive direct engagement on climate regulation to promote electric vehicles (EVs) in the EU and Germany. Following Volkswagen’s general opposition to high ambition EU CO2 standards between 2020-21, an October 2021 Volkswagen position paper appeared to explicitly support the EU’s higher 2030 and 2035 CO2 targets for vehicles for the first time, urging the new German coalition government to support the proposal. Further details of Volkswagen’s direct climate policy engagement can be found on the company’s online profile, or on page 4.

■ Volkswagen does not transparently disclose its use of industry associations to influence climate change policy, and has not published a review of its indirect climate policy engagement. Volkswagen is a member of multiple industry associations displaying highly strategic and mostly negative engagement with climate legislation and regulation in 2021-22, namely the European Automobile Manufacturer’s Association (ACEA), German Association of the Automotive Industry (VDA), BusinessEurope, Alliance for Automotive Innovation and Society of Motor Manufacturers and Traders (SMMT). InfluenceMap’s analysis of Volkswagen’s indirect climate policy engagement via industry associations is available on page 5.
Memberships to regressive industry associations, such as ACEA and VDA (where Volkswagen’s CEO, Herbert Diess, is on the Board of Directors) appear to be strongly misaligned with both the company’s direct positive climate policy engagement and its internal decarbonization targets. Negative climate policy engagement from both ACEA and VDA against a zero-emissions EU 2035 CO2 target and internal combustion engine (ICE) phase-out policies appear to be highly misaligned with Volkswagen’s recent positive advocacy on EU CO2 emissions standards (see German Autos report and CO2 standards briefing).

Background: Shareholder resolution on climate advocacy

Dialogue with companies over their climate policy engagement is now firmly on the investor agenda on climate change. It is an integral part of the Climate Action 100+ (CA100+) investor-engagement process, which now has 700 investor signatories with a total of $68 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing, and scoring companies on their engagement with climate change policy against Paris-aligned benchmarks, currently covering around 350 companies along with 150 of their key industry associations.

InfluenceMap refers to the UN’s Guide for Responsible Corporate Engagement in Climate Policy as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties, and participation in policy advisory committees.

Following growing investor scrutiny on corporate lobbying behavior, companies are increasingly facing shareholder resolutions on climate policy engagement. The number of resolutions filed in this category has significantly increased in the last three years, becoming the most popular among the climate-relevant resolution universe monitored by InfluenceMap. In 2021, a record number of shareholder resolutions specifically calling for Paris-aligned climate policy engagement were filed (13), with a further 6 resolutions focused on industry association disclosures.

This trend appears to have continued in 2022, with investors filing significant numbers of resolutions specifically calling for Paris-aligned policy engagement. InfluenceMap is producing a series of investor briefings on companies facing these resolutions in 2022, with more information available here.
Summary of Volkswagen’s climate policy engagement

Overview

InfluenceMap’s methodology, available on our website, uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related policy streams. Each item of evidence is scored against benchmarks based on the advice of IPCC science or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company’s climate policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap’s online profile for Volkswagen, including access to the underlying data which forms this assessment, can be found here. The analysis of Volkswagen’s industry association relationships, including detailed profiles for each association, can be explored via the "Details of Relationship Score" tab. An overview of InfluenceMap’s assessment of Volkswagen is provided in Table 2 below.

Table 2: Overview of InfluenceMap’s assessment of Volkswagen

<table>
<thead>
<tr>
<th>Performance Band</th>
<th>C</th>
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<tbody>
<tr>
<td>Performance Band (A+ to F) is a full measure of a company’s climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.</td>
<td></td>
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<table>
<thead>
<tr>
<th>Organization Score</th>
<th>73%</th>
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<tr>
<td>Organization Score (0 to 100) expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “internal” misalignment between the Paris Agreement and the company’s detailed climate policy engagement.</td>
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<thead>
<tr>
<th>Relationship Score</th>
<th>50%</th>
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<tbody>
<tr>
<td>Relationship Score (0 to 100) expresses how supportive or obstructive the company’s industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “external” misalignment between the Paris Agreement and the detailed climate policy engagement of the company’s industry associations.</td>
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<tr>
<th>Engagement Intensity</th>
<th>51%</th>
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<tbody>
<tr>
<td>Engagement Intensity (0 to 100) is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.</td>
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Summary of direct climate policy engagement

InfluenceMap’s analysis of Volkswagen’s direct climate policy engagement is based on 312 independent data points, 139 of which have been logged since 2021. Under InfluenceMap’s system, recent evidence is heavily weighted in the calculations of metrics, as explained in our methodology. This section contains embedded links to our online platform where over 30,000 pieces of assessed evidence are archived.

