

# ACEA Position Paper

## Proposal for the revision of the CO2 targets for cars and vans



## THE BIGGER PICTURE

### THE ROAD TO CARBON NEUTRALITY

EU vehicle manufacturers, united in the European Automobile Manufacturers' Association (ACEA), are fully committed to bringing CO2 emissions down to zero, supporting Europe's goal of reaching climate neutrality by 2050.

In July 2021, the European Commission published a package of 13 legislative proposals to help achieve its interim target of a 55% net reduction in greenhouse gas emissions by 2030 (compared to 1990 levels).

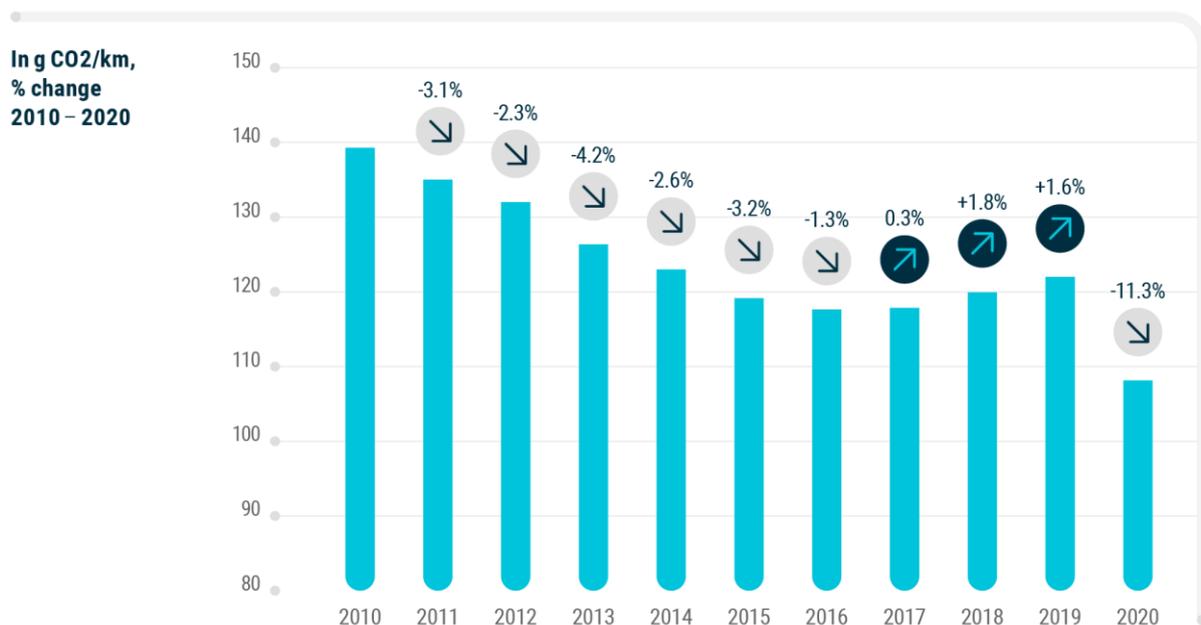
This 'Fit for 55' climate package proposes to revise several pieces of EU legislation, including Regulation 2019/631 setting CO2 emission performance standards for new passenger cars and light commercial vehicles (vans) for the period after 2020. It also includes a proposal for an Alternative Fuels Infrastructure Regulation (AFIR).

### VEHICLE PROGRESS

CO2 emissions from new passenger cars are down 22.4% since 2010.

