

ACEA VIEWS ON THE CO₂ REGULATION REVIEW AHEAD OF THE ENVIRONMENT COUNCIL

EXECUTIVE SUMMARY

- ACEA welcomes the earlier revision of the CO₂ Regulation for cars and vans, as well as the several flexibilities introduced with the legislative proposal. However, the current legislative proposal is not enough to provide a more pragmatic approach and maintain the industry's ability to fund the transformation towards zero-emission mobility without the risk of being exposed to potential multi-billion-euro penalties or paying regulatory credits to competitors instead of re-investing into the transition.
- The BEV market for passenger cars is growing but at a slower pace than required for compliance and is not the same across all EU Member States (*see projections in Annex*). If the EU BEV passenger car market does not triple in four years, EU manufacturers face the risk of fines. The only way to prevent this is to extend the current proposal for averaging from three (2030-2032) to five years (2028-2032). This would give OEMs more room to accelerate emissions reductions in the years leading up to 2030 and create a buffer against the possibility that BEV demand in 2030–2032 falls short of expectations.
- The van market remains in a very precarious situation that requires urgent intervention. Not only have overall sales contracted by almost 9% in 2025, but registrations of battery-electric and plug-in hybrid electric vans have also barely climbed above 10% of all new registrations. This means that achieving the current targets for vans is not possible: a 35% CO₂ reduction target is needed for 2030 and an 80% target for 2035, combined with more flexible target averaging for 2025–2029 and 2030–2034 for this segment.
- Even with the proposed compensation mechanisms, credits for low-carbon steel, and sustainable renewable fuels, the Commission's 2035 proposal keeps 100% emissions reduction as the compliance threshold for avoiding penalties. This is not workable in light of the current challenges and market demand projections: the threshold should be lowered to 90% and the compensation mechanisms, which constitute an essential flexibility, should become more feasible (*see Annex for more details*). It should also enter into force immediately: waiting until 2035 would mean losing valuable years to start creating demand for low-carbon steel already now.
- Given the uncertainty about the future market development, a review clause for 2029 needs to be reintroduced in the proposal to ensure the regulatory framework remains aligned with the relevant market, economic, and geopolitical developments.
- Following Recital 11 and the impact assessment of the Commission, introduce a specific CNF (Carbon Neutral Fuel) vehicle category, to be treated as a zero-

emission vehicle when compliant with the Renewable Energy Directive, together with the necessary type-approval provisions.

- The review of the CO2 Regulation for cars and vans cannot be seen in isolation from other pieces of legislation, which will have a significant impact on the vehicle manufacturers' strategies to meet the CO2 reduction targets:
 - **Uncertainties around the criteria for “made in the EU”**: The Industrial Accelerator Act and the Regulation on Clean Corporate Vehicles add further complexity to vehicle manufacturers' CO2 compliance pathway by introducing new provisions intended to favour “made in the EU” zero emission vehicles and allowing financial support only to “made in the EU” corporate cars and vans. Any such measure, regardless of the final definition and criteria agreed by the co-legislators, should be carefully assessed not only for its impact on value chains, but also for its effect on the overall growth of the zero-emission vehicle market needed to meet the CO2 emission reduction targets. These flexibilities should be designed so that all market segments could benefit (e.g. small BEVs, highly efficient BEVs) and should not be restricted to “small zero emission vehicles made in the EU.”
 - The planned Utility Factor increase under Euro 7 as of 2027 onwards will limit the contribution of plug-in hybrid technology (PHEVs) for compliance with the CO2 targets. Given the important role this technology still plays in the transition phase, the proposed 2027 adjustment of the Utility Factor should therefore be reconsidered and removed.
 - The industry supports demand measures for zero emission vehicles, but it is yet unclear whether the Clean Corporate Vehicles Regulation in its current form would provide sufficient incentives for zero emission vehicles based on the principle of technology neutrality.

Annex

KEY FLEXIBILITIES TO BE INTRODUCED IN THE REGULATION REVIEW

With respect to **cars**:

- Change the **averaging** towards a period 2028-2032;
- **Change of the target** from 100% to unconditional 90%;
- The proposed **2035 target compensation relief** of 10% to be implemented immediately **when the Regulation review is adopted**. **10% compensation** need to be modified in a way that enable full use of it – to be represented by -5% fixed

contribution for fuels (irrespective of the nature of the fuels under current RED definition and elimination of all the sub-caps) + remaining 5% contribution based on a voluntary basis (based on OEMs performance in line with foreseen methodology from the Commission) for low-carbon materials (extension beyond steel only). The Commission to provide relevant methodologies and enlarged scope of materials by the end of 2028. The flexibility to be accounted from the OEM specific 2021 target, not the EU average;

- Implement **super-credits for small BEVs** as of 2027 onwards independent from the “Made in EU” provisions;
- In addition, introduce **super-credits for highly efficient BEVs** (based on the kWh/100km/kg threshold).

With respect to **vans**:

- **Change the target** level to -35% for 2030 and unconditional -80% for 2035;
- Introduce 5years **averaging** mechanism for years 2025-2029 and 2030-2034;
- Introduce super-credits for BEV vans;
- Introduce additional (on top) “**EU-made**” **super-credit** for all types of BEV vans.

