

Recommendations: A Revised Regulation on CO₂ Emission Standards for cars and vans

The revision of the CO₂ standards regulation remains the central and most consequential pillar of the EU Automotive Package, as this legislation represents the key driver of transport electrification to date and a cornerstone for Europe's long-term industrial competitiveness. Its importance must not be underestimated, and its ambition should be preserved, avoiding any weakening that could undermine both electrification progress and Europe's industrial leadership.

A stable regulatory framework is essential not only for decarbonising transport, but also for enhancing Europe's strategic autonomy and protecting consumers and industry alike. Accelerating the shift to electric vehicles reduces dependence on imported fossil fuels, mitigates exposure to fuel price volatility, especially in the context of the ongoing fossil fuel crisis. A recent T&E analysis shows that petrol car owners are currently 5x more exposed to the crisis than EV owners.¹

Therefore, the focus of the revision must be to provide the stable regulatory framework, especially for the first movers that have already invested heavily in the transition to electrification. Proposed flexibilities must be limited to mitigate the impact on the battery electric vehicle (BEV) market share, and the ambition of the original regulation must be safeguarded to ensure that the transition to electric mobility is not gutted, leaving both European consumers and industry at a competitive disadvantage when compared to multiple countries worldwide that are racing ahead in the electrification of transport.

What to keep

1. 'Zero-emission vehicle' definition (Article 1(m) of 2019/631)

Maintain the definition of 'zero-emission vehicles' (ZEV) as set in the original Regulation.

Why: The current definition correctly restricts the ZEV category to vehicles with zero tailpipe CO₂ emissions, i.e. battery electric vehicles and fuel-cell electric vehicles. This provides a clear signal and avoids any dilution of the zero-emission category by excluding technologies that rely on combustion engines.

2. Utility Factor correction (Article 12(3) of 2023/851)

Maintain the planned update of the utility factor (UF) for plug-in hybrids (PHEVs) to match laboratory values with real world emissions.

Why: In their 2024 report,² the EU Commission already found that real world emissions for PHEVs were on average 3.5 times higher than laboratory values. This means that drivers are not actually utilizing electric range as often as indicated in the WLTP tests, and automakers are benefitting from registering false emission credits. The update of the utility factor scheduled for 2027 must, therefore, be maintained.

3. Low-carbon steel credits (Article 1(6) of proposal)

Maintain the low-carbon steel credits and their 7% cap for the post-2034 remaining emissions.

Why: Creating a valuable lead market for low-carbon steel through the introduction of these credits would be significant for European industry. The additional cost for automakers is expected to be quite negligible (estimated at ~ €100 per vehicle), limiting the cost burden on manufacturers.^{3,4}

¹ T&E analysis of the effect of Iran fossil fuel crisis on fuel prices (March 2026): [Link here](#)

² 2024 EU DG CLIMA Report on real world emissions: [Link here](#).

³ T&E analysis + Ricardo study (2024) on green steel use in the automotive sector: [Link here](#)

⁴ ICCT report on green steel use in the automotive industry (2024): [Link here](#)

What to adapt

1. 2035 passenger vehicles target (Article 1 (1)(b) of proposal)

Increase the Commission's proposal for a 90% emissions reduction target for passenger vehicles by 2035 to 93%.

Why: The EU Commission's original 100% target for 2035 provided a crucial long-term signal for investment in the transition of road transport. It is estimated that nearly €200 billion in e-mobility investments in Europe have been committed thus far with this 100% target in mind.⁵ Thus, lowering the target to 90% already risks undermining investor confidence, weakening industrial planning certainty, and slowing the pace of decarbonisation and energy security efforts. A 93% reduction target would represent a more balanced compromise, preserve a stronger level of ambition while still allowing for flexibility in implementation.

At the same time, it should be explicitly communicated — through recitals, a footnote, or accompanying guidance — that the move from a 100% to a 93% target constitutes a context-specific and one-off compromise. It should not be interpreted as establishing a normative policy benchmark or setting a precedent for future regulatory frameworks, sectoral targets, or commercial reference points, especially with regards to major Green Deal files.

