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Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/631 as regards strengthening the CO ₂ emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition

Delegations will find attached document SWD(2021) 614 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

**PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF
THE COUNCIL**

**amending Regulation (EU) 2019/631 as regards strengthening the CO₂ emission
performance standards for new passenger cars and new light commercial vehicles in line
with the Union's increased climate ambition**

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Executive Summary Sheet
Impact assessment on the Revision of the CO ₂ emission performance standards for new passenger cars and new light commercial vehicles
A. Need for action
What is the problem and why is it a problem at EU level?
Three key problems have been identified at the EU level: (1) light-duty vehicles contribute insufficiently to the at least 55% GHG reductions in 2030 and climate neutrality in 2050; (2) consumers risk missing out on the benefits of zero-emission vehicles; and (3) the automotive value chain in the EU is at risk of losing its technological leadership. The impact assessment also outlines the drivers behind these problems, and the most affected stakeholders.
What should be achieved?
The initiative aims to achieve the following specific objectives: (1) contribute to the 2030 at least 55% GHG emission reduction target and to the 2050 climate neutrality objective, by reducing CO ₂ emission from cars and vans cost-effectively; (2) provide benefits for consumers and citizens from wider deployment of zero-emission vehicles; (3) stimulate innovation in zero-emission technologies, thus strengthening the technological leadership of the EU automotive value chain and stimulating employment.
What is the value added of action at the EU level (subsidiarity)?
Climate change is a transboundary problem where coordinated EU action supplements and reinforces national and local action effectively. Without further EU action, national and local initiatives alone are likely to be insufficient, and they risk fragmenting the internal market. EU action would provide the entire automotive value chain with the necessary long-term, stable market signal and regulatory certainty needed for large capital investments necessary to deploy zero-emission vehicles.
B. Solutions
What are the various options to achieve the objectives? Is there a preferred option or not? If not, why?
Various policy options were explored, grouped in three main categories: (i) levels, timing and modalities for the CO ₂ emission targets for cars and vans; (ii) specific incentive for zero- and low-emission vehicles (ZLEV); (iii) mechanism to take into account the potential contribution of renewable and low-carbon fuels for the purpose of target compliance assessment. Under the preferred option, the CO ₂ emission target levels for cars and vans (% reduction compared to 2021) are significantly strengthened as of 2030, decreasing in five-year steps. The possible excess emissions premium revenues remain part of the general EU budget. The current specific incentive mechanism for ZLEV is removed as of 2030. No mechanism to account for the potential contribution of renewable and low-carbon fuels is introduced.
What are different stakeholders' views? Who supports which option?
Based on the results of the OPC, as regards the CO ₂ target levels, vehicle manufacturers called for no changes to the current targets set for 2025. For 2030 and beyond, the ambition level would need to depend on the enabling conditions. Public authorities and NGOs in general supported setting more ambitious targets for 2025 and 2030 and new targets for 2035 and 2040. Environmental NGOs called for a zero-emission target at the latest by 2035. As regards the timing of the targets, vehicle manufacturers supported the continuation of a 5-year steps approach. Environmental NGOs called for annually decreasing targets or an interim target to be set in 2027. Concerning the incentive mechanism for ZLEV, manufacturers expressed the view that it should be maintained in its current form. Environmental NGOs called for removing this incentive scheme as soon as the share of electric vehicles reaches a certain level. Fuel

producers and component suppliers expressed the view that compliance assessment should take into account emission reductions due to the use of renewable and low-carbon fuels. Environmental NGOs argued against this accounting.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

The preferred option contributes significantly to the CO₂ emission reductions for cars and vans. The projected emission reductions for this sector as compared to 2005 are in the range 32-33% in 2030, 56-66% in 2035 and 83-89% in 2040. It will also contribute to lower air pollutant emissions: the estimated cumulative cost of the avoided pollutants compared to the baseline in the period 2030 to 2040 amounts to 49 to 59 billion euros. Consumer benefits in terms of average net savings in total cost of ownership, averaged over the EU-wide new vehicle fleet, for a 2030 car are up to 330-600 EUR and for a 2030 van up to 340-600, for the first user. They increase to around 2800-3100 EUR for a 2040 car and around 5200-5500 EUR for a 2040 van. Net savings also occur for the second user. Societal benefits over the lifetime are in the range 860-1600 EUR for a 2030 car, and 1000-1200 EUR for a 2030 van. They increase to around 4600-5100 EUR for a 2040 car and 5600-6400 EUR for a 2040 van. Over the period 2030 to 2050, cumulative savings of diesel and gasoline in the range 913-1100 Mtoe are achieved with respect to the baseline, reducing the import dependency of the EU economy. Economy-wide GDP and employment are impacted positively. In particular, the number of jobs increases in 2030, and even more in 2040. However, a loss in jobs related to the production of components for conventional engines is projected, so the reskilling of workers in the sector will be needed to facilitate the transition.

What are the costs of the preferred option (if any, otherwise of main ones)?

Costs for automotive manufacturers increase, as additional technologies need to be deployed in the new vehicle fleet to meet the stricter CO₂ targets. For a 2030 new vehicle, additional costs, averaged over the EU-wide new vehicle fleet, are in the range of 300-550 EUR (cars) and 450-940 EUR (vans). They increase to a range of 1400-1700 EUR for a 2040 car and around 2300-2700 EUR for a 2040 van.

What are the impacts on SMEs and competitiveness?

The analysis shows positive economic impacts, including for SMEs. SMEs using vans will largely benefit from fuel savings. While SMEs producing conventional automotive technologies may need to adjust, they will also benefit from new opportunities from the additional demand for new technologies.

Will there be significant impacts on national budgets and administrations?

While the overall GDP impacts will be positive, the fuel duty revenue loss in 2030 is estimated at around 0.01% of the EU-27 GDP. These losses can be balanced at the Member State level, for example through indirect taxation. There are no additional administrative impacts on national administrations.

Will there be other significant impacts?

An ambitious, cost-effective long-term regulatory framework for CO₂ emissions from cars and vans will provide predictability and help the EU automotive industry to retain its technological leadership.

Proportionality?

The proposed action is proportionate to achieve the climate objectives that the EU has committed to.

D. Follow up

When will the policy be reviewed?

A review of the effectiveness of the new legislation will be foreseen, aligned with the review of other legislation such as in the proposal for ETS and the Effort Sharing Regulation.