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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2021) 556 final
Subject:	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 COM(2021) 556 final.

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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

(Text with EEA relevance)

{SEC(2021) 556 final} - {SWD(2021) 188 final} - {SWD(2021) 613 final} - {SWD(2021) 614 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The **European Green Deal Communication**[1] launched a new growth strategy for the EU that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. It reaffirms the Commission's ambition to increase its climate targets and make Europe the first climate-neutral continent by 2050. Furthermore, it aims to protect the health and well-being of citizens from environment-related risks and impacts. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health and economic well-being of the Union's citizens.

Tackling climate change is an urgent challenge. In line with the scientific findings of the Intergovernmental Panel on Climate Change (IPCC) Special Report global net-zero CO_2 emissions need to be achieved around 2050, and neutrality for all other greenhouse gases later in the century. This urgent challenge requires the EU to step up its action and demonstrate global leadership by becoming climate neutral by 2050. This objective is set out in the Communication '**A Clean Planet for all'** - A European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy'[2].

Based on a comprehensive impact assessment, the Commission's Communication of September 2020 on **Stepping up Europe's 2030 climate ambition**[3] proposed to raise the EU's ambition and put forward a comprehensive plan to increase the European Union's binding target for 2030 towards at least 55% net emission reduction, in a responsible way. Raising the 2030 ambition now helps give certainty to policymakers and investors, so that decisions made in the coming years do not lock in emission levels inconsistent with the EU's objective to be climate neutral by 2050. The 2030 target is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.

The European Council endorsed the new EU binding target for 2030 at its meeting of December 2020[4]. It also called on the Commission "*to assess how all economic sectors can best contribute to the 2030 target and to make the necessary proposals, accompanied by an in-depth examination of the environmental, economic and social impact at Member State level, taking into account national energy and climate plans and reviewing existing flexibilities*".

To this end, the **European Climate Law**, as agreed with the co-legislators, will make the EU's climate neutrality target legally binding, and raise the 2030 ambition by setting the target of at least 55% net emission reduction by 2030 compared to 1990.

In order to follow the pathway proposed in the European Climate Law, and deliver this increased level of ambition for 2030, the Commission has reviewed the climate and energy legislation currently in place that is expected to only reduce greenhouse gas emissions by 40% by 2030 and by 60% by 2050.

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1 COM(2019) 640 final.
2 COM(2018) 773 final.
3 COM(2020) 690 final
4 European Council Conclusions 10-11 December 2020 EUCO 22/20 CO EUR 17 CONCL 8

This 'fit for 55' legislative package, as announced in the Commission's Climate Target Plan[5], is the most comprehensive building block in the efforts to implement the ambitious new 2030 climate target, and all economic sectors and policies will need to make their contribution, including road transport.

Transport is the only sector where greenhouse gas (GHG) emissions have been on the rise. The GHG **emissions from road transport** are no exception. They represent almost 20% of total EU GHG emissions and have significantly increased since 1990. Air quality continues to be impacted by traffic and congestion, leading to increasing number of cities introducing low- and zero-emission zones restricting local access for vehicles with internal combustion engines and to certain Member States announcing the phase-out of sales of internal combustion engine cars.

The automotive industry is of key importance for the EU economy and accounts for over 7% of the EU's GDP. It provides jobs - directly or indirectly, in manufacturing, sales, maintenance, construction and transport and transport services - to 14.6 million Europeans. The EU is among the world's biggest producers of motor vehicles and demonstrates technological leadership in this sector. EU automotive investment in R&D amounts to €60.9 billion annually.

The automotive sector is undergoing a significant structural transformation including changes in clean and digital technologies, in particular the shift from internal combustion engines towards zero- and low-emission technologies as well as increasingly connected vehicles. The ambition should be to empower the automotive sector to continue and strengthen its leadership in the technologies of the future, especially in the face of international competition.

The Commission's **Strategy for Sustainable and Smart Mobility**[6] addresses the broader challenges of the transition to zero-emission mobility and sets out a roadmap for putting European transport firmly on the right track for a sustainable and smart future.

The Strategy's accompanying Action Plan includes policies aimed, amongst others, at boosting the uptake of zero-emission vehicles and related infrastructure. The shift toward zero-emission vehicles will prevent pollution and improve the health of our citizens; this is also supporting the **Zero Pollution Ambition** of the European Green Deal, as articulated in the Zero Pollution Action Plan[7].

The **CO_2 emission standards for passenger cars and light commercial vehicles** are key drivers for reducing CO_2 emissions in the sector, as shown in the Communication on Stepping up Europe's 2030 climate ambition.

The **general objectives** of this proposal are to contribute to achieving climate neutrality by 2050 and to this end, in line with the European Climate Law, to contribute to reaching at least 55% net greenhouse gas emission reductions by 2030 compared to 1990.

The proposal serves **three specific objectives.** The first is to contribute to the 2030 and 2050 climate objectives by reducing CO_2 emissions from cars and light commercial vehicles.

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5 COM/2020/562 final

6 COM(2020)789 final

7 COM/2021/400 final, see also in this context Directive 2008/50/EC on ambient air quality and cleaner air for Europe and Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants

Considering that the effect of the CO_2 emission standards on the reduction of emissions from the stock of vehicles is not immediate, and considering the dynamics of the fleet renewal, early action is important to ensure the achievement of the long term objective.

The second specific objective is to provide benefits to **consumers and citizens** from a wider deployment of zero-emission vehicles. The key expected benefits concern not only improved air quality, in particular in cities. The CO_2 emission performance standards trigger manufacturers to increase the supply of zero-emission vehicles, and with that increased supply consumers can benefit from more affordable zero-emission vehicle models and significant energy savings from the use of zero-emission vehicles, hence decreasing the total cost of ownership of such vehicles.

The third specific objective is to stimulate **innovation in zero-emission technologies,** thus strengthening the **technological leadership** of the automotive value chain and stimulating employment in the EU. While the automotive sector has been successful in developing and manufacturing advanced internal combustion engine vehicle technologies and marketing them world-wide, it needs to increasingly channel investments in zero-emission technologies. Within this global context, also the EU automotive chain must be a leading actor in the ongoing global transition towards zero-emission mobility. The proposal is technology neutral and will be accompanied by measures to boost zero-emission fuels and the charging infrastructure.

Additional co-benefits are expected to be the **increased energy efficiency and energy security**.

- **Consistency with existing policy provisions in the policy area**

This ‘fit for 55’ climate and energy package is a comprehensive step in overhauling Union legislation to align it with the EU’s increased climate ambition. All initiatives in the package are closely interlinked.

This legislative proposal on the CO_2 emission standards for cars and light commercial vehicles is complementary to the other proposals made in the package and maintains consistency, in particular, with the following measures.

By ensuring a reduction of road transport emissions, the CO_2 emission standards notably support Member States in meeting their targets under the **Effort Sharing Regulation (EU) 2018/842**[8]. Since they incentivise electrification of vehicles they contribute both to the energy efficiency objectives and by providing a complementary route to using renewable energy also to the renewables objective.

There are clear complementarities between the CO_2 emission standards and the emissions trading for buildings and road transport. The CO_2 emission standards address the supply of more fuel efficient and zero-emission vehicles, setting requirements on vehicle manufacturers with regard to their new vehicles fleets. The extension of emissions trading concerns the fuel use in the entire vehicle stock. It could increase both the demand for more fuel-efficient vehicles and for zero emission vehicles, thus facilitating the fulfilment of the CO_2 efficiency objectives of the vehicle manufacturers.

[8] Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013

The CO_2 emission standards, supplying new zero-emission vehicles to the market, are also a complementary measure to the **Renewable Energy Directive (EU) 2018/2001**[9], which will decarbonise the production of electricity used in electric vehicles and incentivise the uptake of renewable and low carbon fuels for the combustion engine vehicles in the stock.

