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Brussels, 7 October 2024

No to an anticipated review of the Regulation on CO2 emission standards for cars and vans

Bringing forward the review of the CO2 emission standards Regulation for cars and vans exactly when the next CO2 target is set to take effect in 2025 would encourage carmakers to hold off on producing the lower-priced and smaller electric vehicle (EV) models that this wave of European consumers desperately needs, as well as send policy signals that disincentivise businesses from investing in our e-mobility future when we need it most.

Just days after the first EP plenary session in Strasbourg, European car manufacturers have demanded swift legislative action on what they are calling a “crisis” for their industry. Most notably, certain industry representatives are tabling a proposal to bring forward the review of the Regulation on CO2 standards for cars and vans to the beginning of 2025. This rallying call has quickly become a top agenda item for two main reasons: 1) Europe has been experiencing an overall decline in its demand for electric vehicles (EVs) in 2024; 2) The upcoming 2025 CO2 reduction target is about to come into effect for cars and vans, which will require a 15% reduction in emissions for newly registered vehicles.

Although these heightened concerns are understandable with current market headwinds and increasing foreign competition, the policy focus has wrongfully shifted onto potentially relaxing the Regulation on CO2 standards for cars and vans. As it stands, this Regulation not only provides important interim targets for car manufacturers to decarbonise the transport sector, but also ensures the long-term investment certainty that business stakeholders need to buy-in to Europe’s energy transition. Therefore, bringing forward the review to the beginning of 2025 would wrongfully call into question existing CO2 emission targets, encouraging automakers to continue holding off on the lower-priced and smaller EV models that this wave of consumers desperately needs, as well as send inconsistent policy signals that disincentivise the business community from fully investing in our e-mobility future.

The main reasons why EU policymakers should resist calls by certain auto-industry representatives to bring forward the review to 2025 are:

1. **Europe needs investment certainty to achieve its e-mobility future on-time**
   Decarbonising our transport sector will be nothing close to an easy task, but electrification is the most viable option to achieve this. This will require a whole range of stakeholders to invest billions of euros into the charging points, electricity grids, battery supply/value chains, technology platforms, and other infrastructure that make up the entire e-mobility ecosystem. **The only way to incentivise this buy-in from businesses is for EU policymakers to ensure that the regulatory framework will remain consistent and transparent on both its long-term goal and interim targets to get there.** If the review of the CO2 emission

standards Regulation comes too early for a proper assessment and consultation, policymakers risk making unwarranted amendments that will make investors hesitant and disrupt planning.

2. **Europe's 2024 market trends do not foreshadow crisis for the EV market**
   By observing the long-term trend in Europe's EV market instead of just the last one or two years in isolation, the wider picture shows that a slowdown or **"stagnation period" in EV sales in the two years leading up to a new target is normal, and even expected.** By just looking back to 2019 and 2020 before the last CO2 emission reduction target for newly registered vehicles came into place in 2021, the EV market saw sluggish demand, especially as Covid-19 placed significant pressure on economies. Despite this, 2021 experienced record-breaking BEV sales, where sales in Europe increased by 63% to a record 1.2 million passenger vehicles and a market share of 10%. For this reason, the review of the Regulation on CO2 standards for cars and vans would not even be able to provide a proper assessment sooner than 2026, after we have witnessed the new CO2 target's impacts on the market.

3. **Consumers need European auto manufacturers to release smaller and more affordable EV models**
   One of the main reasons why the long-term EV market experiences this "stagnation period" before a new target comes into force is because manufacturers prioritise their larger and expensive EV models until they must ramp up sales to meet the increased emission reductions. The average price of an EV is currently around 40,000 euros and large EV sales make up around 60% of the market, when in 2021 they only made up around 40% (T&E, 2024). This strategy allows them to continue encouraging consumers to purchase their cheaper hybrid and ICE models that manufacturers will not be able to sell later down the line. That is why **Europe's EV market is expecting to see most of its affordable EV models enter the market in 2025, which would capture the lower and middle-income consumer base that Chinese manufacturers have been most successful in targeting**. Without the regulatory assurance that automakers must meet the new CO2 emission reduction target in 2025, manufacturers will not have as much incentive to push these more affordable BEV models so strongly.

The bottom-line is that even though it is true that Europe's automakers and the supply chain are struggling, this "crisis" cannot be resolved by relaxing the Regulation on CO2 emission standards. These claims must be challenged with what we know to be true for the long-term EV market trend and how 2025 is still projected to see positive results, with EVs expected to reach almost a 25% market share (T&E, 2024). Especially with the recent tariffs on BEVs imported from China, the models expected to hit the market in 2025 should present an opportunity for European manufacturers to regain competitiveness by increasing their share in sales of smaller and more affordable BEVs. For this reason, EU policymakers must focus on providing regulatory certainty for investors by not allowing for an early review of the Regulation on CO2 emission standards for cars and vans, which would disrupt industry planning that is meant to ensure Europe not only remains a competitive player in the future of mobility, but a driving force.

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