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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	ST 10906/21 - 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 CO2 emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition - Analysis of the final compromise text with a view to agreement

I. INTRODUCTION

1. On 14 July 2021, the Commission submitted to the European Parliament and the Council, within the framework of the Fit for 55 package, a proposal on the revision of the Regulation on setting new CO₂ emissions standards for cars and vans. The proposal aims to contribute to the EU's increased overall level of ambition, thereby stimulating innovation and ensuring that the European automotive industry maintains and strengthens its global competitiveness. This increased level of ambition will, in particular, help Member States to meet their binding national targets under the Effort Sharing Regulation.
2. The European Economic and Social Committee delivered its opinion on 19 January 2022. The Committee of the Regions delivered its opinion at its plenary session on 26-27 January 2022.

3. In the European Parliament, Jan Huitema (Renew, NL) was appointed as rapporteur for the proposal on behalf of the Committee on the Environment, Public Health and Food Safety (ENVI Committee). The ENVI Committee adopted its report on 11 May 2022, and the Parliament adopted a series of amendments to the Commission proposal at its plenary session on 8 June 2022.
4. On 29 June 2022, the Environment Council reached a general approach on the proposal¹.
5. Two trilogues took place on 5 September and 27 October 2022 respectively, resulting in the provisional agreement set out in the Annex to this note².
7. On the key political issues, the compromise agreed provisionally with the Parliament consists of the following elements:
 - a) Confirmation of the agreement on the 2030 and 2035 targets as set out in the Commission proposal (Article 1 (5) and (5a)).
 - b) Prolonging the small volume manufacturer derogation until 2035 (including) (Article 10(2)).
 - c) The deletion of the “double slope” (with the Council text in Annex Part B agreed).
 - d) The Council’s text on the review clause in Article 15 (including the timeline of 2026) was retained.
 - e) Recital 9a as set out in the Council position.
 - f) Maintaining the ZLEV mechanism for 2025 to 2029 with the following benchmark levels (Article 1(6)):
 - for cars, the benchmark is set at 25%;
 - for vans, the benchmark is set at 17%.

¹ Document 10777/22.

² Amendments to the Commission proposal are marked in bold and italics. Deletions are marked as ***■***.

8. In addition, the provisional agreement contains a number of other elements, notably:
- a) On eco-innovations (Article 11 (1)) and the cap on credits for these innovations: - 7 g CO₂/km until 2024; 6 g CO₂/km from 2025 until 2029 and 4 g CO₂/km from 2030 until and including 2034. The compromise suggestion from the Commission to retain the empowerment to adjust the cap from 2025 with a reference to a downwards adjustment was agreed.
 - b) On lifecycle analysis (new Article 7a), the Commission's compromise suggestion was agreed, whereby the Commission in 2025 shall publish a report setting out a lifecycle analysis methodology with an empowerment to adopt a common Union methodology for the assessment and the consistent data reporting. From 2026 manufacturers may then on a voluntary basis report on lifecycle emissions. In the progress report, the Commission should also consider lifecycle emissions as reported by manufacturers.
 - c) On real world emissions (Article 12(3)), it was agreed to advance by one year the report from the Commission on a methodology for a mechanism to adjust the manufacturer's average specific emissions of CO₂ as of 2030 using real-world data collected while maintaining a reference to the Commission also having to assess the feasibility of establishing such a mechanism in that report.
 - d) On setting energy efficiency thresholds for zero emission cars and light commercial vehicles, it was agreed to include it in the review clause (Article 15).
 - e) As regards the progress report (Article 14a), the Council and Commission text on biannual reports was retained.

- f) On funding of just transition, the progress report will provide for biannual analysis (Article 14a (1), new fa) with a special reporting at the same time as the first progress report in 2025 (Article 14a, new paragraph 2). In that special report, the Commission is requested to identify any funding gaps and where appropriate make proposals for adequate financial measures to address the needs identified. In a new recital 11a, it is made clear that this work will build on ongoing initiatives such as the transition pathway for the mobility ecosystem and the Automotive Regions Alliance of the Committee of the Regions. Further, on just transition, a reference to the Council recommendations on just transition as an important tool was agreed in recital 11.
- g) Finally, on public and corporate fleets and retrofitting/the existing fleet, two recitals (12a and 12b) were agreed on the lines set out in the Presidency's mandate for the trilogue on 27 October 2022.
9. The endorsement of the provisional agreement by the ENVI Committee is expected to take place early December.