There are also important synergies between CO_2 emission standards and a strengthened emissions trading system (ETS)[10] and the Renewable Energy Directive. The emissions trading system and the Renewable Energy Directive will drive decarbonisation of the power generation, so that zero-emission vehicles, incentivised by the CO_2 emission standards, are progressively powered by renewable energy sources thus achieving decarbonisation of full well-to-wheel emissions.

Finally, while the CO_2 emission standards ensure the supply of zero-emission vehicles, the **Alternative Fuels Infrastructure Directive 2014/94/EU**[11], which incentivises the rollout of recharging and refuelling infrastructure, is a necessary complementary instrument to address the market barrier on the deployment of infrastructure. This in turn is also incentivised by the Effort Sharing Regulation, which also incentivises Member States to take action in their road transport sectors.

A combination of energy taxation, investment in charging and refuelling infrastructure, new carbon pricing and updated CO_2 standards leads to a balanced and cost-effective approach for the reduction of emissions from road transport, addressing market barriers and failures as well as providing investors certainty to invest in zero-emission technologies.

- **Consistency with other Union policies**

The proposals of the ‘fit for 55’ package are consistent with all EU actions and policies and help the EU achieve the increased 2030 target and a successful and just transition towards the 2050 climate neutrality, as stated by the Commission in the European Green Deal Communication.

The ‘fit for 55’ package, the Next Generation EU and the Multiannual Financial Framework for 2021-2027 will help achieving the twin green and digital transitions that Europe is aiming for. The combination of these policies will address the economic crisis and accelerate the shift to a clean and sustainable economy, linking climate action and economic growth. The initiatives of the package are also consistent with the Union policies on a clean and circular economy, sustainable and smart mobility and the Zero Pollution Action Plan. If no ambitious action is taken to achieve zero-emission road transport, other sectors of the economy would have to contribute more to the overall EU emission reduction targets.

As announced in its Communication **Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe’s recovery**[12], the Commission will engage together with public authorities, stakeholders and social partners in a co-creation process to identify the green and digital transition pathways that will support the scale-up of the manufacturing of zero-emission vehicles, the rapid deployment of alternative fuels infrastructure and the associated up- and re-skilling of workers.

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9 Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L OJ L 328 21.12.2018, p. 82).

10 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC

11 Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure (OJ L 307 28.10.2014, p. 1).

12 COM(2020) 350 final

This initiative is also consistent with the EU's policy for research and innovation. Support to the development of zero-emission technologies will also be foreseen under the EU's Framework Programme for Research and Innovation, and in particular through Horizon Europe partnerships.

In addition, to reinforce consistency across policies, and as announced in its Communication **Better regulation: Joining forces to make better laws**[13], the Commission is improving its better regulation guidelines to ensure that all its initiatives comply with the 'do no significant harm' principle thus abiding by the obligations set under the European Climate Law.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for this proposal is Article 192 of the Treaty of the Functioning of the European Union (TFEU). In accordance with Article 191 and 192(1) TFEU, the European Union shall contribute to the pursuit, inter alia, of the following objectives: preserving, protecting and improving the quality of the environment; promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change. Based on Article 192 of the TFEU, the Union has already adopted policies to address CO_2 emissions from cars and light commercial vehicles through Regulation (EC) 443/2009 and Regulation (EU) 510/2011, which were repealed and replaced by Regulation (EU) 2019/631, in force since 1 January 2020.

• Subsidiarity (for non-exclusive competence)

Climate change is a trans-boundary problem, which cannot be solved by national or local action alone. Coordination of climate action must be taken at European level and, where possible, at global level. EU action is justified on grounds of subsidiarity as set out in Article 5 of the Treaty of the European Union. Since 1992, the European Union has worked to develop joint solutions and drive forward global action to tackle climate change. More specifically, action at EU level will provide for cost effective delivery of the 2030 and long-term emission reduction objectives while ensuring fairness and environmental integrity. Articles 191 to 193 of the TFEU confirm and specify EU competencies in the area of climate change.

In light of the emission reduction target for 2030, and in the perspective of the climate neutrality objective to be achieved by 2050, stronger EU action is needed to ensure a sufficiently high contribution of the road transport sector.

Although initiatives at the national, regional and local level can create synergies, alone they will not be sufficient. Lack of coordinated EU action via the strengthening of CO_2 emission standards would translate into a risk of market fragmentation due to the diversity of national schemes, differing ambition levels and design parameters. On their own, individual Member States would also represent too small a market to achieve the same level of results, therefore, an EU wide approach is needed to drive industry level changes and to create economies of scale.

• Proportionality

This proposal complies with the proportionality principle because it does not go beyond what is necessary in order to achieve the Union's objectives of reducing greenhouse gas emissions in a cost-effective manner, while ensuring fairness and environmental integrity.

[13] COM(2021) 219 final

The Climate Law agreed by the European Parliament and the Council has endorsed an overall economy-wide and domestic reduction in greenhouse gas emissions of at least 55% below 1990 levels by 2030 and climate neutrality by 2050. This proposal covers a significant proportion of those greenhouse gas emissions and avoids the need for more ambitious emission reductions in other sectors, where decarbonisation is more challenging. It revises the existing CO_2 emission standards for cars and light commercial vehicles in order to achieve this objective.

- **Choice of the instrument**

The proposal provides for an amendment of Regulation (EU) 2019/631 and a Regulation is therefore the only appropriate legal instrument. Considering that Regulation (EU) 2019/631 was the result of a recent recast and that the amendments proposed only concern a limited number of provisions, a new recast and/or replacement of the existing Regulation is not considered appropriate.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

For most elements of the Regulation, the conclusions of the 2015 evaluation study[14] reflected in the 2017 impact assessment[15] remain valid. Some new obligations that were introduced in Regulation (EU) 2019/631 have not been evaluated, taking into account that they are either not yet applicable or have not yet been fully implemented. This concerns, in particular, the new 2025 and 2030 EU fleet-wide targets and the incentive mechanism for zero- and low-emission vehicles. However, a revision is necessary in order to bring the Regulation in line with the ambitions of the European Green Deal, the strengthened emission reduction targets of the European Climate Law and recent market developments. These changes were subject to an impact assessment.

- **Stakeholder consultations**

In order to collect evidence and ensure greater transparency, the Commission organised a public consultation for each of the proposals from 13 November 2020 to 5 February 2021. A detailed summary and the results of the public consultation are presented in Annex 2 to the Impact Assessment for this proposal.

Moreover, the Inception Impact Assessment was published on 29 October 2020 during 4 weeks.

More precisely, for the purpose of this proposal, the Commission sought feedback from in particular the following stakeholders:

- Member States (national, regional authorities)
- Vehicle manufacturers
- Component and materials suppliers
- Energy suppliers
- Vehicle purchasers (private, businesses, fleet management companies)

[14] https://ec.europa.eu/clima/sites/clima/files/transport/vehicles/docs/evaluation_ldv_co2_regs_en.pdf

[15] SWD(2017) 650 final

- Drivers associations
- Environmental, transport and consumer NGOs
- Social partners

In addition to the public consultation and the feedback on the inception impact assessment, feedback was also sought through the following means:

- Meetings with relevant industry associations representing vehicle manufacturers, components and materials suppliers, energy suppliers;
- Bilateral meetings with Member State authorities, vehicle manufacturers, suppliers, social partners and NGOs;
- Position papers submitted by stakeholders or authorities in the Member States.

The main outcomes can be summarised as follows:

The majority of industry respondents, public authorities and other stakeholders supported the objective of *'reducing CO_2 emissions from cars and vans to implement the 55% target by 2030 and 2050 climate neutrality objective'*, while citizens had mixed views on this. The objective of *'strengthening competitiveness, industrial leadership, innovation and stimulating employment in the EU automotive value chain'* and *'reducing total costs of ownership for consumers'* received most support.