OTHER TECHNICAL CHANGES TO BE INTRODUCED FOR CARS AND VANS:

- Keep open pool option for the whole period (irrespective of the other flexibilities used);
- Possibility for individual lifetime parameter consideration for SVM derogation + extension of the derogation beyond 2035;
- Align fixed Euro7 lifetime 200.000km parameter for the flexibility calculations for M1 and N1;
- ZLEV benchmark for cars to be modified and that flexibility to be prolonged up to 2034. The cap to be eliminated as well as 15% threshold introduced up to 2029 (in principle current 25% threshold does not allow and use of that mechanism) and 35% up to 2034. Specific multiplier of 1,85 for countries with less than 60% of EU average EV market share to be continued and applied based on 2024 data;
- ZLEV benchmark for vans to be modified and that flexibility to be prolonged up to 2034. The cap to be eliminated as well as 8% threshold introduced up to 2029 and 30% up to 2034 (current threshold does not allow and use of that mechanism). 80g CO2/km qualifying threshold to be introduced instead of 50g CO2/km;
- Modify the scope of the N1 category in line with other legislative acts and enable BEV, PHEV and range-extender electric vehicle (REEV) N2 category vehicles up to 4.25 GVW for electric versions into N1 CO2 compliance calculation, including also small series and single approved electrified vehicles in the compliance scope;

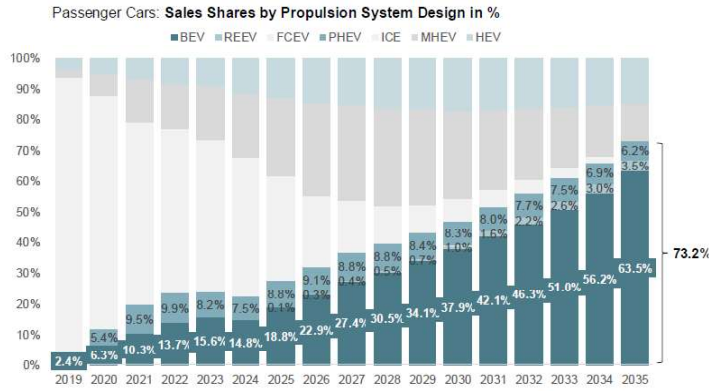
- Introduce an “inverted” super credit of 0.6 in the CO₂ compliance calculation for vehicles with at least eight seats (it means that the CO₂ value of M1 LCV with eight or nine seats would be counted with the factor 0.6 in the M1 fleet compliance calculations);
- Adjustment of the mass correction formula to avoid negative slope - in case the outcome of the mass correction becomes negative – i.e. when TM is greater than the TM₀ value, its contribution should be set to zero;
- Modify the provisions with respect to the CO₂ labelling towards simple and administratively easy system;

CLEAN CORPORATE VEHICLES PROPOSAL

- Whilst the Clean Corporate Vehicles proposal recognises the need to create demand measures, it needs to be rebalanced with incentives to accelerate the much-needed market-driven transition towards zero emission mobility, ensuring it does not represent a “double regulation” on top of the CO₂ Regulation requirements, without any incentives in place for the enabling conditions, such as recharging and refuelling infrastructure.
- The following recommendations need to be considered in order to start a constructive discussion on the proposal:
 - Re-focus the scope towards real big fleet operators and avoid possible negative impact on private individuals and SMEs through leasing companies;
 - Avoid negative impact and distortions on the overall corporate fleet market through elimination of the too focused supportive fiscal measures;
 - Introduce measures to support second hand market to increase the market demand from private customers for second hand market for BEVs, including measures to eliminate the impacts of low residual value of BEVs;
 - Introduce guidelines for the member states in order to harmonise supportive measures across the EU and avoid divergence in national targets;
 - Ensure technological neutrality approach allowing all zero and low emission technologies to contribute for compliance (including CNF vehicles to contribute to the compliance).

Electrification Outlook for Europe until 2035

Driven by new BEV launches, declining prices and growing driving ranges, BEV sales shares are forecasted to reach 63.5% in 2035 – together with other plug-in chargeable alternatives even 73.2%. The comeback of incentives would bear upside potential. A reality check and regulation revision should lead to an extended timeline and a wiggle room below 100% goals.

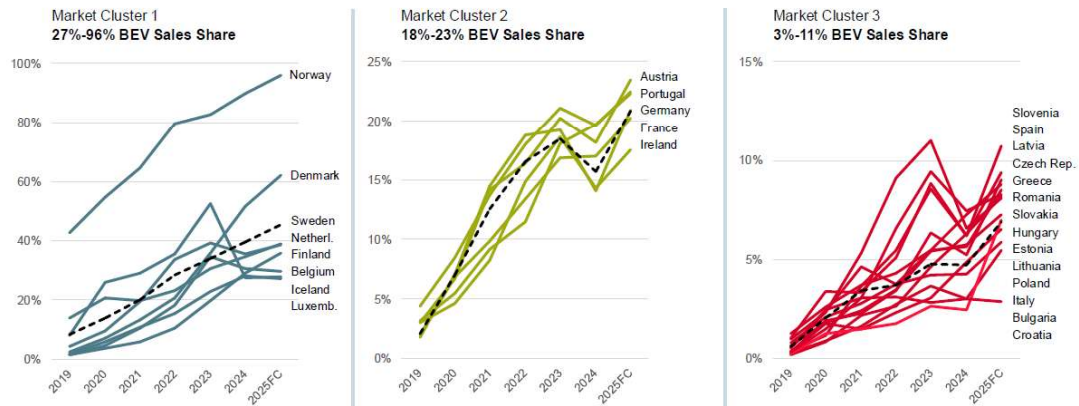


Source: S&P Global Mobility Sales based Powertrain Forecast August 2025
 Market Definition: Passenger cars, excl. vans
 Europe: EU27, incl. Norway and Iceland, exd. UK
 2025FC: 2025 full year forecast

S&P Global
 Mobility

Europe is not a Country – Electrification is developing at 3 different Speeds

Small markets in the North and West of Europe have demonstrated how electrification can work. But the many markets in the South and East of Europe lag far behind.



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