II. CONCLUSION

10. The Permanent Representatives Committee is invited to:
- examine and agree the text set out in the Annex to this note;
 - authorise the Presidency to inform the European Parliament that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in the text contained in the Annex to this document (subject to revision by the legal linguists of both institutions), the Council would, in accordance with Article 294, paragraph 4 of the Treaty, approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.

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 Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure,

Whereas:

¹ OJ C , , p. .

² OJ C , , p. .

- (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. ***This has been reinforced with the adoption of the Glasgow Climate Pact in November 2021, in which the Conference of the Parties recognises that the impacts of climate change will be much lower at the temperature increase of 1,5°C, compared with 2°C, and resolve to pursue efforts to limit the temperature increase to 1,5°C.***
- (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 2019³. ***The European Parliament called, in its resolution of 15 January 2020 on the European Green Deal, for the necessary transition to a climate-neutral society by 2050 at the latest and, in its resolution of 28 November 2019 on the climate and environment emergency, declared a climate and environment emergency.*** 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 Commission Communication - The European Green Deal, COM(2019) 640 final of 11 December 2019.

- (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 ***focused on transforming*** the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy, ***with vibrant industries, that remain world-leaders in their respective segments, and global innovation drivers, while securing high-paid quality jobs in the Union***. 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. ***In that sense, the 8th Environmental Action Programme running until 2030 reinforces the objective of accelerating the green transition to a climate-neutral, sustainable, nontoxic, resource-efficient, renewable energy-based, resilient and competitive circular economy in a just, equitable and inclusive way and of protecting, restoring and improving the state of the environment, supporting and building upon the set of measures and initiatives announced under the European Green Deal***. At the same time, this transition affects women and men differently and has a particular impact on some disadvantaged groups, such as older people, persons with disabilities and persons with a minority racial or ethnic background. ***In addition, the transition will affect regions of the Union differently, especially structurally disadvantaged, peripheral and outermost regions***. 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) 2021/1119 of the European Parliament and of the Council⁴ the Union has enshrined the target of ***reducing emissions to net zero at the latest by 2050 and the aim to achieve negative emissions thereafter*** in legislation. That Regulation also establishes a binding Union domestic reduction commitment of ***at least 55%*** net greenhouse gas emissions ***reduction (i.e. emissions after deduction of removals)*** ■ below 1990 levels by 2030.

⁴ Regulation (EU) 2021/1119 of 30 June 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 243, 9.7.2021, p.1).

- (6) All sectors of the economy are expected to contribute to achieving those emission reductions, including the road transport sector. ***The transport sector is the only sector where emissions have been on the rise since 1990. This includes road transport with light-duty and heavy-duty vehicles, which together account for over 70 % of total transport emissions. To achieve climate neutrality, a 90% reduction in transport emissions is needed by 2050.***
- (6a) ***The digital and green transitions should also address the importance of the social dimension to ensure a mobility affordable and accessible for all, especially for commuters without access to quality public transport or other mobility solutions. More ambitious CO₂ standards for passenger cars and light commercial vehicles are expected to accelerate the uptake of zero emission vehicles, increase their affordability and also accelerate the decarbonisation of the second-hand market in all segments, with greater benefits for low- and middle-income consumers. When adopting these standards it is also important to take into account the significant economic and social consequences of the transition and the need to safeguard employment and preserving the competitiveness of EU industry.***
- (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, ***as well as to reduce the Union's dependence on imported fossil fuels. It is essential that the Commission works together with Member States and industrial stakeholders to secure the supply chain in the critical raw materials needed for zero and low emission vehicles. This will also support the competitiveness of EU industry and strengthen the Union's strategic autonomy.***

- (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 Council⁵ 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 CO₂ 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, ***strengthening energy security and efficiency, and the associated*** 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 CO₂ 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. ***In this context, it is important to ensure accurate and complete data on the emission performance of those plug-in hybrid electric vehicles.***
- (9a) ***Following consultation with stakeholders, the Commission will make a proposal for registering after 2035 vehicles running exclusively on CO₂ neutral fuels in conformity with EU law, outside the scope of the fleet standards, and in conformity with the Union's climate neutrality objective.***

⁵ 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).