Concerning target levels, the consultation reflected mixed views on the future target stringency, where the industry showed some support for stricter targets as of 2030, NGOs stricter targets from 2025 onwards, public authorities overall support stricter targets, while citizens had mixed views. As regards the timing of targets, industry supported setting targets every five years, while other stakeholders had mixed views in this regard. Vehicle price, limited driving range and the availability of infrastructure were considered particularly important barriers to the market uptake of zero- and low-emission vehicles. The replies were mixed as regards the need for the incentive mechanism, and vehicle types to be supported. As for the possible introduction of a mechanism for the accounting of renewable- and low-carbon fuels in CO_2 target compliance, the consultation reflected mixed views.

- **Collection and use of expertise**

For the quantitative assessment of the economic, social and environmental impacts, the Impact Assessment has built on a range of scenarios developed for the PRIMES model. This analysis was complemented by applying other modelling tools, such as GEM-E3 and E3ME and the JRC DIONE model.

Monitoring data on GHG emissions and other characteristics of the new light-duty vehicle fleet was sourced from the annual monitoring data as reported by Member States and collected by the European Environment Agency (EEA) under Regulation (EU) 2019/631.

Further information was gathered through service contracts commissioned from external contractors.

- **Impact assessment**

The Impact Assessments for the different initiatives of the 'fit for 55' legislative package are based on integrated modelling scenarios that reflect the interaction of different policy instruments on economic operators, in order to ensure complementarity, coherence and effectiveness in achieving the 2030 and 2050 climate ambition.

The impact assessment accompanying this proposal complements the analysis conducted in the 2020 impact assessment supporting the 2030 Climate Target Plan[16]. This formed the analytical basis to set the objective of at least net 55% reduction in GHG emissions by 2030 compared to 1990 and the climate neutral objective of 2050.

Moreover, the Impact Assessment accompanying this proposal has been prepared and developed in line with the applicable Better Regulation guidance, and the Regulatory Scrutiny Board issued a positive opinion on 19 April 2021.

Improvements, as recommended by the Board, have been incorporated in the final version. This concerns the following:

- Clarification of the reasons for revising the existing Regulation (EU) 2019/631 and the coherence and proportionality with regard to other linked legislative initiatives;
- Further demonstration of the feasibility of the high-level reduction target and clarification of the trade-offs between the three target options;
- Additional information provided on the impacts of the preferred options on competiveness, innovation and smooth sector transition;
- Incorporation of the stakeholders views in the analysis.

Policy options

The impact assessment has analysed policy options grouped into three topics, which are to address the identified problems and achieve the policy objectives.

(1) CO_2 emission targets for cars and vans (levels, timing, modalities);

As regards the target levels, the options considered cover three trajectories up to 2040, also reflecting that the objective is to achieve a reduction in road transport emissions of 90% by 2050, taking into account that cars are on the roads on average between 10 to 15 years.

In order to contribute to the overall 2030 increased ambition level and the 2050 climate neutrality objective, the preferred option is to significantly strengthen the CO_2 EU fleet-wide targets for both cars and light commercial vehicles as of 2030. This will provide for the necessary steer to accelerate the supply to the market of zero-emission vehicles, bring benefits for vehicle users as well as stimulate innovation and technological leadership, while limiting the costs increase for manufacturers.

As regards the timing for tightening the targets, the preferred option is to maintain the regulatory approach of setting targets decreasing in 5-year steps and not more frequently in order to provide for sufficient flexibility for manufacturers to manage this transition. In order to take into account the development cycles in the automotive sector, it is therefore appropriate to maintain the target levels set for 2025.

The possible revenues from excess emissions premiums would remain part of the general EU budget. The other options considered would significantly increase the administrative burden while not directly benefitting the automotive sector in its transition.

The possibility for both EU and non-EU based small volume manufacturers (i.e. those responsible for between 1 000 and 10 000 new car registrations or 1 000 and 22 000 new van registrations in a calendar year) to be granted a derogation target would be removed from 2030 onwards, thereby improving the effectiveness and coherence of the legislation. The

[16] SWD/2020/176 final

choice of the date gives the manufacturers concerned lead-time to programme and adapt to the new regulatory requirements, and is consistent with the date of application of the strengthened targets. Manufacturers responsible for less than 1 000 new vehicle registrations per calendar year continue to be exempt.

(2) specific incentives for zero- and low-emission vehicles (ZLEV);

Different options were considered as regards the incentive mechanism for ZLEV, both as regards the type of mechanism and the type of vehicles it should cover. The preferred option is to remove as of 2030 the ZLEV incentive scheme both for cars and light commercial vehicles as the market uptake of ZLEVs will be driven by the stricter CO_2 targets applicable from that date, which will require manufacturers to deploy significantly more zero-emision vehicles. This would also simplify the legislation and avoid the risk of undermining its effectiveness.

(3) a mechanism to take into account the potential contribution of renewable and low-carbon fuels for the purpose of target compliance assessment.

In this respect, two options were considered: either a carbon correction factor or a crediting scheme. However, the preferred option is not to include such an accounting mechanism, as this would blur the responsibilities of different players to reach the targets, undermine the effectiveness and efficiency of the legislation and increase the administrative burden and complexity. Promoting the use of renewable and low-carbon fuels will be done through the revision of the Renewable Energy Directive, the emissions trading system and the Energy Taxation Directive.

- **Regulatory fitness and simplification**

In line with the Commission's commitment to Better Regulation, the proposal has been prepared inclusively, based on transparency and continuous engagement with stakeholders.

Compared to the current Regulation, the proposal is not expected to increase the administrative costs caused by the legislation. In addition, it is not increasing the complexity of the legal framework.

Two of the existing provisions, i.e. the ZLEV "bonus" incentive mechanism and the 'small volume' derogation, are proposed to be removed from 2030 onwards, which should contribute to the simplification of the legislation. At the same time, the regulatory system will continue to provide for flexibilities intended to lower the compliance cost for manufacturers.

No changes in the compliance monitoring regime or in the level of the excess emissions premium are proposed. The proposal will therefore neither increase administrative costs for manufacturers and competent national authorities nor enforcement costs for the Commission.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised in particular by the Charter of Fundamental Rights of the European Union[17]. In particular, it contributes to the objective of a high level of environmental protection in accordance with the principle of sustainable development as laid down in Article 37 of the Charter of Fundamental Rights of the European Union.

[17] OJ C 326, 26.10.2012, p. 391.

4. BUDGETARY IMPLICATIONS

The collection, reporting and processing of different datasets are essential elements of the implementation and enforcement of the CO2 emission performance standards which are further extended or adjusted in this proposal. These datasets include data for target compliance purposes, for the verification of the CO2 emissions of vehicles in-service and data for assessing the representativeness of the type approval procedure as compared to real world CO2 emissions. In view of the important legal effects linked to those datasets, considerable efforts are needed to ensure their correctness and reliability for which further resources would be required within the Commission. A detailed breakdown of the budgetary implications is set out in the Financial Statement.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

A well-established system is in place for monitoring the implementation of Regulation (EU) 2019/631. Member States annually report the CO_2 emissions and mass of all newly registered cars and vans to the Commission. Manufacturers have the opportunity to notify to the Commission errors in this provisional data. In addition, from 2022, data on real-world fuel and energy consumption of cars and vans will be reported to the Commission by manufacturers and Member States' competent authorities.

The Commission, supported by the European Environment Agency (EEA), publishes every year the final monitoring data of the preceding calendar year including the manufacturer specific performance against the CO_2 targets. The legislation will continue to rely on this well-established monitoring and compliance framework. From 2022 onwards, a comparison between the type approval and real world CO_2 emissions data will be published by the Commission also with the support of the EEA.

