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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2019/631 as regards CO ₂ emission performance standards for new light duty vehicles and vehicle labelling and repealing Directive 1999/94/EC - Guidance for further work

I. INTRODUCTION

1. On 18 December 2025, the Commission submitted a proposal for amending the regulation on CO₂ performance standards for new passenger cars and vans (referred to as the proposal on CO₂ standards). It also incorporates rules on vehicle labelling¹.

The proposal aims to provide a more flexible and technology-neutral approach, taking into account technological and market developments, while staying the course on climate neutrality and maintaining predictability for manufacturers and investors in a fair transition towards zero-emission mobility. It notably lowers the 2035 targets for cars and vans from 100% to 90% and introduces new flexibilities for manufacturers to meet their specific emission reduction targets.

¹ Document 17010/25 + ADD1.

The proposal was presented as part of a package that also includes a proposal on Clean corporate vehicles and proposals for Simplification of automotive legislation under the Antici Group (Simplification) (AGS) Omnibus IX.

2. The proposal for a Regulation establishing an “Industrial Accelerator Act” (IAA)², presented on 4 March 2026, contains provisions linked to both the CO₂ standards proposal and the corporate fleets proposal.
3. The CO₂ standards proposal has been examined by the Working Party on the Environment in several meetings, latest on 21 May 2026. The Presidency has presented a compromise proposal focusing on the labelling provisions and more technical aspects.
4. In the European Parliament, Massimiliano SALINI (EPP, IT) has been appointed rapporteur on behalf of the ENVI Committee. The Parliament is in the early stages of examining the proposal. A vote in plenary is expected in November 2026.

II. THE INTERLINKAGES WITH OTHER PROPOSALS

CO₂ standards proposal

5. The CO₂ standards proposal contains two provisions that are interlinked with respectively the Omnibus proposal and the IAA proposal. The two provisions are aimed at providing manufacturers with flexibilities to meet their specific emission reduction targets:
 - a) Article 5 on super credits until 2034 for small electric cars “made in the EU”, whereby one small electric car will count for 1,3 vehicles.
 - b) Article 5b on credits for low carbon steel “made in the EU” from 2035 onwards. These credits will allow manufacturers to compensate up to 7% of the 2021 EU fleet wide target.

² Doc. 7009/26 + ADD 1.

Article 5 is linked to the Automotive Omnibus proposal (amending the Type Approval Regulation)³. Both Articles 5 and 5b are linked to the IAA proposal discussed in the Working Party on Competitiveness and Growth (Industry).

6. According to the proposal on the CO₂ standards, the terms “made in the EU” and “low carbon steel” are to be defined in delegated acts. However, in the explanatory memorandum of the IAA it is stated that: *“To ensure coherence across the three instruments and legal certainty, this Regulation provides harmonised definitions of ‘small affordable electric vehicles made in the Union’ ‘low-carbon steel made in the Union’ and ‘corporate cars and vans made in the European Union’. Accordingly, the proposals of 18 December 2025 should be adapted to refer to the horizontal approach adopted in this Regulation, rather than to delegated acts, in order to ensure consistency of the legal framework.”*

Automotive Omnibus proposal

7. As regards the definition of a small electric car, the Commission proposes to introduce a subcategory of small electric vehicles ‘M1E’ in the Type Approval Regulation defined as “a pure electric vehicle that belongs to category M₁, having a length not exceeding 4.2 metres”.

IAA proposal

8. The IAA proposal aims to strengthen the EU’s long-term economic resilience, prosperity and strategic autonomy by supporting industrial production and accelerating decarbonisation covering certain strategic sectors: energy-intensive manufacturing industries, the automotive industry and net-zero technologies. It includes measures related to speeding-up of permitting, to creating lead markets for certain low-carbon, made-in-the-EU products in strategic sectors, including through public procurement and other forms of public interventions, to foreign direct investments and to manufacturing acceleration areas.

³ Proposal for a Regulation amending Regulations (EC) No 561/2006, (EU) 2018/858, (EU) 2019/2144 and (EU) 2024/1257 of the European Parliament and of the Council as regards the simplification of technical requirements and testing procedures for motor vehicles and repealing Council Directive 70/157/EEC and Regulation No 540/2014 of the European Parliament and of the Council (document 17050/25 + ADD1).

As part of these measures, the IAA contains one provision (Article 14) specifically targeting the CO₂ standards establishing how the ‘made in the EU’ requirements set out in the CO₂ standards proposal should be applied. Article 14 further contains references to Articles 7 and 10(1) of the IAA proposal, which each establish horizontal provisions applying to many product groups which include, but are not limited to, cars.

a) Small electric vehicle “made in the EU”

9. The IAA (Article 14 and Annex III, part III) provides that to be considered a small electric (zero emission) vehicle “made in the EU”, the vehicle must be assembled in the EU and fulfil one of two criteria: either i) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; or ii) the vehicle’s traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.