- (10) Against that background, new strengthened CO₂ 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.
- (10a) Technological innovation is a pre-requisite for decarbonising mobility in the Union, and should therefore be supported. Important funding is already available for innovation in the mobility ecosystem through different Union funding instruments, in particular Horizon Europe, InvestEU, the Regional Development Fund, the Cohesion Fund, the Innovation Fund, and the Recovery and Resilience Facility. The Union and Member States should continue their efforts to support public and private investment in European automotive research and innovation, including through initiatives that promote synergies in the sector such as the European Battery Alliance. Together with clear regulatory signals, these efforts will support and incentivise investment decisions from automotive manufacturers, maintain European technological leadership in that sector, help to develop industrial excellence in the technologies of the future in the Union and ensure the long-term sustainability and competitiveness of its industrial base.***

- (11) The targets in the revised CO₂ 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, *while considering the specificities of each Member State*, as well as the need for up- and re-skilling of workers in the sector and the economic diversification and reconversion of activities *while maintaining automotive employment levels in the Union. Particular attention should be given to the impact that this transition will have on micro-enterprises and SMEs along the supply chain and to affected regions and communities which might be more vulnerable due to the presence of an intensive automotive industry*. 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 *European Regional Development Fund, the Cohesion 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 *and other available financial instruments, such as from the European Investment Bank*. 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. *The Council recommendation on ensuring a fair transition towards climate neutrality is an important tool for Member States to address employment and social aspects of the transition. The Commission should explore further options to support the just transition towards a climate-neutral economy and, specifically, to mitigate any negative employment impacts of the transition in the automotive sector.*
- (11a) *In order to identify funding gaps in ensuring a just transition in the automotive supply chain, and with particular attention for SMEs and the regions that are most affected by the transition, the Commission should, by 31 December 2025 at the same time of the first progress report, and building on ongoing initiatives such as the transition pathway for the mobility ecosystem and the Automotive Regions Alliance of the Committee of the Regions, in cooperation with Member States, regions and local authorities and all relevant stakeholders, present a report with an analysis identifying such funding gaps. That report should be accompanied, where appropriate, by proposals for adequate financial measures to address the needs identified.*

- (12) The updated New Industrial Strategy⁶ 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, ***including by ensuring the continuity of social dialogue involving the sector and its stakeholders, in full transparency***. The pathway should take particular heed of SMEs, ***including micro-enterprises***, 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- and low-emission vehicles, in particular in the light commercial vehicles segment, as well as the measures at Union, Member State and local levels to facilitate Member States' transition to zero- emission light-duty*** vehicles, their price ***and energy efficiency*** developments, deployment of alternative fuels development and ***public and private recharging and refuelling*** infrastructure roll-out as required under the Alternative Fuels Infrastructure Regulation ***and the Energy Performance of Buildings Directive***, 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, ***especially in micro-enterprises and small and medium-sized enterprises***. 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.

⁶ 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

- (12a) *In order to protect the environment and health of citizens in all Member States it is important to also decarbonise the existing fleet. The market of second hand vehicles creates the risk of shifting CO₂ emissions as well as air pollution to less economically developed regions in the Union. To speed up the reduction of emissions from the existing fleet and to accelerate the transition to zero-emission transport it is of the utmost importance to encourage the conversion of internal combustion engine vehicles to battery or fuel cell electric drive, including an assessment of ways to facilitate the deployment of such solutions in the Member States;*
- (12b) *As stated in the Communication from the Commission of 18 May 2022 REPowerEU Plan⁷, in order to enhance energy savings and efficiencies in the transport sector and accelerate the transition towards zero-emission vehicles, it is important to increase the share of zero emission vehicles in public and corporate car fleets above a certain size. To this end, the Communication from the Commission of 18 October 2022 on the work programme 2023⁸ includes an initiative for greening corporate fleets. When proposing this initiative, the Commission should ensure a level playing field and avoid a fragmentation of the internal market.*
- (12c) *In order to promote the uptake of vehicles that consume less energy, the Commission should investigate the impacts of setting minimum energy efficiency thresholds for new zero-emission cars and light commercial vehicles placed on the Union market.*
- (13) *Those EU fleet-wide targets are to be complemented by the necessary roll-out of recharging and refuelling infrastructure **subject to revision through the proposed Regulation on Alternative Fuels Infrastructure and in the proposed revision of the Energy Performance of Buildings Directive. In that context, it is vital that investment in the necessary infrastructure deployment is continued and increased. In parallel, it is of utmost importance to ensure a swift deployment of renewable energy, as provided for in the Renewable Energy Directive subject to a revision.***

