13 February 2025

ACEA recommendations for Workstream Decarbonisation

PRINCIPLES

For the Strategic Dialogue to deliver meaningful impact, discussions and regulatory approaches must align with the following principles:

- **Market-oriented and demand-driven policy**: Measures to stimulate demand for light-duty and heavy-duty vehicles (LDVs and HDVs) are urgently needed. The automotive industry has already invested in zero-emission technologies, and the threat of penalties does nothing but eat away at its ability to reinvest in the transition.
- **Coherence and synchronization of all measures**: The transition can only succeed if ambitious climate targets are supported by appropriate recharging and refuelling infrastructure, the right carbon price, and purchase and fiscal incentives, among other key factors.
- **Electromobility is at the forefront of the transition**; however, keeping a technology-open approach remains critical to achieving decarbonisation without limiting innovation.

KEY PRIORITIES

Light-duty vehicles

- Take immediate action to alleviate the **CO2 2025 compliance burden for light-duty by amending Regulation 2023/851** through the use of the urgent procedure in the European Parliament**.** Consider the introduction of a phase-in of 90% for 2025 and 95% phase-in for 2026 or an average compliance mechanism for years 2025-2029 for passenger cars, whilst keeping current flexibilities unchanged (e.g. pooling).
- **Introduce both flexibilities** (phase-in and multi-annual average compliance) **for vans.**
- **Speed up the review process for Regulation 2023/851**, which should lead to the presentation of a legal proposal as quickly as possible in 2025. The proposal should include:
  - Additional modalities and flexibilities for 2025, 2030 and 2035
  - Reflect options ensuring a technological neutral approach towards 2035 and beyond.
  - Reconsidering the scope of the Regulation (definitions of zero-emission vehicles, role of renewable fuels, etc.)
- Start immediately to work on the type-approval update for light duty vehicles, associated with legal proposal, how vehicles operating exclusively on **carbon-neutral fuels** to be treated and allow those vehicles to be registered in the EU (considered as “zero” emitting declared in the CoC) as quickly as possible, following reasonable and feasible decarbonisation targets.

- The Commission should ensure that the **utility factor for PHEV** remains constant as from foreseen update in 2025 onwards, that approach eliminates the PHEV technology from the benchmark eligibility criteria and reduces the contribution of such technology for the CO2-compliance.
- Introduce **EU-wide purchase incentives** to support the higher uptake for passenger cars and light commercial vehicles, used-car market using and using or combining with different financial EU and national instruments (*see more details in the paper on infrastructure and demand*). Provide guidance and maximum harmonisation of fiscal and non-fiscal incentives for corporate fleets.
- **Reduce charging and refuelling costs for public charging** and lower the electricity tax to the EU minimum. As part of the Action plan for affordable electricity, provide guidance/introduce a system to ensure affordable prices from the public recharging points across the EU. Charging and hydrogen refuelling must not be more expensive than using conventional fuels. Customers need to have a positive business case: low-priced electricity and hydrogen, moderate increase of CO2 price for fossil fuels (ETS 2), beneficial tax-system, no toll and no parking fees for BEVs (e.g. Norway).
- Increase public and private charging and refuelling infrastructure: **We need a significant increase and broadening of AFIR and EPBD targets:**
    - At least 3 kW newly installed charging capacity per newly registered BEV passenger car;
    - Complement the quantitative requirements with qualitative targets to ensure homogenous geographical coverage, consistent with population and road/travels density;
    - Include “density parameter” in densely populated areas;
    - Require a minimum annual uptime of e.g. 98%;
    - In the EPBD we need to extend the targets to existing buildings (except for single-family homes) and increase the target for the highest possible proportion of electrified parking spaces in new buildings and renovated buildings.
- **Give your full support for the implementation of bidirectional charging,** which enables electric vehicles to become part of 'virtual power plants', delivering substantial economic benefits to industry and consumers alike.
- Ensure sufficient and affordable **availability of green hydrogen and up to 700 bar hydrogen refuelling** stations in line with AFIR.
- Orientating the **disproportionate fleet regulation penalties** for CO2 emission exceedances (€ 475 per ton CO2 exceedance over vehicle lifetime) on the current ETS certificate price level (ca. € 78 per ton). The penalties set by the Commission were originally intended to ‘motivate’ manufacturers to invest in new technologies. Manufacturers have made massive investments into zero-emission mobility and

remain on course. The original steering effect of the penalties is no longer present, and the risk of penalties only eats away from OEMs' investments into transition.