The ‘made in the EU’ criterion shall be considered equivalent to the ‘Union origin’ referred to in Article 7 of the IAA proposal, i.e. the products must be originating in the EU27.

The terms “assembled”, “vehicle component”, and “vehicle’s traction battery” are defined in the IAA. These terms as well as the term “total ex-works price” are also used in provisions on public procurement, other forms of public support and on corporate clean vehicles.

Thus, the provisions relating to the different aspects covered by the IAA use the same horizontal approach to defining Union origin requirements (i.e. assembled in the EU and/or component requirements), whereas the specific criteria vary (type of components, percentages and numbers).

b) Low-carbon steel “made in the EU”

10. As regards the determination of what constitutes low-carbon steel, the IAA provision on credits for low-carbon steel (Article 14) refers to a horizontal provision in the IAA on low-carbon steel, whereby the criteria for a product to be considered “low-carbon” are to be set out in a delegated act under Regulation (EU) 2024/1781 (Ecodesign Regulation).

In the Ecodesign Working plan 2025-2030, the Commission states that the delegated act on iron and steel is planned for 2026.

As is the case for the small electric cars, the 'made in the EU' criterion is to be equivalent to the 'Union origin' referred to in Article 7 of the IAA Regulation.

11. It should be noted that for the IAA provision on small electric cars and low-carbon steel, there is no reference to "content equivalent to Union origin" unlike for public procurement (Article 8) and other forms of public intervention (Article 9). "Content equivalent to Union origin" means that content that originate from third countries with whom the EU has one of the agreements listed in those Articles are considered to be of "Union origin".

Clean corporate vehicles proposal

12. Finally, it should be recalled that the proposal on clean corporate vehicles, aimed at accelerating the uptake of zero-emission and low-emission vehicles by establishing targets for corporate vehicles, is also linked to the IAA proposal through the concept that when a Member State wishes to provide financial support for the purchasing of corporate vehicles, it can only do so for vehicles "made in the EU". The Presidency will present a progress report on the proposal on clean corporate vehicles to the TTE (transport) Council on 8 June 2026.

III. STATE OF PLAY

13. As regards the automotive omnibus proposal, the aim of the Presidency is to obtain a negotiation mandate under its term. Following guidance by the Permanent Representatives Committee (part 2) on 1 April 2026, the Presidency is pursuing work on the outstanding issues, one of which is the proposed new category "M1E". Various options are examined, one of them being deleting the category altogether.
14. As regards the discussions on the IAA proposal, the Working Party on Competitiveness and Growth (Industry) examined the provisions related to the automotive sector in a dedicated meeting on 28 April 2026, with further meetings on the relevant chapter planned for 1 and 4 June. A policy debate on the proposal was held at the meeting of the Competitiveness Council on 28 May 2026 focusing on "how best to leverage access to the Single Market through European preference and low-carbon requirements". In the "One Market, One Europe" roadmap the target date for the agreement by the co-legislators is the end of 2026, as also referred in the European Council conclusions of 19 March 2026.

15. During the examination of the proposal on CO₂ standards, a number of delegations have stated their reservations on taking a position on the two flexibilities in the absence of clarity and visibility on the interlinked provisions, in particular in the IAA proposal. Some have queried in which setting to discuss the interlinked provisions. Some delegations argue that certain IAA provisions specifically related to the CO₂ standards should be transferred to the CO₂ standards proposal.
16. At the Environment Council on 25 June 2026, the Presidency will present a progress report on the proposal.

IV. CONCLUSION

17. In light of the above, the Presidency considers that it is necessary to reflect on how to handle the interlinked provisions in the CO₂ standards proposal, and the IAA proposal in order to ensure smooth progress on both files.
18. In this context, it should be borne in mind that the provisions of the IAA that are interlinked with the CO₂ standards proposal (Articles 7, 10 and 14 and Annex III, part III) have a broader application and/or are part of a broader horizontal and harmonised approach. In moving discussions forward, it will therefore be necessary to continue to ensure the alignment and legal coherence between the two proposals and thus avoid duplication of provisions and the risk of developing parallel and separate approaches.
19. Against this background, and also considering the March European Council Conclusions and that the IAA is on the list of ‘priority deliverables’ in the “One Europe, One Market Roadmap”, the Presidency considers that the most appropriate and realistic way forward is the approach foreseen by the Commission in the explanatory memorandum of the IAA proposal. This approach involves establishing in the IAA harmonised definitions for the concepts of “made in EU” and low-carbon steel. The CO₂ standards proposal will then refer to these definitions.

Therefore, delegations are invited to endorse the above approach and consider how best to further ensure co-ordination and coherence in the examination of the two proposals as regards the concerned interlinked provisions.