■ **Top-line support for climate action:** Volkswagen’s high-level communications on climate change are broadly positive. The company has repeatedly voiced its commitment to the Paris Agreement, including in its 2021 Sustainability Report, and has advocated for a 1.5°C global warming target in an October 2021 position paper. It has also repeatedly expressed its support for the EU’s 2050 climate neutrality target, including in a July 2021 CEO Alliance policy letter signed by Volkswagen’s CEO.

■ **Growing support for CO2 standards for light-duty vehicles:** Volkswagen appears to have recently changed its stance on the EU’s proposed CO2 emissions standards for light-duty vehicles, though its public disclosure on the policy remains somewhat limited. Following general opposition to high ambition EU CO2 standards between 2020-21, an October 2021 Volkswagen position paper appeared to explicitly support the EU’s higher 55% 2030 and zero-emissions 2035 CO2 targets for vehicles for the first time, urging the new German coalition government to support the proposal. A May 2021 Reuters article further stated that Volkswagen had “softened its stance on tough new European carbon dioxide emissions targets for automakers”, privately supporting more ambitious CO2 targets than other automakers in talks with EU policymakers. Volkswagen also disclosed its support for a 2030 EU CO2 standards target reduction of 50% for light-duty vehicles in its 2021 CDP response.

■ **Broad support for the electrification of transportation:** Volkswagen appears broadly supportive of the electrification of road transportation. The company publicly supported the expansion of EV infrastructure across the EU in 2021, advocating for mandatory charging infrastructure requirements for all EU member states in a February 2021 EU consultation response. In an October 2021 position paper, it advocated for extended German purchase premium for EVs, supporting higher company car taxes for internal combustion engine (ICE)-powered vehicles and plug-in hybrids (PHEVs) over EVs, as well as the electrification of heavy-duty transport. Volkswagen also signaled support for the Biden Administration’s steps towards electrification in the US in an August 2021 joint statement. However, the company did appear unsupportive of a potential EU 100% zero-emission vehicle (ZEV) mandate in a February 2021 EU consultation response, emphasizing concerns around “market uptake” and “charging development”.

■ **Mixed support for ICE phase-out:** Volkswagen has shown mixed support for global ICE phase-out policies. For example, a July 2021 Volkswagen statement in response to the EU Fit for 55 legislative package argued that a combustion engine ban was not necessary, as e-mobility would dominate in the EU
by 2030. However, an October 2021 position paper by Volkswagen appeared supportive of the EU’s 2035 zero-emissions CO2 target, which would effectively phase out ICE vehicles. Despite this, Volkswagen did not sign a global pledge made at COP26 in November 2021 to phase out ICE-powered vehicles in leading markets by 2035 and globally by 2040. A November 2021 Auto News article further reported that Volkswagen CEO, Herbert Diess, dismissed the proposed global phase-out as “not doable”.

Summary of indirect climate policy engagement via industry associations

InfluenceMap’s platform tracks and analyzes the climate policy engagement of over 150 industry associations using the same benchmarks and scoring process applied to companies. This gives an assessment of each association’s engagement against Paris-aligned benchmarks. This section details InfluenceMap’s analysis of Volkswagen’s key industry associations and governance processes.

- There is a lack of transparency concerning Volkswagen’s use of industry associations to influence climate policy. Whilst Volkswagen does publicly disclose its industry association memberships, the company lacks a comprehensive disclosure of how its associations’ climate policy engagement aligns with its own climate goals and the Paris Agreement.

- InfluenceMap analysis indicates that Volkswagen likely holds memberships to seven industry associations with misaligned climate policy engagement (ranked as a D or below by InfluenceMap’s system). These include the European Automobile Manufacturer’s Association (ACEA), German Association of the Automotive Industry (VDA) and BusinessEurope. Volkswagen’s senior executives hold influential executive and committee positions at ACEA and VDA, all of which have engaged negatively on climate policy in Germany and the EU.

- Memberships with regressive industry associations, such as ACEA and VDA, appear to be at odds with both Volkswagen’s internal decarbonization targets and direct climate policy engagement. Volkswagen has an internal battery electric vehicle (BEV) sales target of 70% of European sales volumes by 2030, and a 100% 2035 BEV European sales target. Moreover, in October 2021, Volkswagen publicly supported the EU’s 2035 zero-emissions CO2 target, which would effectively end the sale of ICE vehicles in the EU by 2035. However, both ACEA and VDA appear to be actively lobbying against policies in line with Volkswagen’s internal EV strategy, and its direct advocacy to support higher EU CO2 emissions standards for cars and vans. Neither industry association appears aligned with the company’s increasingly progressive positioning on vehicle electrification. InfluenceMap analysis also suggests that both associations are leading the opposition in Europe against higher EU CO2 standards (see German Autos report and CO2 standards briefing).