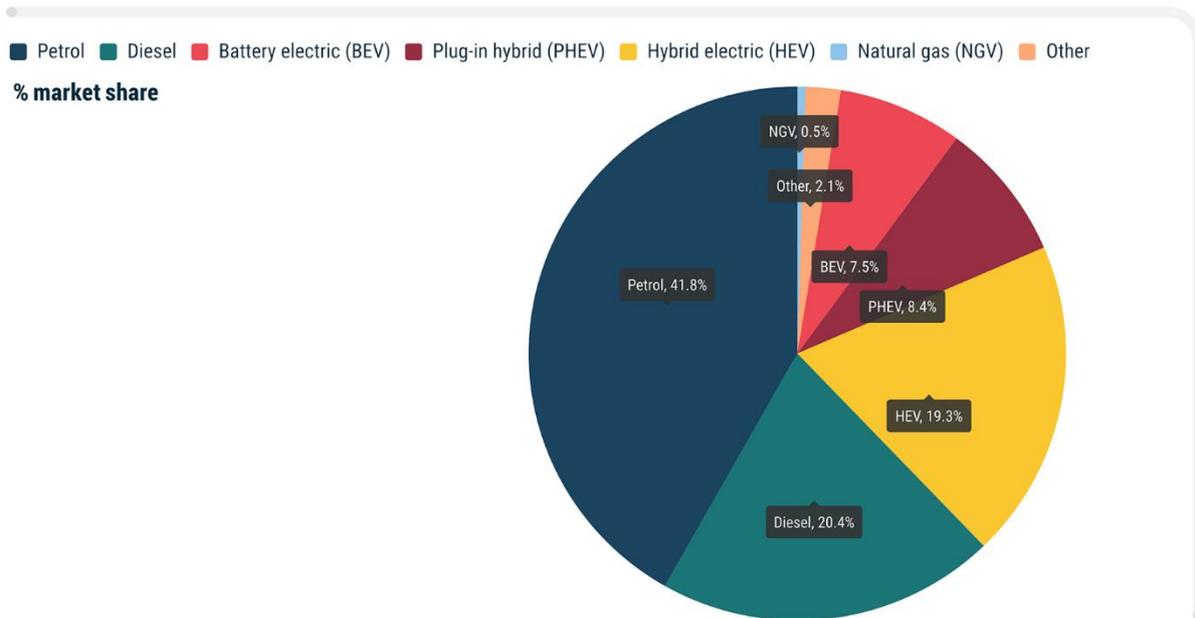
Following an increase in CO2 between 2017 and 2019 due to a consumer shift from diesel to petrol, last year saw a strong decline of 11.3%, driven by the surge in sales of electrically-chargeable vehicles (ECVs).

#### CO2 emissions of new cars in the EU (2010-2020)



The positive trend in sales of ECVs is certainly continuing this year. Indeed, in the second quarter of 2021, the EU market share of ECVs more than doubled to 15.9% of total car sales, compared to 7.2% during the same period in 2020.

### New passenger cars in the EU, by fuel type<sup>1</sup>



## CO2 AND AFIR TARGETS MUST BE IN SYNC

Investment by the auto industry in electrically-chargeable vehicles is outpacing investment in infrastructure by a long way. For instance, although the number of charging points doubled between 2017 and 2020, sales of electrically-chargeable cars grew more than six times over that same period.

This situation is potentially very dangerous, as we could soon reach a point where growth of ECV uptake stalls if consumers conclude there are not enough charging points where they need to travel.

It is therefore crucial that CO2 targets are accompanied by equally ambitious mandatory targets for charging points and hydrogen stations in all 27 EU member states. This means that the CO2 Regulation and the Alternative Fuels Infrastructure Regulation (AFIR) should be seen as one interlinked package: any changes to the ambition level of one piece of legislation must be reflected in the other.

<sup>1</sup> Fuel types of new cars: battery electric 7.5%, hybrid 19.3%, petrol 41.8% market share in Q2 2021, <https://www.acea.auto/fuel-pc/fuel-types-of-new-cars-battery-electric-7-5-hybrid-19-3-petrol-41-8-market-share-in-q2-2021/>

As well as being able to charge on the road, citizens must be able to charge at home and at work. The rollout of private charging infrastructure is therefore also crucial, requiring an ambitious revision of the Energy Performance of Buildings Directive.