⁷ COM/2022/230 final

⁸ COM(2022) 548 final

- (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, ***which supports their competitiveness and prepares the ground for further innovations.*** It is therefore appropriate to maintain the approach of decreasing target levels in five-year steps.
- (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. ***However, the benchmark levels should be revised in order to take into account the faster uptake of zero-emission vehicles on the Union market.*** After that date, plug-in hybrid electric vehicles continue to count against the fleet-wide targets that vehicle manufacturers must meet.
- (15a) ***The eco-innovation credits that can be claimed by a manufacturer are currently capped at 7 g CO₂/km. That cap should be adjusted downwards in line with the target levels, in order to ensure a balanced proportion of that cap in relation to the average specific emissions of CO₂ of manufacturers.***

- (16) The implementation of the CO₂ 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 Council⁹ on 1 September 2020 by Regulation (EU) 2018/858 of the European Parliament and of the Council¹⁰, 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 CO₂/km.
- (18) ■ ■

⁹ 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).

¹⁰ 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).

- (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 CO₂ 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 M₂ (buses) and N₂ (medium-sized lorries) falls within the scope of Regulation (EU) 2018/956 of the European Parliament and of the Council¹¹ 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 **2036** onwards.
- (22) In order to ensure legal clarity and consistency with current practice, it is appropriate to clarify that the adjustments of the M₀ and TM₀ 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.

¹¹ 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).

- (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.
- (23a) It is important to assess the full life-cycle CO₂ emissions of light-duty vehicles at Union level. To that end, the Commission should develop a methodology for the assessment and the consistent data reporting of the full life-cycle CO₂ emissions of light duty vehicles that are placed on the Union market.***
- (23b) Several Member States have declared plans to accelerate the introduction of zero-emission vehicles by setting a date for phasing-out CO₂-emitting new passenger cars and light commercial vehicles prior to 2035. The Commission should identify options to facilitate that transition and consider the need for additional measures in line with such plans.***
- (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 CO₂ emissions of multi-stage light commercial vehicles can be adjusted to take into account changes in procedure for determining the CO₂ 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,

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) *Article 1, paragraph 6 is replaced by the following:*

“6. From 1 January 2025 to 31 December 2029, a zero- and low-emission vehicles' benchmark equal to a 25% share of the fleet of new passenger cars and equal to a 17 % share of the fleet of new light commercial vehicles shall apply in accordance with points 6.3 of Parts A and B of Annex I, respectively.”

(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 N₁ 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.',"

(aa) Paragraph 10 is replaced by a new Article:

“Article 7a

Life-cycle CO₂ emissions

- 1. The Commission shall no later than 2025 publish a report setting out a methodology for the assessment and the consistent data reporting of the full life-cycle CO₂ emissions of passenger cars and light commercial vehicles that are placed on the Union market. The Commission shall transmit to the European Parliament and to the Council that report.***
- 2. By 2025, the Commission is empowered to adopt delegated acts in accordance with Article 17 to set out a common Union methodology for the assessment and the consistent data reporting of the full life-cycle CO₂ emissions of passenger cars and light commercial vehicles.⁴***

⁴ Text of the Regulation to be updated with new empowerment. To be done at lawyer linguist stage.