2. Light Commercial Vehicles (LCV) 2030 target (Article 1(1) (a) of proposal)

Revert to the 50% 2030 target for vans instead of the proposed 40%.

Why: The share of BEV vans currently sits at 11.2%, up from 6.1% the previous year – an increase of 83.6% YoY.⁶ Therefore, the 2030 target should not reduce ambition when the market is creating real momentum. Electric vans are also cheaper to run across Europe, cutting operating costs by 15–40% thanks to lower energy and maintenance costs as shown in Eurelectric's joint report on corporate fleet electrification.⁷

3. Fuel credits (Article 1 (6) of proposal)

Remove the fuel credits proposed for the post-2034 remaining emissions.

Why: Alternate fuels are necessary for the decarbonisation of transport in specific use cases where mature, cost effective and clean alternatives such as electrification are not yet viable. This includes sectors such as aviation and maritime. However, these are not cost-efficient, nor energy-efficient in comparison to BEVs in road transport. Including these technologies for road transport would also force the Aviation and Maritime industry to aggressively compete for RFNBOs and biofuels. In particular, advanced biofuels are expensive, largely imported and highly prone to fraud.

4. Multi-annual averaging (Article 1(4)(b) of proposal)

The multi-annual averaging should be removed.

Why: Multi-annual averaging should be removed for the 2030 target – it has the capacity to reduce BEV share by up to 8.5% with 3-year averaging, and 25% with 5-year averaging, allowing automakers to delay their transition to zero emission vehicles.⁸ The target for 2030 is a necessary trigger for accelerated ZEV deployment at a critical point in the decarbonisation pathway.

⁵ E-Mobility Europe mapping of Ev economy (2026): [Link here](#).

⁶ ACEA commercial vehicle registration: [Link here](#)

⁷ Fleet Forward: Eurelectric – EY joint report on corporate fleet electrification: [Link here](#)

⁸ T&E analysis of Commission Proposal for the revision of the CO2 Standards Regulation: [Link here](#)

5. Super credits for small, affordable BEVs (Article 5 of proposal)

Accept the 1.3 super credits provision only if the new 'M1E' criteria as defined in the Automotive Omnibus is replaced with more functional criteria for affordable BEVs, such as an energy consumption below 14 kWh/100 km WLTP or a price below €25,000 (CPI-adjusted).

Why: The length criteria of <4.2m put forth by the Commission does not ensure affordability on its own. Upfront cost remains a major barrier for consumer adoption – larger, premium models continue to be prioritised by manufacturers due to their higher margins, while the average EU citizen is only willing to pay approximately €19,000 for a BEV.⁹ In general, super credits have the net effect of reducing the number of BEVs registered, as manufacturers can achieve their CO₂ credits with a smaller number of BEVs. However, they can prove to be beneficial to consumers and manufacturers alike, if designed to solely support efficient, low-cost BEVs.

6. Excess-emissions premium (Article 1(9)(b) of proposal)

Reformulate the excess-emissions premium so that excess emissions are determined before applying credits for the remaining 10% of emissions from 2035.

Why: Recitals 9 and 10 state that 'green steel' and 'low carbon fuel' credits may compensate only the remaining 10% of emissions above the 90% target from 2035. This ceiling is necessary to avoid weakening investment in the zero-emission value chain, and to ensure these new credits are not a substitute for meeting the core target. Yet, under the proposed penalty calculation, the 10% margin effectively contributes to achieving the 90% target itself, rather than covering the gap between -90% and -100%, which contradicts the purpose described in the recitals.

What to add

1. Revenues from excess-emissions premiums (Article 8(4) of 2019/631)

Any revenues collected from penalties should be redirected towards specific funds or programmes supporting the transition to zero-emission vehicles.

Why: Instead of being channelled into the EU's general budget, penalties should be used to reinforce demand of ZEVs to create stronger enabling conditions (e.g. financing social leasing schemes).

⁹ EAFO Consumer monitor on electric driving factsheet (2026): [Link here](#)