

IMPACT OF EUROPEAN UNION REGULATIONS ON HYBRID VEHICLE SALES

Deniz Ozdiktas

Department of Economics, Clark University, Worcester, Massachusetts, USA

Abstract

European vehicle sales decreased staggeringly during the last global crisis so European Commission adopted the European Economic Recovery Plan. The plan, which was a response to financial and economic crisis, included ten actions, and one of them was the support for clean technologies for cars. Later in 2013, new guidelines on incentives were created by the Commission. The aim was not only to promote energy efficient vehicles but also to increase the demand for low emission vehicles. As a result, every member country developed its own particular regulations. The purpose of this paper is to analyze the determinants of hybrid vehicle demand, focusing on gasoline prices, financial incentives and economic disincentives. The data is sourced from several European Union organizations. Additionally, multidimensional fixed effects models were used to investigate the demand. This study shows that the existence of government regulations is important, as is the type of regulations in place.