3. *From 1 June 2026, manufacturers may, on a voluntary basis, submit to the Commission the life-cycle CO₂ emissions data for new passenger cars and new light commercial vehicles using the methodology referred to in paragraph 2 of this Article.”*

(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 2035.’;

(6a) *Article 10, paragraph 4, first subparagraph is replaced by the following:*

"4. An application for a derogation from the specific emissions target calculated in accordance with points 1 to 4 and 6.3 of Part A of Annex I may be made for the years until 2028 included by a manufacturer which is responsible, together with all of its connected undertakings, for between 10 000 and 300 000 new passenger cars registered in the Union per calendar year."

(6b) *In Article 11, paragraph 1 is replaced by the following:*

"1. Upon application by a supplier or a manufacturer, CO₂ savings achieved through the use of innovative technologies or a combination of innovative technologies ('innovative technology packages') shall be considered.

Such technologies shall be taken into consideration only if the methodology used to assess them is capable of producing verifiable, repeatable and comparable results.

The total contribution of those technologies to reducing the average specific emissions of CO₂ of a manufacturer may be up to:

- 7 g CO₂/km until 2024;*
- 6 g CO₂/km from 2025 until 2029;*
- 4 g CO₂/km from 2030 until and including 2034.*

The Commission is empowered to adopt delegated acts in accordance with Article 17 in order to amend this Regulation by adjusting downwards the values of the cap referred to in the third subparagraph of this paragraph with effect from 2025 onwards to take into account technological developments while ensuring a balanced proportion of the level of that cap in relation to the average specific emissions of CO₂ of manufacturers.”

(6c) *In Article 12, paragraph 3 is replaced by the following:*

“3. In order to prevent the real-world emissions gap from growing, the Commission shall, no later than 1 June 2023, assess how real-world fuel and energy consumption data collected pursuant to Commission Implementing Regulation (EU) 2021/392 may be used to ensure that the vehicle CO₂ emissions and fuel or energy consumption values determined pursuant to Regulation (EC) No 715/2007 remain representative of real-world emissions over time for each manufacturer.*

The Commission shall monitor and report annually on how the gap referred to in the first subparagraph evolves from 2021 onwards and shall, as soon as sufficient data is available, and no later than 31 December 2026 publish a report setting out a methodology for a mechanism to adjust the manufacturer's average specific emissions of CO₂ as of 2030 using real-world data collected pursuant to Commission Implementing Regulation (EU) 2021/392, and assessing the feasibility of such a mechanism.

The Commission shall transmit to the European Parliament and to the Council that report, including, where appropriate, proposals for follow-up measures, such as legislative proposals to put such mechanism in place.”

**Commission Implementing Regulation (EU) 2021/392 of 4 March 2021 on the monitoring and reporting of data relating to CO₂ emissions from passenger cars and light commercial vehicles pursuant to Regulation (EU) 2019/631 of the European Parliament and of the Council and repealing Commission Implementing Regulations (EU) No 1014/2010, (EU) No 293/2012, (EU) 2017/1152 and (EU) 2017/1153 (OJ L 77, 5.3.2021, p. 8)."*

(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 **a just** transition, including through financial means.

1. In the reporting, the Commission shall consider all factors that contribute to a cost-efficient progress towards climate neutrality by 2050. This includes:

- (a) progress in the deployment of zero- and low-emission vehicles, in particular in the light commercial vehicles segment, as well as the measures at Union, Member State and local levels to facilitate Member States’ transition to zero-emission light-duty vehicles;**
- (b) progress in the energy efficiency and affordability of zero- and low- emission vehicles;**
- (c) the impacts on consumers, particularly on low- and medium-income households, including on electricity prices;**
- (d) analysis of the market for second-hand vehicles;**

