

POSITION



#### AD/BR10008/CWH

Brussels, 16 June 2025

# CO2 emission performance standards for new light-duty vehicles

IRU Position on the CO2 emission performance standards for new light-duty vehicles.

#### I. IRU POSITION

IRU is fully committed to supporting the commercial road transport sector's efforts to become carbon neutral by 2050. Reaching the EU's ambitious decarbonisation targets without disrupting the mobility and logistics services that people depend on should be a joint governments and industry effort. The challenge is huge, especially for small and medium-sized enterprises (SMEs) and micro-enterprises. But it can also become an opportunity provided a parallel enabling framework is put in place at EU and national levels which can help operators meet EU targets.

IRU welcomes the adoption of the targeted amendment to the regulation introducing flexibility for manufacturer compliance with the 2025 targets. Nevertheless, IRU recognises that the upcoming accelerated and comprehensive review of the regulation setting CO<sub>2</sub> emissions performance standards for light-duty vehicles (LDVs) is essential. Road transport operators are making considerable efforts to invest in decarbonisation solutions. Unfortunately, further EU enablers are needed to create an appropriate environment for their deployment. The role that transport operators' clients can play in supporting the decarbonisation of the commercial road transport sector should also be duly considered.

A comprehensive review of the regulation setting CO<sub>2</sub> standards for cars and vans should start as soon as possible based on the following principles:

- Focus on enabling conditions: Definitions and objectives of the CO<sub>2</sub> standards regulation should also align with other relevant Union legal acts. An expansion of the Alternative Fuels Infrastructure Regulation (AFIR) beyond the TEN-T core and comprehensive network and an EU harmonised framework binding Member States and electricity providers to upgrade the grid to necessary levels are required.
- Align emission reduction targets with enablers: LDV emission reduction targets should carefully consider progress on enabling conditions, such as a wide range of affordable vehicle models suited to operational needs, grid capacity, the availability of recharging and refuelling infrastructure in the right locations, and the specificities of light-duty vehicles' mission profiles.
- Ensure incentives for zero-emission vehicles: EU rules should avoid creating unnecessary additional costs for commercial road transport operators due to the mere heavier weight of zero-emission powertrains by ensuring that such vehicles remain subject to light-duty vehicle rules. In addition, revenues from taxes, charges and duties paid by road transport operators should be recycled to a much larger extent to support the road transport industry's decarbonisation efforts, especially for SMEs and micro-enterprises.

- **Conduct regular and concurrent reviews:** The regulation setting CO<sub>2</sub> standards for cars and vans, the regulation setting CO<sub>2</sub> standards for heavy-duty vehicles, AFIR, and the Renewable Energy Directive should be reviewed concurrently every two to three years.
- Adopt a technology-neutral approach: A technology-neutral approach should be pursued not only focusing on the switch to new zero-emission vehicle technologies but also duly considering the use of the existing vehicle fleet in combination with high-quality carbon-neutral fuels where this switch is not yet achievable.

## II. ANALYSIS

In April 2019, the CO<sub>2</sub> emission performance standards regulation for new passenger cars and new light commercial vehicles (<u>Regulation (EU) 2019/631</u>) was adopted. The regulation was amended in April 2023, introducing higher CO<sub>2</sub> emission reduction targets, aligning them with the EU's climate targets and establishing a de facto ban on new internal combustion engine (ICE) cars and vans from 2035.

With concerns that the European automotive industry is in crisis, the European Commission launched a Strategic Dialogue on the Future of the Automotive Industry on 30 January 2025. As an outcome of this Strategic Dialogue, a targeted amendment to the regulation to create flexibility for manufacturer compliance was adopted and the European Commission committed to accelerating the review of the Regulation.

The commercial road transport sector is making considerable efforts to invest in solutions to decarbonise operations. This includes investing in zero-emission and other alternative powertrains, alternative fuels and efficiency. EU measures to reduce the CO<sub>2</sub> emissions of new cars and vans should ensure that commercial road transport operators continue to have access to affordable vehicles that suit their operational needs. Furthermore, the EU legal framework should ensure that the necessary enabling environment is established, allowing technologies contributing to decarbonisation to be both affordable and economically and operationally viable.

