ACEA PROPOSAL FOR 2025 COMPLIANCE RELIEF FOR LIGHT-DUTY VEHICLES

Background

The EU auto industry is in the midst of its biggest transformation in over a century, reshaping not only vehicle manufacturing but the entire value chain—from raw material extraction to charging infrastructure and vehicle recycling.

Automotive manufacturers are fully committed to decarbonization and are already investing billions to turn this ambition into reality. While the need to decarbonize is unquestionable, it is equally vital to ensure that the EU retains its position as an automotive powerhouse. This involves safeguarding jobs, research and development capabilities, and manufacturing within Europe. Our industry wants to keep manufacturing in Europe, and to continue producing affordable vehicles in all segments.

The review of the CO2 Regulation for light duty vehicles (cars and vans) is critical to establish a competitive and sustainable regulatory framework that supports long-term decarbonization. However, this framework must remain also flexible to enable industry to respond to evolving market conditions.

In recent communications, ACEA members have emphasized the need for a “quick fix” to address the risk of widespread CO2 non-compliance in 2025 for cars and vans and potentially in 2026 that could result in fines of up to 16 billion euros or similarly huge compliance costs through pooling, pricing or reducing manufacturing footprint. All of these have a considerable economic cost and are forcing OEMs to divert necessary resources away from investing into further decarbonisation efforts. ACEA members have, in numerous occasions, **urged policy makers for a targeted measures to avoid situation where industry is penalised for non-compliance due to external factors such as lagging market development or lack of enabling conditions.**

It has to be stressed that a targeted solution to address the critical consequences of 2025 non-compliance should not prevent the foreseen **full review as soon as possible in 2025 for cars and vans, as this will allow for a broader debate on structural changes to the CO2 Regulation and post-2025 targets and ensure a consistent approach to deliver on a green, competitive transition**.

The following options were identified by industry as a **quick solution for the 2025 compliance problem** for light duty vehicles:

REGULATORY OPTIONS FOR PASSENGER CARS 2025 RELIEF:

- Introduction of a **phase-in** of 90% for 2025 and 95% phase-in for 2026

Phase-in is an established mechanism that has already been used in the past to allow for a smoother transition to the next compliance period.

- Introduction of an **average compliance mechanism** for years 2025-2029

This system should ensure flexible compliance calculation reflecting the market development and possible fluctuations and keeping the overall reduction requirements for years 2025 to 2029. The overall excess emissions premium for individual OEMs will be assessed after the averaging period, without any obligations to change current pooling arrangements or obligation to form 5 years pools only. The newly introduced mechanism should not negatively affect any form of closed and open pooling arrangements as granted under current Regulation and consider compliance efforts made by OEMs so far.

REGULATORY OPTIONS FOR LIGHT COMMERCIAL VEHICLES 2025 RELIEF:

Having in mind the specific situation of the Light Commercial Vehicles market and even more difficult situation with the market uptake of the electrified vans so far, **multiple flexibilities (at least both phase-in and 5 years averaging principle) to be introduced for the vans segment** in order to safeguard 2025 relief and avoid paying penalties due to vans non-compliance.

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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