- It is worth noting that Volkswagen has publicly distanced itself from the VDA and ACEA in recent years, for example in March 2019, when the company reportedly threatened to withdraw from the VDA due to the
industry association's failure to promote EVs. Additionally, evidence from July 2021 suggests that Volkswagen has been internally pushing ACEA to advocate for more ambitious EU policies around the *electrification of transportation* and *EU CO2 standards*. However, Volkswagen has not published a review of its direct and indirect climate policy engagement. As such, the company does not have a clear and transparent process to regularly monitor and review its alignment with its industry associations, including steps it is taking to reform misaligned positions within its industry associations.

Table 3 below gives an overview of six key industry associations with examples of recent obstructive climate policy engagement. Detailed profiles for all of Volkswagen’s industry associations can be explored via the links in the table, *Appendix A*, or the "Details of Relationship Score" tab on Volkswagen’s *profile*.

**Table 3: Evidence of recent climate policy engagement by Volkswagen’s key industry associations**

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>Performance Band</th>
<th>Examples of recent climate policy engagement</th>
<th>Membership</th>
</tr>
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<tbody>
<tr>
<td><em>German Association of the Automotive Industry (VDA)</em></td>
<td>E+</td>
<td>• <strong>February 2022:</strong> VDA President, Hildegard Müller, <em>appeared to support</em> a less ambitious response to climate change, telling a news conference that “we don’t need more and more climate goals” and that “the current ones are ambitious”.   • <strong>November 2021:</strong> An EU consultation response from VDA stated <em>opposition</em> to a 2035 zero-emissions CO2 target and argued that a 55% 2030 target would be &quot;a major challenge&quot;.   • <strong>July 2021:</strong> VDA appeared to <em>strongly oppose</em> the EU’s zero-emission 2035 CO2 target for cars and vans in a press release.  • <strong>May 2021:</strong> VDA <em>strongly opposed</em> an EU phase-out date for ICE-powered light-duty vehicles in a Fit for 55 position paper, arguing that “technology bans are not a solution”.</td>
<td>CEO on the Board of Directors</td>
</tr>
<tr>
<td><em>BusinessEurope</em></td>
<td>D-</td>
<td>• <strong>March 2022:</strong> In a letter to the Chair of the EU Environment Council, BusinessEurope urged policymakers to <em>reassess the timelines</em> for the Fit for 55 package.   • <strong>February 2022:</strong> During an event attended by Peter Liese, EU Parliament rapporteur for the European Emission Trading Scheme (EU ETS), the Director-General of BusinessEurope <em>suggested</em> that the EU Commission’s proposed EU ETS reform needed &quot;significant changes&quot; and advocated for “sufficient” free allocation of emissions allowances for industry.   • <strong>February 2022:</strong> In a letter to the Chair of the EU Competitiveness Council, BusinessEurope did not support policies to accelerate the EV transition, including the EU’s 2035 CO2 emissions target.  • <strong>February 2021:</strong> BusinessEurope did not support raising the ambition of the EU’s 2030 climate target to 55% in a position paper, <em>suggesting</em> that 2030 is too early for nascent technologies to be rolled out commercially.</td>
<td>Partner company in the Corporate Advisory and Support Group</td>
</tr>
</tbody>
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### European Automobile Manufacturer’s Association (ACEA)

| D | February 2022: ACEA President, Oliver Zipse, publicly urged policymakers to **delay** setting the EU’s zero-emission 2035 CO2 target until "2040 at the earliest" and called for the decision on a zero-emissions CO2 target to be delayed until later in the 2020s, according to a Politico report.  
  
  February 2022: According to an Automobiliewoche article, ACEA President, Oliver Zipse, **directly advocated** to policymakers to oppose internal combustion engine bans in Germany and Europe at a closed-door meeting inside the German federal parliament.  
  
  November 2021: ACEA appeared to **oppose** a 2035 zero-emissions CO2 target in an EU public consultation response while stating that a 55% 2030 CO2 target for cars would be "challenging". It also **argued** that "it seems too early to fix the 2035 CO2 targets now", proposing that the 2035 EU zero-emissions target decision be delayed until 2028.  
  