- **Detailed explanation of the specific provisions of the proposal**

Article 1(1): Amendment to Article 1 – Subject matter and objectives

In paragraph 5 of Article 1, the EU fleet-wide CO_2 targets for new passenger cars and new light commercial vehicles, which are applicable from 2030 onwards are revised. A new paragraph 5a is added, setting out the EU fleet-wide targets applying from 2035.

In order to take into account the change in type approval test procedure, i.e. from the New European Test Cycle (NEDC) to the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), the EU fleet-wide targets are expressed as percentage reductions compared to the 2021 starting point. This starting point is determined on the basis of the average of the specific emission targets for 2021, where, in order to avoid an undue increase in the level of the starting point, the emission values used as input to the calculation are those measured during the WLTP, instead of the emission values declared by the manufacturers. The 2021 starting point will be published by the Commission by 31 October 2022.

The zero- and low-emission vehicles' incentive set out in paragraph 7 is deleted from 2030 onwards. An adjustment of the date in paragraph 6 is also necessary for that purpose.

Article 1(2): Amendment to Article 2 – Scope

Paragraph 1 of Article 2 is amended in order to replace references to Directive 2007/46/EC[18] (type approval framework Directive), which was repealed from 1 September 2020, by references to the type approval framework Regulation (EU) 2018/858[19] which applies since that date.

Due to the change in structure between the repealed Directive and the new Regulation, the amendments are necessary in order to ensure precision in the legal references.

Article 1(3): Amendment to Article 3 – Definitions

In paragraph 1 of Article 3, the amendment aligns the definitions with those of the type approval legislation and removes the definition of footprint and payload as those terms are no longer relevant for the implementation of the Regulation.

Article 1(4): Amendment to Article 4 – Specific emissions targets

A sub-paragraph is added to paragraph 1 of Article 4, in which a safeguard is introduced to avoid that the calculation of the manufacturer's specific emission targets under certain conditions would result in a negative target. Where that situation would occur, the specific emission target should be set to 0 g CO_2/km.

Article 1(5): Amendment to Article 7 – Monitoring and reporting of average emissions

A new paragraph 6a is inserted which provides the Commission, as part of the verification of the provisional monitoring data, with the possibility to request type approval authorities and manufacturers to issue a statement of correction in those cases where the type approval documentation or the certificate of conformity cannot be corrected under the type approval legislation, such as where the incorrect data relates to a type approval which is no longer valid.

Paragraph 11, which provides for the reporting of data concerning vehicles of category M_2 and N_2, is deleted, as those vehicle categories fall within the scope of Regulation (EU) 2018/956[20] on the monitoring and reporting of CO_2 emissions from and fuel consumption of new heavy-duty vehicles.

Article 1(6): Amendment to Article 10 – Derogations for certain manufacturers

In paragraph 2 of Article 10, the possibility for manufacturers responsible for between 1 000 and 10 000 new passenger cars or between 1 000 and 22 000 new light commercial vehicles in a calendar year to apply for a derogation from the specific emission targets is removed from 2030 onwards. Manufacturers responsible for less than 1 000 new vehicle registrations per calendar year continue to be exempt.

Article 1(7): Amendment to Article 13 – Verification of the CO_2 emissions of vehicles in-service

In paragraph 3 of Article 13, a provision is added providing the Commission with the possibility to request a type approval authority to issue a statement of correction in case corrections cannot be made to the type approval documentation or certificates of conformity under the relevant type approval legislation, e.g. due to their validity having expired.

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[18] Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles

[19] Regulation (EU) 2018/858 of 30 May 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles, amending Regulations (EC) No 715/2007 and (EC) No 595/2009 and repealing Directive 2007/46/EC

[20] Regulation (EU) 2018/956 of the European Parliament and of the Council of 28 June 2018 on the monitoring and reporting of CO_2 emissions from and fuel consumption of new heavy-duty vehicles

Article 1(8): Amendment to Article 14 – Adjustment of M_0 and TM_0 values

In paragraph 2 of Article 14, the legal basis is corrected to provide for an amendment of Annex I, which is consistent with current practice, replacing the current wording which refers to a Regulation supplementing Regulation (EU) 2019/631.

Article 1(9): New Article 14a – Progress Report

A new Article 14a is added in order to set out the obligation for the Commission to report on the progress towards zero-emission road mobility and assess the need for possible additional measures to facilitate the transition.

Article 1(10): Amendment to Article 15 – Review and report

In paragraph 1 of Article 15, a review of Regulation (EU) 2019/631 is foreseen for 2026, whilst paragraphs 2 to 5, which listed a number of elements to be considered for the current review, are deleted.

A new paragraph 9 is added in order to provide a legal basis for amending the specific emission target calculation formulae in Part B of Annex I, where this is necessary in order to take into account the specific procedure applicable for light commercial vehicles that are type approved in multiple stages. I.e. this refers to the procedure applicable when a vehicle is manufactured by more than one manufacturer and the responsibility for the CO_2 emissions of the completed vehicle is attributed to the manufacturer of the base vehicle. In order to provide that manufacturer with planning certainty, a specific procedure applies for how to determine the CO_2 emissions and the mass of such multi-stage light commercial vehicles. The Commission is empowered to determine the procedure for multi-stage vehicles and may in case of a revision of that procedure also have to adjust the specific emission target calculation formulae.

Article 1(11): Amendment to Article 17 – Exercise of the delegation

A reference to the new Article 15(9) is added to paragraphs 2, 3 and 6 of Article 17.

Article 1(12): Amendments to Annex I

Part A of Annex I, relating to passenger cars, is amended to reflect the amendments to Article 1. This includes adjusting the formulae for calculating the EU fleet-wide targets for 2030 and setting the formulae for 2035 as well as the annual specific emission targets for each manufacturer, and removing the application of the zero- and low-emission vehicle (ZLEV) factor from 2030 onwards.

Part B of Annex I, relating to light commercial vehicles, is amended similarly to Part A, with the additional adjustment of the formulae for determining the slope values required for calculating the annual specific emission targets. This adjustment is made in order to ensure a fair distribution of the reduction burden between manufacturers of lighter light commercial vehicles and those manufacturing heavier vehicles of that category.

2021/0197 (COD)

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

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 192(1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[21],

Having regard to the opinion of the Committee of the Regions[22],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The Paris Agreement, adopted in December 2015 under the United Nations Framework Convention on Climate Change (UNFCCC) entered into force in November 2016 ('the Paris Agreement'). Its Parties have agreed to hold the increase in the global average temperature well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

(2) Tackling climate and environmental-related challenges and reaching the objectives of the Paris Agreement are at the core of the Communication on the "European Green Deal", adopted by the Commission on 11 December 2019[23]. The necessity and value of the European Green Deal have only grown in light of the very severe effects of the COVID-19 pandemic on the health and economic well-being of the Union's citizens.

(3) The European Green Deal combines a comprehensive set of mutually reinforcing measures and initiatives aimed at achieving climate neutrality in the EU by 2050, and sets out a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the Union's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. At the same time, this transition affects women and men differently and has a particular impact on some disadvantaged

21 OJ C , , p. .

22 OJ C , , p. .

23 Commission Communication - The European Green Deal, COM(2019) 640 final of 11 December 2019.

groups, such as older people, persons with disabilities and persons with a minority racial or ethnic background. It must therefore be ensured that the transition is just and inclusive, leaving no one behind.

(4) The Union committed to reducing the Union's economy-wide net greenhouse gas emissions by at least 55% by 2030 below 1990 levels in the updated nationally determined contribution submitted to the UNFCCC Secretariat on 17 December 2020.

