

# The VW Emissions Scandal and Its Effect on the Global Auto Industry

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*The VW emissions scandal [sent shock waves throughout the auto industry](#) across the world, as it was revealed that the company had been fraudulently lowering the emission counts of the nitrogen oxides that were included in many of its diesel engines after the company realised that there was no legal way for those diesel engines to meet the tight U.S. emissions standards that were in place.*

*Volkswagen were vague when detailing exactly how the fraud was allowed to take place, and simply [blamed the scandal on a 'chain of events'](#) within the company. Despite a two hour intensive press conference at the time the scandal first broke, a satisfactory explanation for who authorised the installation of the inaccurate software, when the software was first used, and how the cover up to disguise this usage kept hidden for such a long period of time. What is known is that 500,000 diesel-powered cars in the U.S. were found to be effected when the scandal first broke in September. But this isn't the biggest controversy to emerge from the scandal: what it reveals about the global auto industry is much more illuminating.*

## Shining A Light on The European Car Market

The scandal reduced Volkswagen's standing within the global auto industry (albeit temporarily) and also shone a light on the industry and the way in which its reporting takes place in general. Volkswagen is the biggest car maker in Europe, and one whose reputation revolves around its commitment to reliability and trustworthiness. Correcting the scandal now it has emerged is likely to cost the company, and therefore the German economy, greatly, as it is estimated that 11 million cars and vans will need to be serviced in order to remove the faulty software, and the United Kingdom and Germany are considering the further recall of approximately 1.2 million and 2.8 million diesel cars respectively as a result.

The knock on ramifications are effecting more than just VW: shares in other car manufacturers, including Renault, Peugeot, Nissan and BMW have all dropped by between 2 to 4 percent since the scandal first broke. Focus and guidelines on the European auto industry are likely to become much stricter, and the effect of this will be a loss of profits in association with a loss of consumer confidence.

## A Death Blow to the Diesel Car?

Automobile research analyst at Bernstein Research, Max Warburton believes that the VW scandal could mark the beginning of the end for the global diesel car market, In an interview on the subject he stated that: "The move against VW is going to act as a catalyst to speed up the fall in diesel market share in Europe and halt it in the US." Diesel cars [already have a](#)

[bad reputation](#) amongst those consumers with an environmental interest, because of the high levels of emissions that they produce, and diesel cars are already around 10-15% more expensive to insure than petrol cars (with adequate [car insurance coverage being a legal requirement](#) in most markets) making them generally more expensive for consumers to run. This is devastating news for Europe, which has seen billions of euros extensively invested in diesel technology over the last decade, in a bid to find a cleaner and more environmentally friendly diesel engine. The fraudulent activity of the region's largest manufacturer means that this money has been, effectively, wasted. No doubt because one of their biggest exports sits at the heart of the scandal, the German government has raised its concerns over the lack of regulation within the car industry, and costly new regulations are sure to be implemented in the short term.

### **Good News For The American Auto Industry?**

Where there is disaster for one market it usually indicates opportunity for another, and it has been predicted that this difficult time for the European auto industry will [spell an opportunity for the American auto industry](#) to assert its authority and provide a viable challenge to the diesel market and to diesel car technology which has been dominated by the European auto industry for so long. American hybrid and electric car brands in particular could and should take advantage of the light that this scandal has shed on the need for environmentally friendly motoring. What is yet to be seen is if VW is the only manufacturer to be caught up in this kind of scandal, or if the effects may be even wider reaching than we currently perceive them to be.

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