- (e) *the potential contribution in terms of CO₂ savings of additional measures aimed to lower the average age and thus the emissions of the light-duty vehicles fleet, such as measures to support the phase out of older vehicles in a socially just and environmentally sound manner;*
- (f) *impacts on employment in the automotive sector, especially on micro-enterprises and small and medium-sized enterprises, the effectiveness of measures to support retraining and upskilling of the workforce;*
- (fa) *the effectiveness of existing financial measures and the need for further action including adequate financial measures, at Union, Member State or local level to ensure a just transition and to mitigate any negative socioeconomic impacts, in particular in the regions and the communities most affected;*
- (g) *progress in social dialogue, as well as aspects to further facilitate an economically viable and socially fair transition towards zero emission road mobility;*
- (h) *progress in the roll-out of public and private recharging and refuelling infrastructure, including progress under the Alternative Fuels Infrastructure Regulation and the Energy Performance of Buildings Directive;*
- (i) *the potential contribution of innovation technologies and sustainable alternative fuels, including synthetic fuels, to reach climate neutral mobility;*
- j) *lifecycle emissions of new passenger cars and new light commercial vehicles placed on the market, as reported in accordance with Article 7a;*
- (k) *the impact of this Regulation on the achievement of the Member States' objectives under the Effort-Sharing Regulation and the Ambient Air Quality Directive.*

2. *At the same time of the first progress report, the Commission shall, in cooperation with Member States and all relevant stakeholders, present a report with an analysis to identify any funding gaps in ensuring a just transition in the automotive supply chain, with particular attention for SMEs and the regions that are most affected by the transition. The report shall, where appropriate, be accompanied by proposals for adequate financial measures to address the needs identified.* ‘

(10) Article 15 is amended as follows:

- (a) paragraph 1 is replaced by the following:

‘1. The Commission shall, in **2026**, 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 Commission shall in particular assess progress made under this Regulation towards achieving the reduction targets pursuant to Article 1(5a), taking into account the technological developments, including as regards plug-in hybrid technologies, and the importance of an economically viable and socially fair transition towards zero emission. Based on this assessment, the Commission shall assess the need to review the targets set out in Article 1(5a). The Commission shall also assess the impacts of establishing minimum energy efficiency thresholds for new zero-emission cars and light commercial vehicles placed on the Union market.*

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

- (b) paragraphs 2 to 5 are deleted,

(ba) paragraph 6 is replaced by:

“6. By 31 December 2024, the Commission shall review Directive 1999/94/EC considering the need to provide consumers with accurate, robust and comparable information on the fuel and energy consumption, CO₂ emissions and air pollutant emissions of new passenger cars placed on the market, including under real-world conditions, as well as evaluate the options for introducing a fuel economy and CO₂ emissions label for new light commercial vehicles.

The review shall, where appropriate, be accompanied by a legislative proposal.”

(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

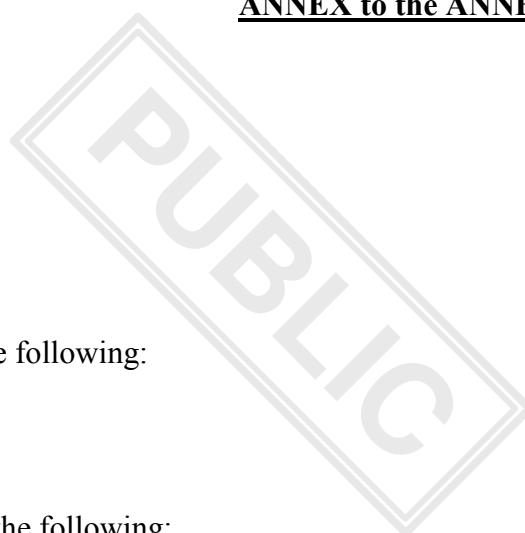
This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

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



Annex I is amended as follows:

(1) Part A is amended as follows:

(a) in point 6.1, the heading is replaced by the following:

‘EU fleet-wide targets for 2025 onwards’,

(b) in point 6.1.2, the heading is replaced by the following:

‘EU fleet-wide target for 2030 to 2034’

(c) the following point 6.1.3 is added:

‘6.1.3 EU fleet-wide target for 2035 onwards

$$\text{EU fleet-wide target}_{2035} = \text{EU fleet-wide target}_{2021} \cdot (1 - \text{reduction factor}_{2035})$$

where:

$\text{EU fleet-wide target}_{2021}$ is as defined in point 6.0;

$\text{reduction factor}_{2035}$ is as defined in Article 1(5a), point (a).’

(d) in point 6.2 the heading is replaced by the following:

‘Specific emissions reference targets’

(e) point 6.2.2 is deleted.