(5) In Regulation (EU) [--] of the European Parliament and of the Council[24] the Union has enshrined the target of economy-wide climate neutrality by 2050 in legislation. That Regulation also establishes a binding Union domestic reduction commitment of net greenhouse gas emissions (emissions after deduction of removals) of at least 55% below 1990 levels by 2030.

(6) All sectors of the economy are expected to contribute to achieving those emission reductions, including the road transport sector.

(7) The measures set out in this Regulation are necessary as part of a coherent and consistent framework that is indispensable for achieving the overall objective of the Union to reduce net greenhouse gas emissions.

(8) In order to achieve a reduction in net greenhouse gas emissions of at least 55 % by 2030 compared to 1990, it is necessary to strengthen the reduction requirements set out in Regulation (EU) 2019/631 of the European Parliament and of the Council[25] for both passenger cars and light commercial vehicles. A clear pathway also needs to be set for further reductions beyond 2030 to contribute to achieving the climate neutrality objective by 2050. Without ambitious action on greenhouse gas emission reductions in road transport, higher emission reductions would be needed in other sectors, including sectors where decarbonisation is more challenging.

(9) The strengthened CO_2 emission reduction requirements should incentivise an increasing share of zero-emission vehicles being deployed on the Union market whilst providing benefits to consumers and citizens in terms of air quality and energy savings, as well as ensuring that innovation in the automotive value chain can be maintained. Within the global context, also the EU automotive chain must be a leading actor in the on-going transition towards zero-emission mobility. The strengthened CO_2 emission reduction standards are technology neutral in reaching the fleet-wide targets that they set. Different technologies are and remain available to reach the zero-emission fleet wide target. Zero-emission vehicles currently include battery electric vehicles, fuel-cell and other hydrogen powered vehicles, and technological innovations are continuing. Zero and low-emission vehicles, which also include well performing plug-in hybrid electric vehicles, can continue to play a role in the transition pathway.

(10) Against that background, new strengthened CO_2 emission reduction targets should be set for both new passenger cars and new light commercial vehicles for the period 2030 onwards. Those targets should be set at a level that will deliver a strong signal to accelerate the uptake of zero-emission vehicles on the Union market and to stimulate innovation in zero-emission technologies in a cost-efficient way.

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24 Regulation (EU) […/…] of […] 2021 of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law), [OJ L, …/… .].

25 Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011 (OJ L 111, 25.4.2019, p. 13).

(11) The targets in the revised CO_2 performance standards should be accompanied by a European strategy to address the challenges posed by the scale-up of the manufacturing of zero-emission vehicles and associated technologies, as well as the need for up- and re-skilling of workers in the sector and the economic diversification and reconversion of activities. Where appropriate, financial support should be considered at the level of the EU and Member States to crowd in private investment, including via the European Social Fund Plus, the Just Transition Fund, the Innovation Fund, the Recovery and Resilience Facility and other instruments of the Multiannual Financial Framework and the Next Generation EU, in line with State aid rules. The revised environmental and energy state aid rules will enable Member States to support business to decarbonize their production processes and adopt greener technologies in the context of the New Industrial Strategy.

(12) The updated New Industrial Strategy[26] foresees the co-creation of green and digital transition pathways in partnership with industry, public authorities, social partners and other stakeholders. In this context, a transition pathway should be developed for the mobility ecosystem to accompany the transition of the automotive value chain. The pathway should take particular heed of SMEs in the automotive supply chain, of the consultation of social partners including by Member States, and also build on the European Skills Agenda with initiatives like the Pact for Skills to mobilise the private sector and other stakeholders to up-skill and re-skill Europe's workforce in view of the green and digital transitions. The appropriate actions and incentives at European and national level to boost the affordability of zero emission vehicles should also be addressed in the pathway. The progress made on this comprehensive transition pathway for the mobility ecosystem should be monitored every two years as part of a progress report to be submitted by the Commission, looking inter alia at the progress in the deployment of zero-emission vehicles, their price developments, deployment of alternative fuels development and infrastructure roll-out as required under the Alternative Fuels Infrastructure Regulation, the potential of innovative technologies to reach climate neutral mobility, international competitiveness, investments in the automotive value chain, up-skilling and re-skilling of workers and reconversion of activities. The progress report will also build on the two-year progress reports that Member States submit under the Alternative Fuels Infrastructure Regulation. The Commission should consult social partners in the preparation of the progress report, including the results in the social dialogue. Innovations in the automotive supply chain are continuing. Innovative technologies such as the production of electro-fuels with air capture, if further developed, could offer prospects for affordable climate neutral mobility. The Commission should therefore keep track of progress in the state of innovation in the sector as part of its progress report.

(13) Those EU fleet-wide targets are to be complemented by the necessary roll-out of recharging and refuelling infrastructure as set out in Directive 2014/94/EU of the European Parliament and of the Council[27].

(14) Manufacturers should be provided with sufficient flexibility in adapting their fleets over time in order to manage the transition towards zero-emission vehicles in a cost-efficient manner, and it is therefore appropriate to maintain the approach of decreasing target levels in five-year steps.

[26] Commission Communication - Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery, COM(2021) 350 final of 5 May 2021

[27] Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure (OJ L 307 28.10.2014, p. 1).

(15) With the stricter EU fleet-wide targets from 2030 onwards, manufacturers will have to deploy significantly more zero-emission vehicles on the Union market. In that context, the incentive mechanism for zero- and low-emission vehicles ('ZLEV') would no longer serve its original purpose and would risk undermining the effectiveness of Regulation (EU) 2019/631. The ZLEV incentive mechanism should therefore be removed as of 2030. Before that date and therefore throughout this decade, the incentive mechanism for ZLEV will continue to support the deployment of vehicles with emissions from zero up to 50 g CO2/km, including battery electric vehicles, fuel-cell electric vehicles using hydrogen and well performing plug-in hybrid electric vehicles. After that date, plug-in hybrid electric vehicles continue to count against the fleet-wide targets that vehicle manufacturers must meet.

(16) The implementation of the CO_2 emission standards is strongly linked to that of the type approval legislation. Following the repeal and replacement of Directive 2007/46/EC of the European Parliament and of the Council[28] on 1 September 2020 by Regulation (EU) 2018/858 of the European Parliament and of the Council[29], it is appropriate, in order to ensure continued consistency between the two sets of instruments, to further align the definitions and to update references in Regulation (EU) 2019/631 to the type approval framework legislation.

(17) The emission reduction effort required to achieve the EU fleet-wide targets is distributed amongst manufacturers by using a limit value curve based on the average mass of the EU fleet of new vehicles and of the manufacturer's new vehicle fleet. While it is appropriate to maintain this mechanism, it is necessary to prevent that with the stricter EU fleet-wide targets, the specific emission target for a manufacturer would become negative. For that reason, it is necessary to clarify that where such a result occurs, the specific emission target should be set to 0 g CO_2/km.

(18) In order to ensure a fair distribution of the reduction effort, the two limit value curves for lighter and heavier light commercial vehicles should be adjusted to reflect the strengthened CO_2 reduction targets.

(19) The values used for the calculation of the specific emission targets and the average specific emissions of a manufacturer are based on data recorded in the type approval documentation and in the certificates of conformity of the vehicles concerned. It is essential for ensuring the effectiveness of the CO_2 emission standards that the data used for these purposes is correct. If nevertheless errors are identified in the data, it may not be possible, based on the type approval legislation to correct the type approval documentation or the certificates of conformity that have already been issued, where the data refers to type approvals that have ceased to be valid. In such situations, the Commission should have the power to request that the relevant type approval authorities, or where applicable, manufacturers, issue a statement of correction on the basis of which the values used for determining manufacturers' performance in meeting their targets can be corrected.

