



VW scandal: what the emissions revelations mean

The carmaker's rigging of emissions data in the US could have serious repercussions around the world - and not just for Volkswagen

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What has Volkswagen done?

The US Environmental Protection Agency (EPA) said on Friday that Volkswagen had installed illegal software to cheat emission tests, allowing its diesel cars to produce up to 40 times more pollution than allowed. The US government has ordered VW to recall 482,000 VW and Audi cars produced since 2009.

How bad is this for Volkswagen?

It could be very bad indeed. Almost €15bn (£10.8bn), or a fifth, was wiped off the company's market value on Monday as investors took fright at the revelations. At the market opening on Tuesday shares were down a further 3.6%.

At up to \$37,500 a car (£23,000) in the US, fines could add up to \$18bn - more than a year's net profit for Volkswagen. Its managers could face criminal charges and a US law firm has already launched a class action lawsuit on behalf of car buyers. Long-term damage to the company's reputation could be huge. Volkswagen likes to claim it is environmentally conscious and has billed its cars as "clean diesel". Max Warburton, an analyst at the financial research group Bernstein, said: "This is really serious."

Is the scandal limited to VW in the US?

Possibly not. The news knocked billions of pounds off the value of other carmakers amid concern that rigging emissions tests is common across the industry. John German, one of the officials who uncovered the scandal, said it could extend to other countries and manufacturers. Stuart Pearson, an analyst at the stockbroker Exane BNP Paribas, told the FT: “The artificial gaming of emissions tests threatens to become the car industry’s Libor” – referring to the fraudulent fixing of global interest rates that has cost the banking world billions. Greg Archer, a former UK government adviser, told the Guardian there was lots of anecdotal evidence about the use of “defeat devices” to disguise environmental impacts and that the scandal could spread beyond diesel and into Europe, where tests are more prone to abuse.

What has VW said about the scandal?

The company’s chief executive, Martin Winterkorn, issued a statement on Sunday apologising for losing trust over the scandal. Winterkorn, who has led Volkswagen since January 2007, said: “I personally am deeply sorry that we have broken the trust of our customers and the public. We will cooperate fully with the responsible agencies, with transparency and urgency, to clearly, openly, and completely establish all of the facts of this case. Volkswagen has ordered an external investigation of this matter.”

What happens next?

The revelations have prompted a series of investigations that bode ill for Volkswagen and the industry. In the US, Congress said on Monday it would investigate the matter while Bloomberg reported that the Department of Justice is conducting a criminal investigation of Volkswagen’s admission. The EPA and the California Air Resources Board have started gathering other manufacturers’ vehicles to test for data manipulation; the German government is also investigating the matter; and South Korea has announced an inquiry. Winterkorn now faces doubts about his future. He has led the company for almost nine years, raising questions about how much he knew about the software. In May, he promised a “calmer future” for Volkswagen after surviving a boardroom power struggle.