  July 2021: ACEA appeared to **strongly oppose** EU measures to phase out ICE vehicles by 2035 in a press release, with its President, Oliver Zipse, stating "we urge all EU institutions to focus on innovation rather than mandating, or effectively banning, a specific technology". |

### Alliance for Automotive Innovation

| D+ | March 2022: The Alliance for Automotive Innovation **took legal action** to defend the Environmental Protection Agency’s vehicle GHG emissions standards in the US against a legal challenge.  
  
  November 2021: In a **presentation** from a meeting with the EPA, Alliance for Automotive Innovation opposed the adoption of the more stringent and less flexible GHG emission standards. It also **called for** alternative GHG standards for small volume manufacturers.  
  
  September 2021: Alliance for Automotive Innovation **opposed** higher fuel economy (CAFE) penalties for automakers failing to meet fuel economy requirements in the US, following an October 2020 letter, where the industry association **petitioned** NHTSA to freeze CAFE fines, arguing that the policy has “no environmental benefit and is strictly punitive”.  
  
  September 2021: In a US public consultation response, Alliance for Automotive Innovation supported One National Program, which would **prevent** states such as California from setting their own, more ambitious, GHG emissions targets. It also **opposed** the adoption of more stringent and less flexible greenhouse gas (GHG) emission standards for vehicles, supporting GHG emissions roughly midway between current standards and those of the former Obama Administration. |

### Society of Motor Manufacturers and Traders (SMMT)

| D+ | April 2022: SMMT **appeared not to support** an ambitious UK zero-emission vehicle mandate, emphasizing concerns around complexity and cost, and advocating for a “flexible” mandate with ZEV purchase incentives and a binding infrastructure provision.  
  
  September 2021: An SMMT UK public consultation response on phasing out non-zero emission heavy goods vehicles (HGVs) stated **opposition** to a 2040 phase-out date for ICE HGVs, opposing the setting of any phase-out date.  
  
  September 2020: SMMT’s CEO, Mike Hawes, **opposed** a newly proposed 2030 ICE sales ban date in the UK, arguing that the ban “could have a devastating impact on the UK automotive industry and jobs".  
  
  Direct member along with subsidiaries Seat, Scania and Skoda UK  
  
  Direct member along with subsidiary (Porsche) |
Appendix A: Volkswagen’s industry association memberships

The table below provides a ranking of Volkswagen’s industry associations by Performance Band, i.e. a measure of direct climate policy engagement (see page 3 for more information on InfluenceMap’s metrics). Detailed profiles for all Volkswagen’s industry associations can be explored via the links in the table.

<table>
<thead>
<tr>
<th>Industry Association</th>
<th>Region</th>
<th>Performance Band</th>
<th>Engagement Intensity</th>
</tr>
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<tbody>
<tr>
<td>Confederation of British Industry (CBI)</td>
<td>United Kingdom</td>
<td>B-</td>
<td>43%</td>
</tr>
<tr>
<td>International Chamber of Commerce (ICC)</td>
<td>Global</td>
<td>C+</td>
<td>18%</td>
</tr>
<tr>
<td>Hydrogen Europe</td>
<td>Europe</td>
<td>C+</td>
<td>31%</td>
</tr>
<tr>
<td>Society of Motor Manufacturers and Traders (SMMT)</td>
<td>United Kingdom</td>
<td>D+</td>
<td>18%</td>
</tr>
<tr>
<td>Alliance for Automotive Innovation</td>
<td>United States</td>
<td>D+</td>
<td>30%</td>
</tr>
<tr>
<td>European Automobile Manufacturer’s Association (ACEA)</td>
<td>Europe</td>
<td>D</td>
<td>40%</td>
</tr>
<tr>
<td>Confederación Española de Organizaciones Empresariales (CEOE)</td>
<td>Spain</td>
<td>D</td>
<td>31%</td>
</tr>
<tr>
<td>BusinessEurope</td>
<td>Europe</td>
<td>D-</td>
<td>51%</td>
</tr>
<tr>
<td>International Federation of Industrial Energy Consumers (IFIEC)</td>
<td>Europe</td>
<td>D-</td>
<td>34%</td>
</tr>
<tr>
<td>Society of Indian Automobile Manufacturers (SIAM)</td>
<td>India</td>
<td>E+</td>
<td>13%</td>
</tr>
<tr>
<td>German Association of the Automotive Industry (VDA)</td>
<td>Germany</td>
<td>E+</td>
<td>50%</td>
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