(20) The reporting of data from vehicles of categories M_2 (buses) and N_2 (medium-sized lorries) falls within the scope of Regulation (EU) 2018/956 of the European

[28] Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (OJ L 263, 9.10.2007, p.1).

[29] Regulation (EU) 2018/858 of the European Parliament and of the Council of 30 May 2018 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles, amending Regulations (EC) No 715/2007 and (EC) No 595/2009 and repealing Directive 2007/46/EC (OJ L 151, 14.6.2018, p. 1).

Parliament and of the Council[30] and it is therefore appropriate to remove this requirement from Regulation (EU) 2019/631.

(21) In view of the increased overall greenhouse gas emissions reduction objectives and to avoid potential market distorting effects, the reduction requirements for all manufacturers present in the Union market should be aligned, except for those responsible for less than 1 000 new vehicles registered in a calendar year. Consequently, the possibility for manufacturers responsible for between 1 000 and 10 000 passenger cars or between 1 000 and 22 000 light commercial vehicles newly registered in a calendar year to apply for a derogation from their specific emission targets should cease from 2030 onwards.

(22) In order to ensure legal clarity and consistency with current practice, it is appropriate to clarify that the adjustments of the M_0 and TM_0 values should be done by way of amendments to Annex I to Regulation (EU) 2019/631 instead of providing for an act supplementing that Regulation.

(23) The progress made under Regulation (EU) 2019/631 towards achieving the reduction objectives set for 2030 and beyond should be reviewed in 2026. For this review, all aspects considered in the two yearly reporting should be considered.

(24) The possibility to assign the revenue from the excess emission premiums to a specific fund or relevant programme has been evaluated as required pursuant to Article 15(5) of Regulation (EU) 2019/631, with the conclusion that this would significantly increase the administrative burden, while not directly benefit the automotive sector in its transition. Revenue from the excess emission premiums is therefore to continue to be considered as revenue for the general budget of the Union in accordance with Article 8(4) of Regulation (EU) 2019/631.

(25) In order to ensure that the calculation of the specific emission targets for manufacturers responsible for the CO_2 emissions of multi-stage light commercial vehicles can be adjusted to take into account changes in procedure for determining the CO_2 emissions and mass of such vehicles, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending, where necessary, the calculation formulae set out in Part B of Annex I to Regulation (EU) 2019/631. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(26) Regulation (EU) 2019/631 should therefore be amended accordingly,

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30 Regulation (EU) 2018/956 of the European Parliament and of the Council of 28 June 2018 on the monitoring and reporting of CO2 emissions from and fuel consumption of new heavy-duty vehicles (OJ L 173, 9.7.2018, p. 1).

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2019/631 is amended as follows:

(1) Article 1 is amended as follows:

(a) paragraph 5 is amended as follows:

(i) in point (a), the figure “37,5 %” is replaced by ‘55 %’,

(ii) in point (b), the figure “31 %” is replaced by ‘50 %’,

(b) the following paragraph 5a is inserted:

‘5a. From 1 January 2035, the following EU fleet-wide targets shall apply:

(a) for the average emissions of the new passenger car fleet, an EU fleet-wide target equal to a 100 % reduction of the target in 2021 determined in accordance with Part A, point 6.1.3, of Annex I;

(b) for the average emissions of the new light commercial vehicles fleet, an EU fleet-wide target equal to a 100 % reduction of the target in 2021 determined in accordance with Part B, point 6.1.3, of Annex I.

(c) in paragraph 6, the words “From 1 January 2025,” are replaced by ‘From 1 January 2025 to 31 December 2029,’,

(d) paragraph 7 is deleted;

(2) Article 2 is amended as follows:

(a) paragraph 1 is amended as follows:

(a) in point (a) the reference to ’Annex II to Directive 2007/46/EC’ is replaced by ‘Article 4(1), point (a)(i), of Regulation (EU) 2018/858’,

(b) point (b) is replaced by the following:

‘(b) category N_1 as defined in Article 4(1), point (b)(i), of Regulation (EU) 2018/858 and falling within the scope of Regulation (EC) No 715/2007 (‘light commercial vehicles’), which are registered in the Union for the first time and which have not previously been registered outside the Union (‘new light commercial vehicles’); in the case of zero-emission vehicles of category N with a reference mass exceeding 2 610 kg or 2 840 kg, as the case may be, they shall, from 1 January 2025, for the purposes of this Regulation and without prejudice to Regulation (EU) 2018/858 and Regulation (EC) No 715/2007, be counted as light commercial vehicles falling within the scope of this Regulation if the excess reference mass is due only to the mass of the energy storage system.’,

(b) in paragraph 3, the reference to “point 5 of Part A of Annex II to Directive 2007/46/EC” is replaced by a reference to ‘ Part A, point 5, of Annex I to Regulation (EU) 2018/858’;

(3) in Article 3, paragraph 1 is amended as follows:

(a) the introductory sentence is replaced by the following:

‘For the purposes of this Regulation, the definitions in Regulation (EU) 2018/858 shall apply. The following definitions shall also apply:’,

(b) points (b) to (g) and points (i) and (n) are deleted;

(4) in Article 4(1), the following subparagraph is added:

'For the purposes of point (c), where the specific emission target determined in accordance with Part A, point 6.3., of Annex I or Part B, point 6.3., of Annex I is negative, the specific emission target shall be 0 g/km.';

(5) Article 7 is amended as follows:

(a) the following paragraph 6a is inserted:

'6a. Where the Commission finds that the provisional data submitted by Member States in accordance with paragraph 2, or the data notified by the manufacturers in accordance with paragraph 5, is based on incorrect data in the type approval documentation or in the certificates of conformity, the Commission shall inform the type approval authority or, where applicable, the manufacturer and request the type approval authority or, where applicable, the manufacturer to issue a statement of correction specifying the corrected data. The statement of correction shall be transmitted to the Commission and the corrected data shall be used to amend the provisional calculations under paragraph 4.',

(b) paragraph 11 is deleted;

(6) in Article 10(2), the first sentence is replaced by the following:

'A derogation applied for under paragraph 1 may be granted from the specific emission targets applicable until and including calendar year 2029.';

(7) in Article 13(3), the following second sentence is added:

'Where the data in the type approval documentation may not be corrected under Regulation (EU) 2018/858, the responsible type-approval authority shall issue a statement of correction with the corrected data and transmit that statement to the Commission and the parties concerned.';

(8) in Article 14(2), the words 'supplement this Regulation by establishing the measures referred to in' is replaced by 'amend Annex I as provided for in';

(9) the following Article 14a is inserted:

'Article 14a

Progress report

By 31 December 2025, and every two years thereafter, the Commission shall report on the progress towards zero emission road mobility. The report shall in particular monitor and assess the need for possible additional measures to facilitate the transition, including through financial means.

In the reporting, the Commission shall consider all factors that contribute to a cost-efficient progress towards climate neutrality by 2050. This includes the deployment of zero- and low-emission vehicles, progress in achieving the targets for the roll-out of recharging and refuelling infrastructure as required under the Alternative Fuels Infrastructure Regulation, the potential contribution of innovation technologies and sustainable alternative fuels to reach climate neutral mobility, impact on consumers, progress in social dialogue as well as aspects to further facilitate an economically viable and socially fair transition towards zero emission road mobility.';

(10) Article 15 is amended as follows:

(a) paragraph 1 is replaced by the following:

‘1. The Commission shall, in 2028, review the effectiveness and impact of this Regulation, building on the two yearly reporting, and submit a report to the European Parliament and to the Council with the result of the review.

The report shall, where appropriate, be accompanied by a proposal for amending this Regulation.’