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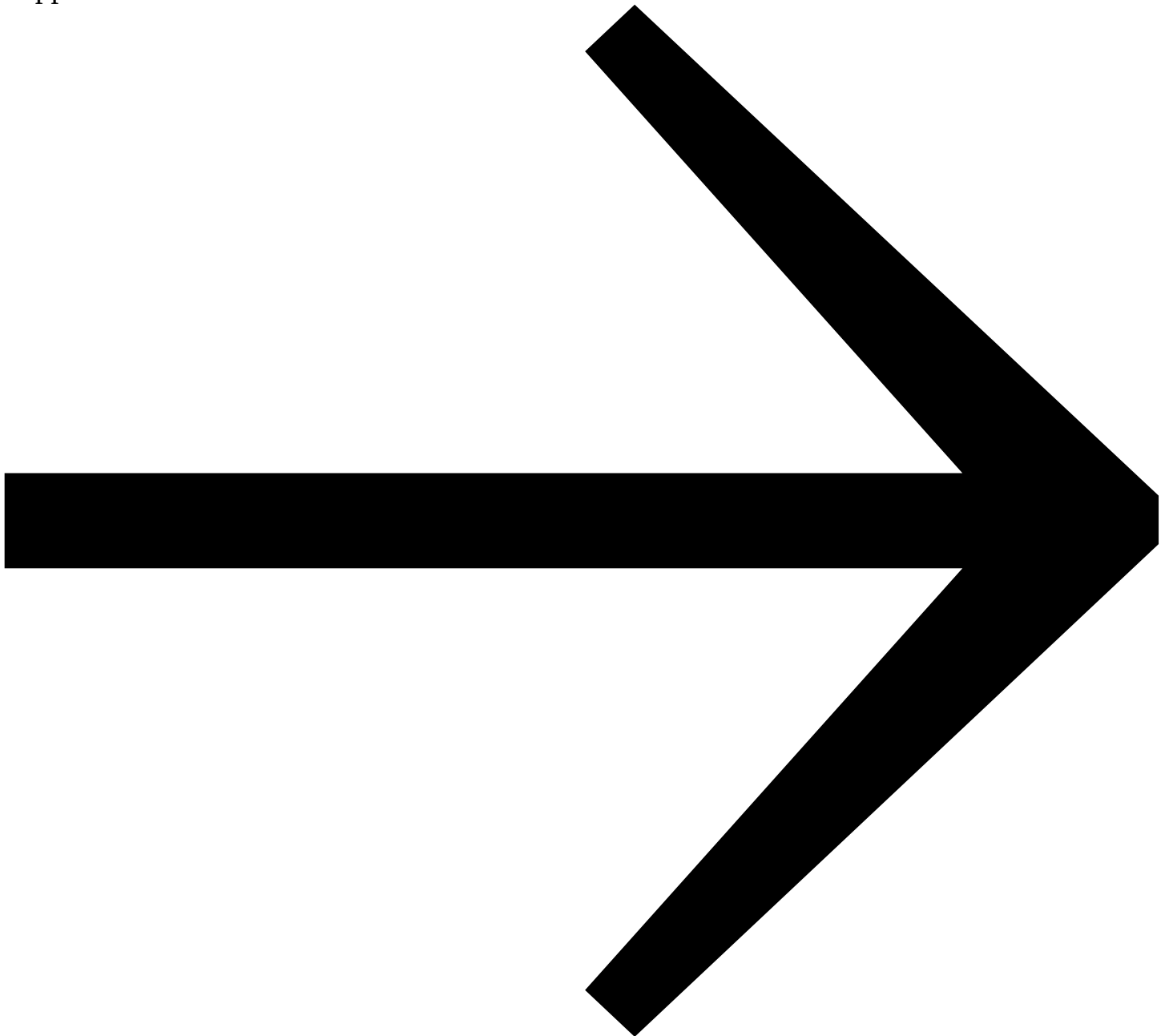
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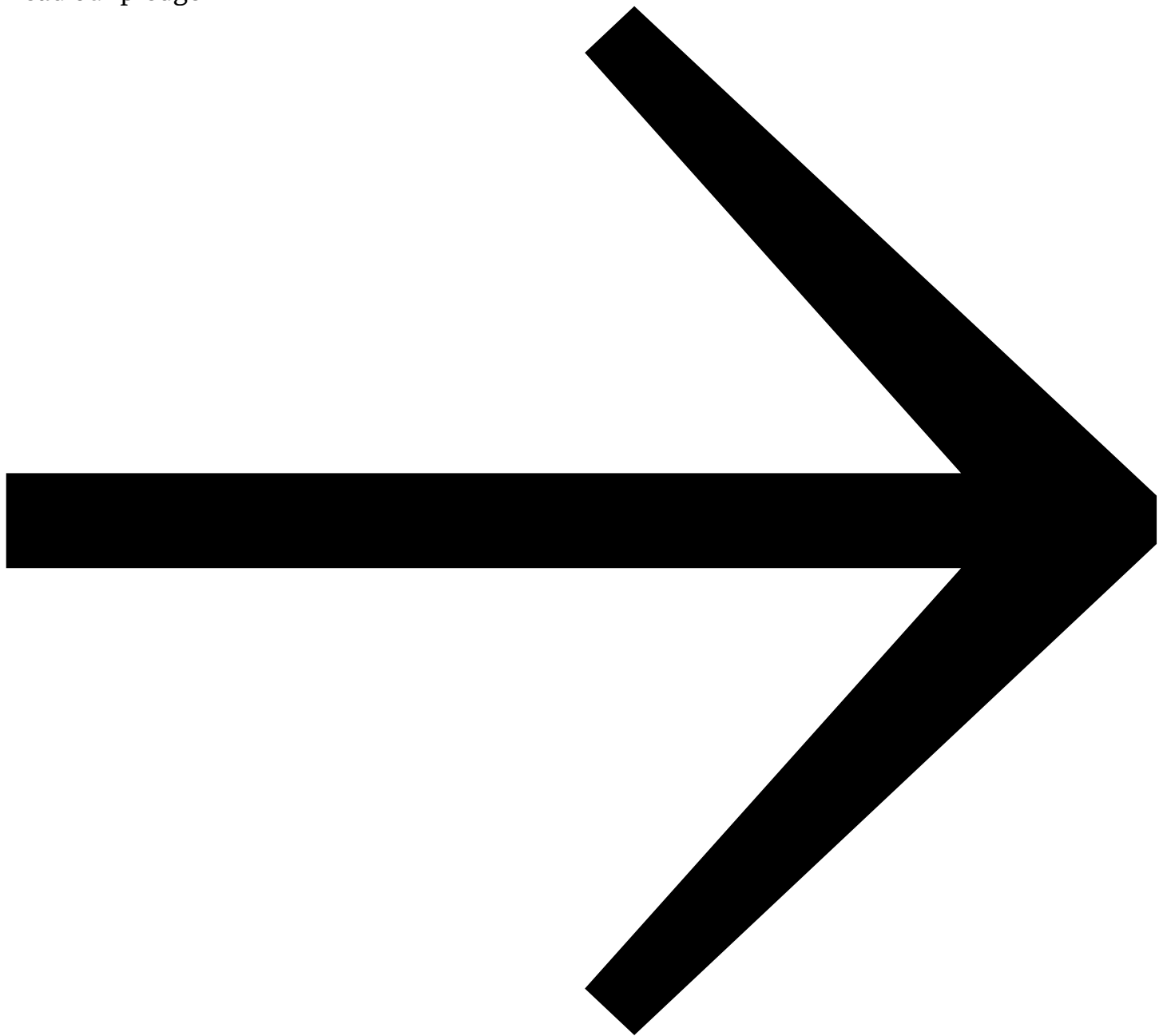
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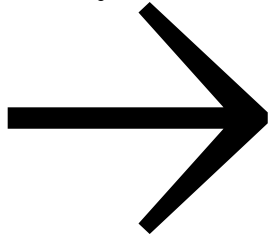


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