## 1. Renewed focus on enabling conditions

Progress on enabling conditions is key for an accelerated uptake of low- and zeroemission vehicles. This includes grid capacity and the availability of recharging and refuelling infrastructure in the right locations. The EU has a framework for the deployment of alternative fuels charging infrastructure along its main transport corridors. However, current AFIR targets are not ambitious enough, particularly for urban and regional areas. Furthermore, Member State-led initiatives and private efforts to build infrastructure for electric charging will be increasingly confronted by a failing and insufficient grid. These elements will not allow the EU to be prepared for an accelerated uptake of zero-emission vehicles.

## IRU calls for:

- A closer alignment between the EU rules on CO<sub>2</sub> standards for cars and vans and the relevant Union legal acts establishing the enabling framework to accelerate the market uptake of zero-emission vehicles.
- An expansion of AFIR beyond the TEN-T core and comprehensive network to ensure coverage across all commercial routes.
- A harmonised EU framework binding Member States and electricity providers to upgrade the grid to necessary levels.

## 2. Aligning emission reduction targets with enablers

The current regulation sets fleet-wide  $CO_2$  emission reduction targets for new cars and vans registered in the EU. From 2020 to 2024, the fleet-wide targets were 95g  $CO_2$ /km for the average emissions of new passenger cars and 147g  $CO_2$ /km for the average emissions of new light commercial vehicles registered in the EU. From 2025, a 15%

reduction compared to 2021 for both cars and vans is set. From 2030, a 55% reduction compared to 2021 for cars and a 50% reduction for vans is expected. From 2035, a 100% reduction of average emissions for both cars and vans must be complied with, which is akin to a ban on the sale of ICE vehicles.

LDVs are used for a wide range of purposes by businesses which are often microenterprises or SMEs. Examples include taxi services, own account transport, delivery services, and international long-distance operations. Special attention should be given to the specificities of various vehicle categories and their uses. Light commercial goods vehicles are one such example; vans play a key role in the logistics chain and are primarily operated by SMEs as a business tool. Vans are used for own account transport, delivery services and international long-distance. They are often custom-built to meet varying operational needs. The 2030 jump from a 15% to 50% reduction target is very ambitious for this segment and poses an even greater risk of non-compliance and fines. Vehicles operating primarily in urban areas which are increasingly subject to local restrictions, such as taxis, are yet another example.

 $CO_2$  emission reduction targets for cars and vans should be aligned with progress on the necessary enabling conditions. The availability of conditions such as a wide range of affordable vehicle models suited to operational needs, recharging and refuelling infrastructure in the right locations, grid capacity, sufficient availability of electricity and hydrogen are key prerequisites for an effective uptake of alternative fuel LDVs by commercial road transport operators. It should be noted that as the emission targets become more ambitious, the role of an accompanying enabling framework will also gain significance.

#### IRU calls for:

 An alignment of LDV emission reduction targets with progress on enabling conditions, such as a wide range of affordable vehicle models suited to operational needs, grid capacity, the availability of recharging and refuelling infrastructure in the right locations, and the specificities of light-duty vehicles' mission profiles.

#### 3. Incentives for the uptake of cleaner and zero-emission vehicles

Commercial road transport operators operate on very thin margins and are already confronted with higher upfront costs (in line with stricter  $CO_2$  and emission standards) and growing fuel and energy prices. Other pieces of legislation, such as the EU Emissions Trading System Directive, the Energy Taxation Directive, the Eurovignette Directive, and social rules should be tailored to avoid any further cost increases (avoiding double taxation for example) and provide financial and operational incentives to accelerate the uptake of cleaner and zero-emission vehicles.

It should be noted that investments in zero-emission vehicles are a proportionately heavier burden for SMEs and micro-enterprises which may need additional incentives to contribute to decarbonisation.

Due to the extra weight of zero-emission technologies and to compromise on payload, zero-emission vehicles are usually heavier than their ICE counterparts. This increase in weight could have significant implications for zero-emission vehicles across a wide range of legislation. Any increase in mass above 3.5 tonnes could have the effect of subjecting certain zero-emission light-duty vehicles to different rules than their ICE counterparts.

