

Cash for clunkers



Cars currently account for close to half of the transport sector's fuel consumption and CO₂ emissions (IEA 2008 data). With the world's car fleet expected to triple by 2050 tackling emissions from cars is an important component of tackling climate change.

50% by 2050: Global fuel economy initiative

The global auto industry and governments have recently launched the Global Fuel Economy Initiative (GFEI) which sets a target to improve fuel efficiency in cars worldwide by 50% by 2050, which could save over six billion barrels of oil a year and cut nearly half the CO₂ emissions from cars, significantly improving air pollution. The UN Environmental Programme, International Energy Agency, International Transport Forum and FIA (International Foundation for Automobiles) Foundation, who launched GFEI early in 2009, believe we can achieve a 30% saving in a decade using existing conventional technology.

Cash for clunkers

One measure that goes some way to meeting the GFEI target is the so-called "cash for clunkers" initiative, taken up by 11 EU governments, including the UK, which is designed to further kick-start the automotive industry and introduce smaller, more fuel efficient and lower emission vehicles on the road. This follows the recent US auto bailout, which was contingent on General Motors producing more fuel efficient models. The new scheme works by offering money or interest free loans to consumers who send their cars over a certain age to be scrapped, and replace them with newer, more efficient models.

The scheme has been a success in Germany, where people are offered €2,500 to scrap cars that are nine years old or more, and buy a vehicle less than a year old. New registrations increased by 40% in March after the scheme was launched at beginning of this year.

About IFSL Impax Environmental Leaders Fund

The **IFSL Impax Environmental Leaders Fund** invests worldwide in companies that are at the forefront of developing products or services to solve the world's most pressing environmental problems.

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About Impax

Impax Asset Management is the leading UK specialist investor in the environmental sector, with circa £1 billion under management and advisory.

For more information about the company and our team of expert fund managers, see www.impax.co.uk.

Environmental criteria

Schemes vary across countries with consumers receiving from €675 in Cyprus to €6,500 in Italy. Conditions of purchase also differ; in some countries drivers must buy vehicles emitting no more than 120g/km of CO₂ whilst in other countries the limit is 160g/km. Some vehicles in certain countries must achieve the Euro 4 standard (an emissions regulation), be run on electricity or hydrogen, or consume a maximum of 5 to 7 litres/100 km, ensuring that these schemes serve to benefit the environment as well as car sales.

US: one step further

In the US President Barack Obama has publically endorsed a similar programme. The scheme has already been introduced in bills to the House and the Senate offering drivers up to \$4,500 to scrap old, fuel-inefficient vehicles and buy more efficient replacements. Vouchers may also be offered for train and bus travel in exchange for scrapping old vehicles.

Company winners

Companies in the **IFSL Impax Environmental Leaders Fund** portfolio that are set to be direct beneficiaries of these schemes include Johnson Controls, a global leader in auto parts, Borgwarner, an auto parts manufacturer specialising in turbochargers and Denso, an auto electronics manufacturer. All three companies make products that significantly increase the efficiency of conventional cars and all are significant holdings in the **IFSL Impax Environmental Leaders Fund** portfolio, with exposures of between 1 and 1.5%.

The **IFSL Impax Environmental Leaders Fund** is a sub-fund of the IFSL Impax Fund, a UK open-ended investment company with variable capital. The fund was launched on 3 March 2008 and is available to investors through Cofunds.

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