(b) paragraphs 2 to 5 are deleted,

(c) the following paragraph 9 is added:

‘9. The Commission is empowered to adopt delegated acts in accordance with Article 17 in order to amend the formulae set out in Part B of Annex I, where such amendments are necessary in order to take into account the procedure for multi-stage N1 vehicles set out in Part A of Annex III.’;

(11) Article 17 is amended as follows:

(a) in paragraph 2, the words ‘Article 15(8)’ are replaced by ‘Article 15(8) and (9)’;

(b) in paragraph 3, the words ‘Article 15(8)’ are replaced by ‘Article 15(8) and (9)’;

(c) in paragraph 6, the words ‘Article 15(8)’ are replaced by ‘Article 15(8) and (9)’;

(12) Annex I is amended in accordance with the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament *The President*	*For the Council* *The President*

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation 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

1.2. Policy area(s) concerned

Climate action Heading 3 – Natural resources and Environment Title 9 – Environment and Climate Action

1.3. The proposal/initiative relates to:

☐ a new action

☐ a new action following a pilot project/preparatory action[31]

☑ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. General objective(s)

The general objectives of this proposal are to contribute to achieving climate neutrality by 2050 and to this end, in line with the European Climate Law, to contribute reaching at least 55% net greenhouse gas emission reductions by 2030 compared to 1990. The proposal is part of the 2030 Climate and Energy "Fit for 55" package to achieve the EU 2030 greenhouse gas emission reduction target of at least -55% compared to 1990 domestically in a cost effective manner and contribute to limiting global warming. The package delivers on the Commission's obligation, set in Article 3 of the Climate Law, of reviewing relevant Union legislation in order to enable the achievement of the above mentioned target.

1.4.2. Specific objective(s)

Specific objectives of this proposal are to

1. Contribute to the 2030 at least -55% net GHG emissions target and to the climate neutrality objective by 2050 by revising and setting new EU fleet-wide targets with a view to reducing CO_2 emissions from cars and vans cost-effectively;

2. Provide benefits for consumers from wider deployment of zero-emission vehicles, by improving air quality in particular in cities and energy savings from the use 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.

[31] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposal will ensure that CO_2 emissions from light-duty vehicles are reduced, provide benefits to consumers in term of air quality and energy savings, and strengthen the technological leadership of the EU automotive value chain. Additional co-benefits are expected to be increased energy efficiency and energy security.

1.4.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The following indicators have been identified: 1. The EU fleet average CO_2 emissions of new cars and vans will be monitored annually per vehicle, manufacturer and Member State; 2. The gap between the type-approved CO_2 emissions data and real-world CO_2 emissions data will be monitored through the collection and publication of real-world fuel consumption data; 3. Deviations between the type approved CO_2 emissions and the CO_2 emissions of vehicles in-service will be monitored through the setting up of a specific in-service verification procedure and the collection of the type approval data; 4. Cars and vans GHG emissions will be monitored through Member States' annual GHG emissions inventories; 5. The number and share of newly registered zero- and low-emission vehicles will be monitored through the annual monitoring data submitted by Member States; 6. The costs and effectiveness of technologies used in the vehicles to reduce emissions will be monitored on the basis of data to be collected from manufacturers, suppliers and experts; 7. The level of innovation will be measured in terms of new patents by European automotive manufacturers related to zero-emission technologies through publicly available patents databases; 8. The level of employment will be monitored on the basis of publicly available Eurostat statistics on sectoral employment data for the EU.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Manufacturers of passenger cars and light commercial vehicles newly registered in the Union will have to: - comply with the revised fleet-wide CO_2 emission targets; - report to the Commission real-world fuel consumption data measured by standardised devices; - be subject to in-service conformity tests, the results of which are reported to the Commission. Member States will have to report annually to the Commission and the European Environment Agency technical data on newly registered cars and light commercial vehicles.

1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Climate change is a trans-boundary problem, which cannot be solved by national or local action alone. Coordination of climate action must be taken at European level and EU action is justified on grounds of subsidiarity.

Although initiatives at the national, regional and local level can create synergies, alone they will not be sufficient. Lack of coordinated EU action via the strengthening of CO_2 emission standards would translate into a risk of market fragmentation due to the diversity of national schemes, differing ambition levels and design parameters. On their own, individual Member States would also represent too small a market to achieve the same level of results, therefore, an EU wide approach is needed to drive industry level changes and to create economies of scale.

1.5.3. *Lessons learned from similar experiences in the past*

The proposal builds on existing legislation which has ensured continuous reductions in the CO_2 emissions of the EU fleet of new cars and light commercial vehicles over the past decade.

1.5.4. *Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments*

This proposal is compatible with the objectives of the Next Generation EU and the Multiannual Financial Framework for 2021-2027 which will help achieving the twin green and digital transitions that Europe is aiming for. The combination of these frameworks will address the economic crisis and accelerate the shift to a clean and sustainable economy, linking climate action and economic growth.

This ‘fit for 55’ climate and energy package is a comprehensive step in overhauling Union legislation to align it with the EU’s increased climate ambition as set out in the European Green Deal. All initiatives in the package are closely interlinked.

This legislative proposal on the CO_2 emission standards for cars and light commercial vehicles is complementary and maintains consistency with the relevant proposals made in the package.

1.5.5. *Assessment of the different available financing options, including scope for redeployment*

N/A

1.6. Duration and financial impact of the proposal/initiative

☐ **limited duration**

☐ in effect from [DD/MM]YYYY to [DD/MM]YYYY

☐ Financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☑ **unlimited duration**

☐ Implementation with a start-up period from 2023 to 2025,

☐ followed by full-scale operation.

1.7. Management mode(s) planned[32]

☑ **Direct management** by the Commission

☑ by its departments, including by its staff in the Union delegations;

☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

☐ third countries or the bodies they have designated;

☐ international organisations and their agencies (to be specified);

☐ the EIB and the European Investment Fund;

☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;

☐ public law bodies;

☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

If more than one management mode is indicated, please provide details in the 'Comments' section.

Comments

32 Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

In order to monitor the effectiveness of the proposed strengthened CO_2 emission reduction requirements, extensive data collection is required from different sources, including from Member States, automotive manufacturers and national type approval authorities. While the data management is performed by the European Environment Agency and the Joint Research Centre, coordination of the data collection activities, including interaction with the reporting entities is the responsibility of DG CLIMA. The tasks of DG CLIMA also include the analysis of the data and the preparation and execution of follow-up actions, including imposing financial fines on manufacturers based on the collected data. Three main datasets are being or will be collected: Data on new vehicle registrations, including technical information, is reported by Member States annually to the EEA. This data forms the basis for determining manufacturers' compliance with their specific emission targets and the imposing of any fines. The data is verified by manufacturers after which it is confirmed by way of Commission decision. Data on real world fuel and/or electric energy consumption as recorded on-board vehicles will be reported to the EEA annually from 2022 onwards, starting with data delivered by manufacturers and followed in 2025 by data collected at the roadworthiness tests by Member States. The data will be used as a basis for assessing the representativeness of the type approval CO_2 emissions and may result in a revision of the CO_2 emission target levels as well as of the type approval legislation, where appropriate. Data on type approval emission tests will be collected continuously by the JRC for the purpose of the procedure for verifying how the CO_2 emissions determined at type approval correspond to the emissions of vehicles in-service.

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The proposal is not implementing a financial programme but designing a long-term policy. Management mode, funding implementation mechanisms, payment modalities and control strategy in relation to error rates are not applicable. The implementation of this proposal will require the redeployment of human resources within the Commission. Appropriate procedures are in place.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

This proposal does not concern a spending programme. Efficient monitoring of vehicle registration data is essential for ensuring legal certainty in enforcing the legislation and for ensuring level playing field between different manufacturers. The real-world data collection and the in-service verification procedure will ensure that irregularities in the vehicle registration data can be detected and effective remedial measures be taken in a timely manner and will also serve to ensure that the long-term effectiveness of the EU CO_2 emission targets are not undermined.

