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From: General Secretariat of the Council
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Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND
OF THE COUNCIL amending Regulation (EU) 2019/631 as regards CO₂
emission performance standards for new light duty vehicles and vehicle
labelling and repealing Directive 1999/94/EC
- Policy debate

In view of the Council (Environment) on 17 March 2026, a background paper from the Presidency with questions to Ministers on the proposal is contained in the [Annex](#).

The [Committee of Permanent Representatives](#) is invited to take note of the background note and to forward it to the Council.

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/631 as regards CO₂ emission performance standards for new light duty vehicles and vehicle labelling and repealing Directive 1999/94/EC

- Policy debate -

- Presidency background paper with questions for Ministers -

On 16 December 2025, the Commission submitted a proposal for amending the regulation on CO₂ performance standards for new passenger cars and vans. The proposal also incorporates rules on vehicle labelling. The proposal forms part of the automotive package aimed at supporting the sector's efforts in the transition to clean mobility. The package also contains three other legislative initiatives (one on simplification – “automotive omnibus”, one on greening corporate fleets and one on a targeted amendment of the CO₂ standards for heavy-duty vehicles) and a communication on “Battery booster strategy”.

The proposal follows the Automotive Action Plan from March 2025 and the strategic dialogue with industry and key stakeholders in the sector launched in early 2025.

Together with the other initiatives related to the automotive sector, the proposal aims at contributing to address key challenges to its competitiveness in a landscape with rapid technological developments and increasing competition, while staying the course of decarbonisation. According to the Commission's assessment, for the competitiveness of the automotive sector, it is critical that EU industry regains leadership in zero-emission vehicles. In that regard, provisions on CO₂ standards are essential to provide long-term certainty and predictability for investors along their value chain. While the transition to zero-emission vehicles is on an upwards trend with a share of 17,4% of battery electric vehicles in the EU in 2025¹, the deployment remains uneven between Member States.

¹ European Commission - European Alternative Fuels Observatory

In order to meet the challenges, the automotive sector is confronted with, the Commission considers that a more pragmatic approach can be designed for the CO₂ standards without changing the overall direction towards zero-emission vehicles. Thus, the proposal aims to strike a balance between opening up for more flexibilities and technology options for manufacturers to meet their emission reduction targets while ensuring that the sector stays firmly on the path towards zero-emission mobility.

The proposal is also situated in the overall context of the post-2030 framework to implement the recently adopted 2040 climate target of 90% reduction, aiming at setting the EU on the path towards climate neutrality by 2050. Together, cars and vans account for approximately 20% of the EU's total CO₂ emissions.

State of play in the Council

The proposed amendment of the regulation on CO₂ emission standards for new passenger cars and vans has been discussed at a number of meetings of the Working Party on the Environment (WPE), concluding a first full read-through of the proposal. The examination of the proposal is thus ongoing, and several Member States are still scrutinising the proposal. Nevertheless, based on preliminary comments, views diverge widely on the proposal, both as regards to proposed targets, notably the 2035 targets, and to the proposed introduction of new flexibilities.

Topics to discuss

To provide guidance for the further examination of the proposal, the Presidency suggests the following issues be addressed by Ministers.

2030 and 2035 emission reduction targets

The Commission proposes to lower the 2030 tailpipe emission reduction target for vans from 50% to 40% given the particular challenges van manufacturers face as a result of barriers for the deployment of zero-emission vans.

For cars, the 2030 target of 55% reduction remains.

As regards the 2035 targets for cars and vans, the proposal entails a lowering of the tailpipe emission reduction targets from 100% to 90% compared to EU fleetwide target of 2021 to allow manufacturers to meet their targets with a wider range of technology options and thus support a more technology-neutral approach. However, manufacturers will have to compensate their remaining emissions up to 10% using sustainable renewable fuel credits and/or low-carbon steel credits, thereby maintaining the objective of climate neutrality.

New flexibilities in the form of credits to meet the targets

Three new types of credits are proposed:

1. Until 2034 super credits for small zero-emission cars “made in the EU”
2. From 2035 sustainable renewable fuel credits
3. From 2035 low-carbon steel “made in the EU” credits.

The **super credits** for small zero-emission cars aim at incentivising the development of a mass market for small affordable electric cars made in the EU. Manufacturing one small electric vehicle will count for 1,3 vehicles. The term “small zero-emission car” is to be defined in the proposed amendment to the Type Approval Regulation as part of the automotive omnibus.

The **sustainable renewable fuel credits and low-carbon steel credits** will provide more compliance options for manufacturers beyond the tailpipe emissions approach and enhance technological neutrality. However, inter alia, in order to ensure continued sufficient investments in zero-emission vehicles, these flexibilities are proposed to be capped at 10% of the 2021 EU fleet wide target.

The **sustainable renewable fuel credits** are not manufacturer specific but will allow manufacturers to compensate up to 3% of the 2021 EU fleet wide target depending on the availability of these fuels on the market. Within the 3% a sub cap of maximum 1% is introduced for compensation by certain type of biofuels and biogas from certain feedstocks. The fuel credits will support investments in the development of the sustainable renewable fuels value chain with such fuels continuing to play a role in the decarbonisation of transport, not least of the existing fleet.

The proposed **low carbon steel credits** are aimed at incentivising the use of low-carbon steel made in EU in vehicles production and creating a lead-market in this area. These credits will allow manufacturers to compensate up to 7% of the 2021 EU fleet wide target.

For all three flexibilities, the Commission proposes to limit pooling for the purpose of compliance to pools, only where all manufacturers in the pool are part of the same group of connected manufacturers.

Questions to Ministers

The Presidency invites Ministers to reflect on the following questions:

1. *The Commission proposes to lower the 2035 targets to 90% combined with the introduction of credit mechanisms for sustainable fuels and low-carbon steel made in EU to compensate for the remaining emissions. What is your assessment of the proposed amended framework with a view to ensuring the attainment of the EU's climate objectives, the enhancement of technological neutrality and the competitiveness of the automotive sector?*
 2. *What are your views on the flexibilities proposed to help manufacturers reach their targets for 2030 and 2035?*
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