## OTHER ENABLING CONDITIONS

- Fiscal and non-fiscal incentives are needed to keep mobility affordable for consumers and lower the total cost of ownership for professional operators.
- Other key enablers are measures to decarbonise the new and existing fleet. For instance, the promotion of renewable fuels, through an ambitious revision of the Renewable Energy Directive, the Emissions Trading System proposal and the Energy Taxation Directive.

## CONSISTENCY IS KEY

All pieces of the 'Fit for 55' climate package are clearly strongly interconnected.

Despite this, ACEA is concerned by the discrepancy in the level of ambition of the different components of the package. Ambitious car and van CO<sub>2</sub> reduction targets are simply not possible if the other puzzle pieces are not equally ambitious.

Moreover, the scrutiny and adoption of the different pieces of the Fit for 55 package will fall under the responsibility of different types of decision makers, both in the Council of Ministers and in the European Parliament. Therefore, ACEA calls on both institutions to agree on a consistent package of measures, in particular in order to narrow the gap between the CO<sub>2</sub> and infrastructure targets.

# CO2 REGULATION RECOMMENDATIONS

## TARGETS

Overview: current and proposed CO2 reduction targets for cars and vans

				
	Current targets	Proposed targets	Current targets	Proposed targets
2025	-15%	-15%	-15%	-15%
2030	-37.5%	-55%	-31%	-50%
2035	-	-100%	-	-100%

### 2025 TARGETS

ACEA welcomes the fact that the 2025 targets remain unchanged, as they were fixed only two years ago (May 2019). Indeed, the revised standards under discussion will not take effect before mid-2023, so any changes to the 2025 targets would not leave enough time to adapt vehicles due to development and production cycles.

### 2030 TARGETS

#### Passenger cars

The -55% target proposed by the European Commission for cars (compared to a 2021 baseline) is very challenging and would only be achievable with a huge increase in sales of electrically-chargeable vehicles. Increased market uptake of electric cars, in turn, can simply not happen without a massive ramp-up in the deployment of the charging and refueling infrastructure required.

That is why the auto industry needs ambitious infrastructure targets which are fully in line with the proposed CO2 targets. Unfortunately, the proposed AFIR targets are not up to the task at all. In particular, the level of power output required needs to be significantly increased, thus translating into a higher number of charging points that need to be rolled out across the EU<sup>2</sup>.

<sup>2</sup> ACEA Position Paper: Proposal for the Alternative Fuels Infrastructure Regulation (AFIR), <https://www.acea.auto/publication/position-paper-proposal-alternative-fuels-infrastructure-regulation-afir/>

## AFIR overview: Commission versus ACEA proposal

	Commission proposal	ACEA proposal
Charging capacity per battery electric vehicle (BEV)	1kW	3kW
Charging capacity per plug-in hybrid electric vehicle (PHEV)	0.66kW	2kW
<b>Total number of chargers</b>	<b>3.9 million</b>	<b>7 million</b>

### Vans

The revised 2030 target of -50% for vans, in combination with other measures like the proposed changes to the slope, would lead to an extremely demanding ambition level for this specific vehicle segment (see options proposed by the Commission on page 26 of the impact assessment<sup>3</sup>).

The complexity of the powertrain switch in the van segment, the negative impact this may have on businesses (especially SMEs) and the greater challenges in operating electrified vans in upper vehicle classes (eg the need for depot charging and refuelling infrastructure, the lack of focus on financial incentives for vans, etc) all underline the scale of the task.

With the current framework conditions and given the specificities of this vehicle segment, the proposed van target is extremely challenging, bordering on being unrealistic, especially if the AFIR proposal does not deliver sufficient infrastructure and the changed slope is kept.

### 2035 TARGETS

The Commission proposes a -100% CO<sub>2</sub> target for both cars and vans by 2035, translating into a de facto ban on the internal combustion engine.