(f) point 6.3 is replaced by the following:

‘6.3 Specific emissions targets for 2025 onwards

6.3.1 Specific emissions targets for 2025 to 2029:

Specific emissions target = specific emissions reference target · ZLEV factor

where:

specific emissions reference target is the specific emissions reference target of CO₂ determined in accordance with point 6.2.1;

ZLEV factor is $(1 + y - x)$, unless this sum is larger than 1,05 or lower than 1,0 in which case the ZLEV factor shall be set to 1,05 or 1,0, as the case may be;

where:

y is the share of zero- and low-emission vehicles in the manufacturer's fleet of new passenger cars calculated as the total number of new zero- and low-emission vehicles, where each of them is counted as ZLEV_{specific} in accordance with the following formula, divided by the total number of new passenger cars registered in the relevant calendar year:

$$\text{ZLEV}_{\text{specific}} = 1 - \left(\frac{\text{specific emissions of CO}_2 \cdot 0,7}{50} \right)$$

For new passenger cars registered in Member States with a share of zero- and low-emission vehicles in their fleet below 60% of the Union average in the year 2017 and with less than 1 000 new zero- and low-emission vehicles registered in the year 2017*, ZLEV_{specific} shall, until and including 2029, be calculated in accordance with the following formula:

$$\text{ZLEV}_{\text{specific}} = \left(1 - \left(\frac{\text{specific emissions of CO}_2 \cdot 0,7}{50} \right) \right) \cdot 1,85$$

Where the share of zero- and low-emission vehicles in a Member State's fleet of new passenger cars registered in a year between 2025 and 2028 exceeds 5 %, that Member State shall not be eligible for the application of the multiplier of 1,85 in the subsequent years;

x is 25 % in the years 2025 to 2029.

6.3.2 Specific emissions targets for 2030 to 2034

Specific emissions target = EU fleet-wide target₂₀₃₀ + a₂₀₃₀ · (TM-TM₀)

Where,

EU fleet-wide target₂₀₃₀ is as determined in accordance with point 6.1.2;

a₂₀₃₀ is $\frac{a_{2021} \cdot \text{EU fleet-wide target}_{2030}}{\text{average emissions}_{2021}}$

where,

a₂₀₂₁ is as defined in point 6.2.1

average emissions₂₀₂₁ is as defined in point 6.2.1

TM is as defined in point 6.2.1

TM₀ is as defined in point 6.2.1

6.3.3 Specific emissions targets for 2035 onwards

Specific emissions target = EU fleet-wide target₂₀₃₅ + a₂₀₃₅ · (TM-TM₀)

Where,

EU fleet-wide target₂₀₃₅ is as determined in accordance with point 6.1.3;

a₂₀₃₅ is $\frac{a_{2021} \cdot \text{EU fleet-wide target}_{2035}}{\text{average emissions}_{2021}}$

where,

a_{2021} is as defined in point 6.2.1

average emissions₂₀₂₁ is as defined in point 6.2.1

TM is as defined in point 6.2.1

TM₀ is as defined in point 6.2.1

* The share of zero- and low-emission vehicles in the new passenger car fleet of a Member State in 2017 is calculated as the total number of new zero- and low-emission vehicles registered in 2017 divided by the total number of new passenger cars registered in the same year.’;

(2) Part B is amended as follows:

(a) in point 6.1, the heading is replaced by the following:

‘The EU fleet-wide targets for 2025 onwards’

(b) in point 6.1.2 the heading is replaced by the following:

‘The EU fleet-wide targets for 2030 to 2034’

(c) the following point 6.1.3 is added:

‘6.1.3 The EU fleet-wide targets for 2035 onwards

$$\text{EU fleet-wide target}_{2035} = \text{EU fleet-wide target}_{2021} \cdot (1 - \text{reduction factor}_{2035})$$

where:

EU fleet-wide target₂₀₂₁ is as defined in point 6.0;

reduction factor₂₀₃₅ is as defined in Article 1(5a), point (b).’