The risk of erronous vehicle registration data or delayed reporting by Member States and/or manufacturers might lead to difficulties in implementing the CO_2 emission standards.

The risk that the gap between real-world CO_2 emissions and fuel consumption and those values determined at type approval increases may undermine the CO_2 emission targets.

The risk that the CO_2 emissions recorded by manufacturers in the certificates of conformity used for registration purposes do not correspond to the CO_2 emissions of vehicles in-service may undermine the CO_2 emission targets.

The main internal control systems include the verification of the reported registration data, the analyses of the evolution of real-world data as compared to registration data and detecting deviations between the CO_2 emissions recorded in the certificates of conformity and the emissions of vehicles in-service.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

This initiative does not bring about new significant controls/risks that would not be covered be an existing internal control framework. No specific measures beyond the application of the Financial Regulation have been envisaged.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

In addition to the application of the Financial Regulation to prevent fraud and irregularities, the strengthened CO_2 reduction requirements provided for in this proposal will be accompanied by enhanced monitoring and reporting of different datasets as described in point 2.2.2.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[33]	from EFTA countries[34]	from candidate countries[35]	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
7	20 01 02 01	Non-diff.	NO	NO	NO	NO

New budget lines requested: N/A

33 Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
34 EFTA: European Free Trade Association.
35 Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

☑ The proposal/initiative does not require the use of operational appropriations

☐ The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework	3	'natural resources and environment'

DG: CLIMA			**2023**	**2024**	**2025**	**2026**	**2027**	**TOTAL**
Operational appropriations								
09 02 03	Commitments	(1)						
	Payments	(2)						
Appropriations of an administrative nature financed from the envelope of specific programmes								
09 01 01 01		(3)						
TOTAL appropriations DG CLIMA	Commitments	= 1 + 3						
	Payments	= 2 + 3						

TOTAL operational appropriations	Commitments	(4)						
	Payments	(5)						
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)						
TOTAL appropriations under HEADING 3 of the multiannual financial framework	Commitments	= 4+ 6						
	Payments	= 5+ 6						

Heading of multiannual financial framework	7	'Administrative expenditure'

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		2023	2024	2025	2026	2027	**TOTAL**
DG: CLIMA							
• Human resources		0.304	0.304	0.304	0.304	0.304	**1.520**
• Other administrative expenditure							
TOTAL DG CLIMA	Appropriations	0.304	0.304	0.304	0.304	0.304	**1.520**

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.304	0.304	0.304	0.304	0.304	**1.520**

EUR million (to three decimal places)

		2023	2024	2025	2026	2027	**TOTAL**
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments	0.304	0.304	0.304	0.304	0.304	**1.520**
	Payments	0.304	0.304	0.304	0.304	0.304	**1.520**

3.2.2. *Estimated output funded with operational appropriations*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩			2023		2024		2025		2026		2027		**TOTAL**	
	OUTPUTS													
	Type[36]	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[37]…														
- Output														
- Output														
- Output														
Subtotal for specific objective No 1														
SPECIFIC OBJECTIVE No 2 ...														
- Output														
Subtotal for specific objective No 2														
TOTALS														

[36] Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
[37] As described in point 1.4.2. 'Specific objective(s)…'

3.2.3. Summary of estimated impact on administrative appropriations

- ☐ The proposal/initiative does not require the use of appropriations of an administrative nature
- ☑ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year **2023** [38]	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
HEADING 7 of the multiannual financial framework						
Human resources	0.304	0.304	0.304	0.304	0.304	**1.520**
Other administrative expenditure						
Subtotal HEADING 7 of the multiannual financial framework	0.304	0.304	0.304	0.304	0.304	**1.520**
Outside HEADING 7 [39] **of the multiannual financial framework**						
Human resources						
Other expenditure of an administrative nature						
Subtotal outside HEADING 7 of the multiannual financial framework						
TOTAL	0.304	0.304	0.304	0.304	0.304	**1.520**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

38 Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

39 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.

3.2.4. *Estimated requirements of human resources*

- ☐ The proposal/initiative does not require the use of human resources.
- ☑ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

		Year **2023**	Year **2024**	Year **2025**	Year **2026**	Year **2027**
• Establishment plan posts (officials and temporary staff)						
20 01 02 01 (Headquarters and Commission's Representation Offices)		2	2	2	2	2
20 01 02 03 (Delegations)						
01 01 01 01 (Indirect research)						
01 01 01 11 (Direct research)						
Other budget lines (specify)						
• External staff (in Full Time Equivalent unit: FTE)[40]						
20 02 01 (AC, END, INT from the 'global envelope')						
20 02 03 (AC, AL, END, INT and JPD in the delegations)						
XX 01 xx **yy zz** [41]	- at Headquarters					
	- in Delegations					
01 01 01 02 (AC, END, INT - Indirect research)						
01 01 01 12 (AC, END, INT - Direct research)						
Other budget lines (specify)						
TOTAL		**2**	**2**	**2**	**2**	**2**

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	One additional AD official will be required as from 2023 to be responsible for a new function to ensure the coordination and follow-up of the different data collection exercises provided for in the Regulation. This function reflects, in particular, the need for enhanced follow-up of the evolution of the real-world CO_2 emissions from new cars and vans in order to ensure that the increased reduction objectives set out in this proposal are indeed achieved. The new function will ensure that an efficient and coherent basis is provided for implementation and enforcement of the CO_2 emission standards, as well as preparation of any related new policy measures. This function includes the following specific tasks: • Ensure overall coordination of the different data collection exercises including analysis of the data and consistency checks

40 AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

41 Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

	across the different dataset; • Follow-up with reporting entities (manufacturers, national data reporting authorities and type approval authorities) and liaising with the EEA and the JRC; • Ensuring an efficient reporting of real-world fuel consumption data by manufacturers and Member States, including follow-up and data verification together with the EEA; • Performing an analysis of the real-world data, in particular, with regard to the evolution of the gap between real-world and type approval emissions, and provide detailed technical input to future revisions of the CO_2 emission standards and the type approval legislation; • Preparation of annual Commission Decisions on the real world data; • Preparation of corrections to the CO_2 compliance data (registration data) where deviations are determined based on the in-service verification procedure, including ensuring effective collection together with the JRC of type approval test data. A second additional AD official will be required to contribute to the preparation of the new Progress Report pursuant to Article 14a on the progress towards zero emission road mobility and on the assessment of the need for possible additional measures to facilitate the transition.
External staff	N/A

3.2.5. Compatibility with the current multiannual financial framework

- The proposal/initiative:

☑ can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

No additional operational expenditure foreseen. In any case, eventual expenditure will be incured within the LIFE envelope.

☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

Explain what is required, specifying the headings and budget lines concerned, the corresponding amounts, and the instruments proposed to be used.

☐ requires a revision of the MFF.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.6. Third-party contributions

The proposal/initiative:

☑ does not provide for co-financing by third parties

☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	2023	2024	2025	2026	2027	Total
Specify the co-financing body						
TOTAL appropriations co-financed						

3.3. Estimated impact on revenue

☐ The proposal/initiative has no financial impact on revenue.

☑ The proposal/initiative has the following financial impact:

☐ on own resources

☑ on other revenue

please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative[42]				
		2023	2024	2025	2026	2027
Article 4 2 9						

For assigned revenue, specify the budget expenditure line(s) affected.

n/a

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

Revenue from excess emission premiums payable by manufacturers that exceed their annual specific emission targets is expected to arise and this should continue to be considered as revenue for the EU general budget. The calculation method of the premiums has not changed as a result of the proposal. It is not possible to estimate the level of the revenue until the annual data on the performance of manufacturers in meeting their targets is available.

42 As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.