The revised Driving Licence Directive provides an example of an amendment to remedy this effect, as holders of B licences for over two years will be allowed to drive partially or fully alternative fuel vehicles under 4.25 tonnes (instead of the previous 3.5-tonne limit). In other pieces of legislation, zero-emission light-duty vehicles could fall into a heavier category simply due to the extra weight of the zero-emission powertrain and therefore create differences in treatment to the disadvantage of zero-emission vehicles.

## IRU calls for:

- Guarantees that zero-emission light-duty vehicles are not disadvantaged and continue to be treated as light-duty vehicles.
- Revenues from taxes, charges and duties paid by road transport operators to be recycled to a much larger extent than is done today to support the decarbonisation efforts of the road transport industry, especially for SMEs and micro-enterprises.

## 4. Regular and concurrent reviews

To ensure that targets remain achievable, targets and their associated enabling conditions should not be set too far in advance and re-evaluated regularly. This would also avoid the financial burden of fines being passed on to road transport operators.

EU policy on road transport decarbonisation should be streamlined and coherent. The CO<sub>2</sub> standards regulation is not sufficiently aligned with other relevant EU legislation. The regulation setting CO<sub>2</sub> emission standards for cars and vans, the regulation setting CO<sub>2</sub> emission standards for heavy-duty vehicles, AFIR, and the Renewable Energy Directive are inherently interlinked. In practice, these regulations are interdependent, as the availability of renewable energy and fuels and the availability of affordable and strategically placed refuelling and recharging infrastructure will affect the economic and operational viability and market uptake of low- and zero-emission vehicles.

## IRU calls for:

The regulation setting CO<sub>2</sub> standards for cars and vans, the regulation setting CO<sub>2</sub> standards for heavy-duty vehicles, AFIR, and the Renewable Energy Directive to be reviewed concurrently every two to three years.

## 5. Technology-neutral approach

The Renewable Energy Directive sets targets for the use of renewable energy in the transport sector and foresees a role for a wider range of alternative fuels. The objectives, definitions and timelines of the directive should be aligned with the CO<sub>2</sub> emission standard regulations for new vehicles, ensuring that the EU regulatory environment is coherent and that commercial road transport operators can make use of all viable decarbonisation technologies.

The CO<sub>2</sub> standards regulation for cars and vans adopts a tank-to-wheel (TTW) approach. This is reflected in the current definition of zero- and low-emission vehicles which cover battery-electric vehicles, fuel cell vehicles and other vehicles with very low tailpipe emissions, such as plug-in hybrid vehicles with a high zero-emission range. The TTW approach focuses solely on tailpipe emissions and therefore misses an opportunity to encourage the uptake of a broader range of existing options to decarbonise the sector. Incentivising development and investment for a broad range of technological solutions is essential for commercial road transport operators to select the technology best suited to their operational needs where the switch to zero-emission vehicles is not yet achievable and could help ensure energy independence and security.

The TTW approach fails to reflect the decarbonisation solutions which are compatible with internal combustion engines and could allow road transport operators to already accelerate decarbonisation with their existing fleet in a wider range of mission profiles. This is the case of carbon-neutral fuels. Therefore, their inclusion within the scope of the regulation would encourage their deployment in new vehicles and can help stimulate their uptake in the existing fleet. This could help accelerate the decarbonisation of the sector without having to rely solely on fleet renewal.

Certain provisions of the regulation already relate to the role of renewable fuels in achieving the EU's goal of climate neutrality. Recital 11 of Regulation (EU) 2023/851 states that the European Commission will make a proposal for registering vehicles running exclusively on CO<sub>2</sub>-neutral fuels, following consultation with stakeholders. Furthermore, the progress report will include an assessment of the potential contribution of innovative technologies and sustainable alternative fuels, including synthetic fuels, to

reach climate-neutral mobility. Methodologies to account for the use of carbon-neutral fuels in vehicles are currently being developed and tested. It is therefore feasible to include their contribution to decarbonisation in the regulation.

## IRU calls for:

 A more technology-neutral approach – one that not only focuses on the switch to new zero-emission vehicle technologies but also duly considers the use of the existing vehicle fleet in combination with high-quality carbon-neutral fuels where this switch is not yet achievable – should be pursued.

\* \* \* \* \*