(d) point 6.2.2 is replaced by the following:

‘6.2.2 Specific emissions reference targets for 2030 to 2034

Specific emissions reference target = EU fleet-wide target₂₀₃₀ + $\alpha \cdot (TM - TM_0)$

Where,

EU fleet-wide target₂₀₃₀ is as determined in accordance with point 6.1.2;

α is a_{2030} where the average test mass of a manufacturer's new light commercial vehicles is equal to or lower than TM_0 , and a_{2021} where the average test mass of a manufacturer's new light commercial vehicles is higher than TM_0 ;

where:

a_{2030} is $\frac{a_{2021} \cdot \text{EU fleet-wide target}_{2030}}{\text{Average emissions}_{2021}}$

■

a_{2021} is as defined in point 6.2.1

average emissions₂₀₂₁ is as defined in point 6.2.1

TM is as defined in point 6.2.1

TM_0 is as defined in point 6.2.1’

(e) the following point 6.2.3 is added:

‘6.2.3 Specific emissions reference targets for 2035 onwards

Specific emissions reference target = EU fleet-wide target₂₀₃₅ + $\alpha \cdot (TM - TM_0)$

Where,

EU fleet-wide target₂₀₃₅ is as determined in accordance with point 6.1.3;

α is $a_{2035,L}$ where the average test mass of a manufacturer's new light commercial vehicles is equal to or lower than TM_0 , and $a_{2035,H}$ where the average test mass of a manufacturer's new light commercial vehicles is higher than TM_0 ;

where:

$$a_{2035,L} \text{ is } \frac{a_{2021} \cdot \text{EU fleet-wide target}_{2035}}{\text{Average emissions}_{2021}}$$

$$a_{2035,H} \text{ is } \frac{a_{2021} \cdot \text{EU fleet-wide target}_{2035}}{\text{EU fleet-wide target}_{2025}}$$

average emissions₂₀₂₁ is as defined in point 6.2.1

TM is as defined in point 6.2.1

TM₀ is as defined in point 6.2.1

(ea) point 6.3.1 is replaced by the following:

‘6.3.1 Specific emissions targets for 2025 to 2029

Specific emissions target = (specific emissions reference target – (θ_{targets} – EU fleet-wide target₂₀₂₅)) · ZLEV factor

where:

specific emissions reference target is the specific emissions reference target of CO₂ determined in accordance with point 6.2.1;

θ_{targets} is the average, weighted on the number of new light commercial vehicles of each individual manufacturer, of all the specific emissions reference targets determined in accordance with point 6.2.1;

ZLEV factor is $(1 + y - x)$, unless this sum is larger than 1,05 or lower than 1,0 in which case the ZLEV factor shall be set to 1,05 or 1,0, as the case may be;

where:

y is the share of zero- and low-emission vehicles in the manufacturer's fleet of new new light commercial vehicles calculated as the total number of new zero- and low-emission vehicles, where each of them is counted as $ZLEV_{specific}$ in accordance with the following formula, divided by the total number of new light commercial vehicles registered in the relevant calendar year:

$$ZLEV_{specific} = 1 - \left(\frac{\text{specific emissions of CO}_2}{50} \right)$$

x is 17 % in the years 2025 to 2029.

(f) point 6.3.2 is replaced by the following:

‘6.3.2 Specific emissions targets for 2030 to 2034

Specific emissions target = specific emissions reference target – ($\emptyset_{\text{targets}}$ - EU fleet-wide target₂₀₃₀)

where:

specific emissions reference target is the specific emissions reference target for the manufacturer determined in accordance with point 6.2.2;

$\emptyset_{\text{targets}}$ is the average, weighted on the number of new light commercial vehicles of each individual manufacturer, of all the specific emission reference targets determined in accordance with point 6.2.2;

EU fleet-wide target₂₀₃₀ is as determined in point 6.1.2.

(g) the following point 6.3.3 is added:

‘6.3.3 Specific emissions targets for 2035 onwards

Specific emissions target = specific emissions reference target – ($\emptyset_{\text{targets}}$ - EU fleet-wide target₂₀₃₅)

where:

specific emissions reference target is the specific emissions reference target for the manufacturer determined in accordance with point 6.2.3;

$\emptyset_{\text{targets}}$ is the average, weighted on the number of new light commercial vehicles of each individual manufacturer, of all the specific emission reference targets determined in accordance with point 6.2.3;

EU fleet-wide target₂₀₃₅ is as determined in point 6.1.3.’