

## Revision of the CO<sub>2</sub> standards for cars and vans: Questions & Answers

### Why is the Commission proposing to revise the CO<sub>2</sub> standards for cars and vans?

The transport sector represents almost a quarter of Europe's greenhouse gas emissions and it is the main cause of air pollution in cities. It is the only sector where, until now, in the EU, emissions have not declined. Road transport, in particular, is responsible for approximately a fifth of total EU greenhouse gas emissions, with emissions from cars and vans accounting for the majority of road transport emissions.

The CO<sub>2</sub> emission standards for cars and vans are key drivers for **reducing CO<sub>2</sub> emissions** in the road transport sector. To deliver on the increased level of climate ambition for 2030, and the climate neutrality objective by 2050, the Commission's proposal strengthens the CO<sub>2</sub> standards for 2030 and beyond.

Stronger CO<sub>2</sub> standards will not only be beneficial from a decarbonisation point of view but will also provide **benefits for citizens** through lower energy expenditure and better air quality.

At the same time, the proposal provides a clear and long-term signal to guide both the automotive sector's investments in innovative zero-emission technologies, and the rollout of the necessary recharging and refuelling infrastructure. Innovation in zero-emission mobility is key for maintaining and strengthening the leadership of the **EU industry** in automotive technology, as well as for stimulating employment in the development and manufacture of new technologies.

### What are the new target levels proposed by the Commission?

The Commission proposes new, more ambitious EU fleet-wide CO<sub>2</sub> emission targets for new cars and vans from 2030 onwards, in order to deliver on the above objectives.

According to the proposal, the average CO<sub>2</sub> emission reduction as compared to 2021 shall be the following:

- From 1 January **2030**: 55 % for cars, and 50 % for vans
- From 1 January **2035**: 100 % for cars, and 100 % for vans

This means that from 2035 onwards all new cars and vans registered in the EU will need to be zero-emission.

To complement the CO<sub>2</sub> emission targets, the proposed revision of the Alternative Fuels Infrastructure Directive will ensure that investments in the necessary recharging and refuelling infrastructure will ramp up, to match the charging needs of the increased number of electric vehicles on EU roads .

### What are the key benefits of the proposal?

The proposal will significantly contribute **to reduce the CO<sub>2</sub> emissions from cars and vans**. The fleetwide projected emission reductions from cars and vans as compared to 2005 are between 32-33% in 2030, 56-66% in 2035 and 83-89% in 2040.

In addition, the newly proposed targets will also ensure better air quality, especially in urban areas, by **lowering air pollutant emissions**. Estimated cumulative external cost savings

compared to the baseline due to the avoided pollutant emissions over the period 2030 to 2040 amount to between 50 and 60 billion euros.

Consumers will benefit from lower total cost of ownership of the vehicles compared to the baseline. For the first user, average net savings for a new car or van bought in 2030 are between 300 and 600 EUR. They increase to between 1000 and 2000 EUR for a 2035 car and between 3400 and 4000 EUR for a 2035 van. Net savings also occur in all cases for the second user.

The proposed new targets will also **reduce the fuel import dependency** of the EU economy: with cumulative diesel and gasoline savings of around 900-1100 Mtoe achieved over the period 2030-2050, compared to the baseline.

At the same time, the newly proposed targets will bring positive impacts to **economy-wide GDP and employment**.

Accelerating the transition towards zero-emission mobility and stimulating innovation in zero-emission technologies will offer opportunities for the European automotive value chain to modernise and develop new products and services. This will strengthen innovation and the **technological leadership and competitiveness** of the European automotive industry.

**What will be the impacts of the newly proposed targets on employment? How will you address the employment challenges, in particular for suppliers specialized in internal combustion engines and their components?**

The transition towards zero-emission mobility will require a transformation along the entire value chain of the automotive sector.

The strengthening of CO<sub>2</sub> emission standards is projected to bring net positive impacts on economy-wide employment. The automotive value chain will expand and new jobs, for instance in battery production and electronics, will be created. This will require new skills from those to be employed.

At the same time, due to the reduced production of internal combustion engine vehicles and their specific components, some job losses will be experienced. Automotive suppliers may have to adapt their portfolio of products and services and reskill and upskill their employees accordingly to secure a workforce fit for the zero-emission mobility era.