Heavy-duty vehicles

- Commercial vehicle manufacturers are committed to providing the right vehicles that help transition Europe's road transport sector to fossil-free solutions by 2040. However, **decarbonising heavy-duty transport is complex and requires multiple enabling factors to create a compelling business case** for transport operators.
- Recent political discussions have largely centred on challenges for light-duty vehicle manufacturers. However, **heavy-duty vehicle manufacturers operate in a distinct B2B market and face unique obstacles**. Addressing these is crucial for a successful transition to climate-neutral commercial road transport by 2030 while maintaining global competitiveness.

Priority requests

1. **Accelerate the review of Regulation (EU) 2024/1610 (CO2 standards for heavy-duty vehicles) to 2025** based on an urgent assessment of the state of the enabling conditions for heavy-duty vehicles.
2. Accelerate the establishment of **enabling conditions for the market uptake of zero-emission trucks and buses,** i.e. dedicated charging and hydrogen refuelling infrastructures for HDVs and measures to address TCO cost parity for ZEVs.
3. Additional measures to **stimulate demand for zero-emission heavy-duty vehicles** must be urgently implemented, including strengthened public procurement targets and a mechanism to incentivise shippers, logistics providers and buyers of transport services to prioritise and accelerate investments in zero-emission vehicles. [A detailed position is available here: https://www.acea.auto/files/ACEA-Position-Decarbonising-HDV-Road-Transport.pdf]

Challenges of the Transition

- A **large and growing range of zero-emission vehicles (ZEVs) is available** and in series production[1] while the necessary enabling conditions for their widespread market adoption are lacking. With a ZEV market share of just 2.3% in 2024, only early adopters have invested so far. To meet the CO2 targets, around 35% of all new registrations must be zero-emission vehicles by 2030.

- The primary challenge for manufacturers and their customers lies in the **uncertainty surrounding the timely availability of the necessary enabling conditions** to meet CO2 targets. This imbalance, coupled with the intricate interdependencies within the regulatory framework, **requires immediate and focused attention**. Despite efforts by

[1] A comprehensive overview of at least 45 different battery-electric truck models and 18 different buses and coaches has recently been updated and is available here: https://www.acea.auto/files/Truck-and-bus-manufacturers-contribution-to-climate-neutral-road-transport.pdf

many ecosystem partners, the rollout of dedicated charging and hydrogen refuelling infrastructure remains slow and significantly limits ZEV adoption.

- **Measures aimed at stimulating and supporting investments** and **creating favourable total costs of ownership (TCO)** remain highly contentious and, if implemented, are subject to significant delays. Examples include the Eurovignette implementation in Member States, the Energy Taxation Directive, ETS-2, the revision of the Weights & Dimensions Directive, dedicated fleet renewal support, and investment subsidies for transport operators. Progress on these initiatives is either fragmented across Europe or, in many cases, stalled entirely.

- As a result, **manufacturers of heavy-duty vehicles may soon face the risk of non-compliance penalties without them being able to effectively address the bottlenecks**. This needs urgent attention and decisive joint action.

Other measures

- The provisions in the Clean Vehicle Directive, especially with respect to the timeline and definitions of what are “clean” and “green vehicles” should be reviewed and aligned with the revised CO2 standards.
- Review **REDIII** as soon as possible to accelerate decarbonisation of fuels that will contribute to the overall reduction of GHG from the current fleet and enable the use of CO2 neutral fuels. Associated with that, provide a clear roadmap towards the **review of the Energy Taxation Directive** to further stimulate demand for low-carbon fuels.
- Introduce **a clear KPI system to monitor enabling conditions** for decarbonisation of the road transport to be evaluated every 6 months on progress made (registration, market development, investment into battery capacity, recharging and refuelling infrastructure, etc.)
- Align **decarbonisation targets for electricity, fuels and vehicles** (period 2035-2040) in order to synchronise the decarbonisation investment in related sectors.
- Provide a clear overview of existing and foreseen **financial mechanisms available for the industry (one-stop-shop)** to be used for decarbonisation investment.

ABOUT THE EU AUTOMOBILE INDUSTRY

- 13.2 million Europeans work in the auto industry (directly and indirectly), accounting for 6.8% of all EU jobs
- 10.3% of EU manufacturing jobs – some 3.1 million – are in the automotive sector
- Motor vehicles are responsible for €383.7 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €106.7 billion for the European Union
- The turnover generated by the auto industry represents over 7.5% of the EU's GDP
- Investing €72.8 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

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