As Emissions Scandal Widens, Diesel’s Future Looks Shaky in Europe

By JACK EWING   JULY 25, 2017

WOLFSBURG, Germany — The latest victims of noxious diesel fumes may be the fuel technology itself.

A consumer rebellion against diesel — once the fuel of choice in Europe — is gathering momentum after the region’s antitrust authorities said this week that they were looking into accusations that German carmakers secretly agreed to cut corners on pollution equipment.

A swell of forces that started with the Volkswagen emissions scandal is now engulfing the industry, putting the future of diesel in doubt and, with it, a technology crucial to European automaking. Public opinion is turning as consumers become aware of the health hazards. Sales of diesel vehicles are in free fall. Cities are contemplating outright bans. And government scrutiny is building, with elected officials realizing that diesel has become a political liability.

“The tide has been turning against diesel for some time,” said Peter Wells, a professor at Cardiff Business School in Wales who follows the auto industry. “This will make matters even worse.”

For carmakers, diesel is not just another option that has gone out of style, like tape players or fog lights. Volkswagen, Mercedes-Benz and others spent decades persuading European buyers that diesel was not only more economical than gasoline, but also more environmentally friendly.
They succeeded. Until recently, diesel accounted for more than half of cars sold in Europe, in contrast to the United States and Asian countries, where diesel has only a sliver of the market. Politicians, especially in Germany, helped by passing legislation that ensured diesel was cheaper at the pump than gasoline.

More Europeans are realizing that the “clean diesel” claim was only half true. Diesel engines burn fuel more efficiently than the gasoline engines that prevail in the United States, and produce less planet-warming carbon dioxide. But they also emit more nitrogen oxides, which can cause asthma and other serious lung ailments and are responsible for urban smog.

Carmakers haven’t helped their case by operating in a regulatory gray area in Europe, where porous rules allow manufacturers to manipulate emissions tests for their own benefit. Authorities have said automakers were cheating, just in a legal way.

The diesel scandals have even become an issue in the German national elections scheduled for September. Chancellor Angela Merkel is under fire from critics who say she has been the German auto industry’s de facto chief lobbyist. Berlin pushed in Brussels for subsidies for diesel fuel, and Ms. Merkel once complained directly to California officials about the state’s strict nitrogen oxide limits.

“In light of the diesel scandal, forbidden collusion creates a kind of super meltdown for the credibility of the German auto industry,” Stefan Bratzel, director of the Center of Automotive Management in Bergisch Gladbach, Germany, said in a statement.

European automakers have felt the pressure. During the first six months of the year, sales of diesels declined 10 percent in Britain; 9 percent in Germany; and 7 percent in France.

The sagging popularity of diesel undermines a pillar of the German automakers’ strategy.

In the 1990s, Volkswagen, Mercedes and BMW were the first to combine computer technology, fuel injection and turbocharging to make diesels quieter and
cleaner than the smoking, rattling diesels of old. Diesel’s fuel economy also made it easier for BMW, Daimler and Audi to achieve dominance in the luxury car market in Europe, where the cost of fuel is often four times the cost of gasoline in the United States.

“That was crucial for the high end of the market,” Mr. Wells said.

The big, premium cars have been essential to automakers, since they are more profitable than mass-market economy cars. It will be harder to sell gasoline versions of SUVs like the Audi Q7 or BMW X7.

The focus on diesel meant German carmakers were slow to develop the hybrids that could serve as a substitute. Now, they lack other products to sell instead.

Manufacturers of lower-priced cars like Fiat, Renault, Peugeot and Citroën are also threatened. They must upgrade emissions equipment in the cars they sell because of stricter regulatory scrutiny. Within a few years, the cost is likely to become prohibitive to make such vehicles.

The backlash against diesel began in 2015 after Volkswagen admitted to programming engine software to dupe regulators about nitrogen oxide emissions. Then, studies last year by the British, French and German governments showed that diesel models from almost all manufacturers spew excess pollution in everyday use.

On Saturday, the German magazine Der Spiegel reported that for decades Volkswagen, Daimler and BMW had colluded to hold down the price of key technologies, including emissions equipment. Among other things, Der Spiegel said, the carmakers agreed in 2006 to limit the size of tanks used to hold a liquid required to neutralize nitrogen oxide fumes.

At least for Volkswagen and its Audi division, the tanks were not big enough to adequately purify the emissions without frequent refills.

Volkswagen and Audi have admitted in court documents that rather than inconvenience owners, they rationed the fluid and allowed the cars to spew more nitrogen oxides than allowed. Daimler and BMW have denied wrongdoing.
Though unproven, the **accusations of collusion** among the automakers are being taken seriously. The European Commission and the Federal Cartel Office in Germany said they would look into the Spiegel report.

Volkswagen’s supervisory board is scheduled to meet Wednesday to discuss the matter. German political leaders and auto executives will hold a “diesel summit” next month in Berlin.

Carmakers face another quandary as diesel vehicles become a tougher sell. They must find another way to meet stricter limits on greenhouse gases.

In response, carmakers are speeding up plans to sell **electric** vehicles in much greater quantities.

BMW said Tuesday that in 2019 it will begin producing a version of its popular Mini that will run solely on battery power. **Volvo Cars has said** it will stop developing conventional internal combustion engines.

But that may not be soon enough to compensate for the decline in diesel, which could accelerate further. **France is aiming** to end the sale of gasoline and diesel cars by 2040. Numerous cities in Europe, including Madrid, Paris and Stuttgart, are considering banning older diesels.

The potential bans are a major cause of the exodus from diesel. Customers fear they may not be able to drive into city centers.

City officials are responding to data showing that nitrogen oxide levels in urban areas remain stubbornly high even though diesel cars have supposedly gotten cleaner in the past decade. In London, leaders are drawing a connection between the rising rates of respiratory problems and diesel cars.

One city considering a diesel ban is Munich. “That shows what a profound shift is underway,” Mr. Wells said. Munich is the headquarters of BMW.

*Follow Jack Ewing on Twitter @JackEwingNYT.*

A version of this article appears in print on July 26, 2017, on Page B1 of the New York edition with the headline: Across Europe, Diesel’s Future Appears Shaky.