Reaching such an ambitious target would require radical improvements in the enabling conditions, notably the rollout of a vast network of public and private charging points powered by renewable electricity as well as hydrogen refuelling infrastructure, but also incentives for consumers, correct energy pricing, etc.

We need to strike a balance between the need for predictability and long-term targets on the one hand, and realistic and workable targets on the other. As long as there is such a high degree of uncertainty around the future outlook of all these factors, it is

<sup>3</sup> [https://ec.europa.eu/info/sites/default/files/amendment-regulation-co2-emission-standards-cars-vans-with-annexes\\_en.pdf](https://ec.europa.eu/info/sites/default/files/amendment-regulation-co2-emission-standards-cars-vans-with-annexes_en.pdf)

premature to fix a target for 2035. Instead, ACEA suggests to fix post-2030 targets during the 2028 review.

What is more, the review clause should be strengthened to provide a clear safeguard that the enabling conditions will be implemented at the same pace as the CO<sub>2</sub> reduction targets.

## OTHER RECOMMENDATIONS

### SMALL VOLUME DEROGATIONS

Today, small volume manufacturers (responsible for less than 10,000 new cars sold per year) can apply for a derogation, under which they agree with the Commission on a multi-annual CO<sub>2</sub> reduction plan based on specific criteria. This derogation reflects the specificities of this specific manufacturing segment.

The Commission's current proposal suggests phasing out this derogation regime as of 2030. This would translate into CO<sub>2</sub> reduction targets in the range of 80% over nine years for small volume manufacturers. To comply with such provisions, manufacturers would need to resort to technologies which are simply not available, or to alter essential characteristics of their vehicles in a way that is not compatible with the performance expected of these vehicles by customers.

The net environmental impact of this phase-out would be negligible as these vehicles represent under 0.2% of new car registrations in the EU and have a very low mileage (about 5,000km per year – about a third of that of other cars). On the other hand, it also risks slowing down innovation, severely impacting this business segment.

### POOLING

Certain flexibilities are critical for the industry to reach the proposed targets in the most efficient way. Today, manufacturers from one segment can group together to meet their emissions target under a 'pooling agreement'. ACEA proposes to make pooling between car and van manufacturers possible.

### CHANGE OF THE SLOPE FOR VANS

ACEA is concerned by the proposed changes to the slope of the limit curve for vans. This element of the Regulation in force needs to remain unchanged, since it reflects the different usage and missions of heavier vans. Moreover, the proposed change would further increase the stringency of the 2030 target, with a disproportionate impact on some van manufacturers.

## A JUST AND AFFORDABLE TRANSITION

Last, but certainly not least, it should not be forgotten that ambitious CO2 targets will speed up the structural transformation of the entire automotive value chain, with a major impact on our economy and jobs. This will require a careful and socially-acceptable way of managing the workforce and a 'Just Transition' plan for reskilling people – something crucial that is still missing today.

We also see that consumer uptake of electric cars is directly linked to a country's GDP per capita, indicating that affordability remains a major issue. Policy makers must work to ensure that no countries or citizens are left behind, and that zero-emission vehicles are affordable for everyone.

Strong political coordination will therefore be essential to deliver the ultimate goal of tackling climate change in the most efficient way, while keeping mobility affordable for all Europeans and preserving jobs for auto workers. The EU auto industry fully supports this process.



## ABOUT THE EU AUTOMOBILE INDUSTRY

- 12.6 million Europeans work in the auto industry (directly and indirectly), accounting for 6.6% of all EU jobs
- 11.6% of EU manufacturing jobs – some 3.5 million – are in the automotive sector
- Motor vehicles are responsible for €398.4 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €76.3 billion for the European Union
- The turnover generated by the auto industry represents more than 8% of the EU's GDP
- Investing €62 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

## REPRESENTING EUROPE'S 15 MAJOR CAR, VAN, TRUCK AND BUS MANUFACTURERS

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