To support this, several EU funding opportunities are available for securing a skilled workforce ready for the green and digital transition, including the Just Transition Fund (JTF), the European Social Fund Plus (ESF+), as well as further funds through the Recovery and Resilience Facility, the REACT-EU, and the social investments and skills window (SISW) of the Invest EU, among others.

The ‘Pact for Skills’ will help mobilise the private sector and other stakeholders to upskill and reskill Europe’s workforce. This will contribute to the design, co-creation and implementation of the transition pathway for the mobility eco-system announced in the new Industrial Strategy.

**Why does the proposal include an end for the incentive mechanism for zero- and low-emission vehicles as of 2030?**

The stricter targets applying from 2030 onwards will require manufacturers to deploy significantly more zero-emission vehicles. Therefore, the incentive scheme for zero and low

emission vehicles, which was intended to kick-start the uptake of such vehicles, is no longer necessary at that point in time. The removal of the scheme also simplifies the legislation.

### **What about the contribution of renewable and low-carbon fuels? Why is a mechanism to account for the contribution of such fuels not introduced?**

The core objective of EU policy regarding transport fuels is to reduce their greenhouse gas intensity and we need to do so by the most effective means.

The Impact Assessment underpinning the Proposal analyses mechanisms to account for renewable and low-carbon fuels when assessing vehicles manufacturers' compliance with the CO<sub>2</sub> emission standards.

Such an accounting mechanism would reduce the planning certainty for automotive manufacturers and their suppliers, thus risking to hamper the transition towards zero-emission vehicles. As a consequence, the market deployment of zero-emission vehicles would be lowered, with negative impacts also on air pollution.

The mechanism would create an incentive to direct to road transport those fuels that will be needed to decarbonise sectors with less alternatives, like aviation and maritime. Therefore, it would create an incoherent approach to fuels decarbonisation, while dedicated specific instruments are proposed for this purpose (the revision of the Renewable Energy Directive and the Energy Taxation Directive, emissions trading for road transport and buildings, and specific initiatives on fuels in the aviation and maritime sectors).

In addition, in case a voluntary fuel crediting system is established between fuel suppliers and vehicles manufacturers, the compliance costs for manufacturers would increase and thereby impact the total cost of ownership for consumers.

The mechanism would also increase the administrative burden and complexity, blurring the responsibilities between fuel suppliers and vehicle manufacturers.

For these reasons, the proposal does not include a mechanism to account for renewable and low-carbon fuels to assess vehicles manufacturers compliance with the CO<sub>2</sub> standards.

### **Why is the Commission proposing to remove the derogation for manufacturers registering less than 10,000 cars or less than 22,000 vans yearly?**

Removing the derogation will help to better achieve the specific policy objectives, particularly related to the CO<sub>2</sub> emission reductions for 2030 and 2050. It will also improve the effectiveness and coherence of the legislation.

Removing the derogation will send the signal to the concerned manufacturers that they also need to start introducing zero-emission vehicles in their fleet.

It also removes a possibly market-distorting element in the current Regulation, which allows some global players to benefit from a competitive advantage due to limited sales on the EU market. Keeping the derogation would unduly protect small volume manufacturers of conventional vehicles against competitors focusing on zero-emission vehicles, in particular in the longer term.

Manufacturers responsible for fewer than 1,000 new EU registrations per year will continue to be exempt from the CO<sub>2</sub> targets.

**Will the Commission develop life-cycle assessment methodologies to calculate vehicle CO<sub>2</sub> emissions?**

The Commission recently undertook a study to develop a methodology for determining the environmental impacts of different vehicle and fuel types through Life-Cycle Assessment (LCA).

The study confirmed the complexity of such calculations, which very much depend on the methodological choices made and data sources used.

It remains uncertain that a standard approach could be developed for a regulatory environment. In addition, its added-value would remain limited.

The results obtained allowed to compare the relative life-cycle performance of different vehicle powertrains, electricity chains and conventional fuels. In general terms, this confirmed that electric cars perform much better than petrol or diesel cars and that this will be increasingly the case as the electricity generated in Europe gets decarbonised and battery production becomes more sustainable.

The proposed CO<sub>2</sub> standards will therefore remain based on tailpipe emissions.

Nevertheless, the EU actively supports research activities regarding the lifecycle emissions of road vehicles in the context of the 2Zero Partnership under Horizon Europe.