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LIMITE CLIMA ENV TRANS MI CODEC

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Coreper I
Subject:	Fit for 55 package: Non paper of the BG, IT, PT, RO and SK delegations on the revision of the Regulation on CO2 standards for cars and light commercial vehicles (EU) 2019/631

In view of the Coreper on 24 June, delegations will find in the annex the joint paper submitted by the BG, IT, PT, RO and SK delegations.

COREPER of 24.06.2022 – Revision of Regulation (EU) n. 2019/631

JOINT PROPOSAL by BG, IT, PT, RO and SK

The decarbonization of the road transport sector is of crucial importance for achieving the EU climate goals established by the **European Law on climate** and, in this perspective, the revision of Regulation (EU) n. 2019/631 is an essential element of the Fit for 55 Package, as it provides guidance to passenger cars and light commercial vehicles producers (vans) in their investment decisions and defines the trajectory towards a zero emissions mobility.

The achievement of zero emissions mobility implies the overcoming of inevitable **barriers**, including the increase of recharge infrastructures; the full development of a European production of batteries; the improvement of existing technologies and the uptake of new ones in a cost-effective manner; the need to ensure proper incentives for the introduction of zero and low emissions vehicles; the adaptation of the overall "automotive sector", that comprises also several SMEs and will have to shift to the production of components and the supply of services for zero emissions powertrains; the up-skilling and reskilling of workers; the need to ensure that affordable cars and vans are available in the market, particularly for low and medium income consumers; the creation of a second-hand zero and low emissions cars and vans market in all Member States.

To address such barriers in a balanced way, adequate and tailored **transition periods** need to be established, that do not create disproportionate and unnecessary costs for both the automotive industry and consumers, while being fully consistent with the EU climate goals.

In establishing such periods, consideration should be given to **Light commercial vehicles**, that play a crucial role in the logistics supply chain and are an indispensable asset in the operations of SMEs. Essential factors such as the loading capacity and the transport efficiency of vans contribute to defining the total cost of ownership, which is a decisive factor for the consumer at the time of purchase. The electrification of vans therefore requires longer development times and production cycles. A level playing field should also be ensured among light duty vehicles producers, so that the contribution to emissions reduction is equitably shared and does not undermine the manifacturers of heavier vans. The restoration of the current "slope" curve is therefore necessary and would have a negligible impact on emissions reduction.

With the stricter EU fleet-wide targets manufacturers will have to deploy significantly more zero-emission vehicles (ZLEV) on the Union market but the **ZLEV incentive mechanism** will still be important for countries where the uptake is significantly lower. In this context, we believe it is premature to decide that ZLEV incentive mechanism should be removed as of 2030. Instead, careful investigation – as part of the progress report – into electric vehicle uptake across the EU by 2030 would provide us with enough information whether ZLEV or any other incentive is needed. The decision on incentives should be made when the Commission, in 2028, review the effectiveness and impact of this Regulation and provide, where appropriate, a proposal for amending this Regulation.

Small producers are required to comply with specific targets that are set through a Commission implementing decision and on the basis of an industrial plan envisaging a credible and verifiable reduction of emissions. Such targets take into account the challenges that small producers are faced with: an accelerated transition would force them to alter essential characteristics of their vehicles in a way which is not compatible with the performances expected from customers, with the probable loss of market shares. This would have a negative impact on employment and undermine the innovation potential of small producers and the R&D ecosystem built around their production. It is therefore essential a prorogation of the customized target system ("derogation") for small producers, whose environmental impact is very limited: such producers represent respectively 0,2% of the EU new car registrations (with a very low mileage - about 5,000 km/year, one third of that for other cars) and 0,3% of the EU new van registrations.

Within the timing set by the Regulation for the transition towards zero emissions mobility and without undermining the related targets, already available technologies should be deployed to reduce emissions such as the use of **renewable fuels**. Recognising the contribution of such fuels would provide the producers with the flexibility they need to progress towards electrification without incurring in commercial risks, would avoid situations of lack of affordable cars and vans for private or business use, and allow the automotive parts and components sector to adapt to new technologies.

For the abovementioned reasons we propose the following changes to the targets contained in the Commission's proposal:

Passengers cars by 2035: CO2 emissions reduction of 90% by 2040: CO2 emissions reduction of 100%

Light commercial vehicles by 2030, CO2 emissions reduction of 45%. by 2035, CO2 emissions reduction of 80%. by 2040, CO2 emissions reduction of 100%.

We also support:

for Light commercial vehicles

the restoration of the current "slope" curve, that was agreed to ensure a fair distribution of efforts among the vans producers;

on Zero-low emissions vehicles incentive mechanism

the extension of the mechanism beyond 2029 to a date to be established after the review of the Regulation in 2028;

for Small producers

the extension of the derogation for small producers beyond 2029 to at least 2036;

On renewable fuels

we support the introduction of a methodology to account the contribution from the **use of renewable** fuels when assessing the compliance with CO2 emissions reductions of newly registered cars and light commercial vehicles.

Article 1, para 1 b -		
Text proposed by the Commission	Amendment	
 '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) paragraph 5a is amended as follows: '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 90 % reduction of the target in 2021 determined in accordance with Part A, point 6.1.3, of Annex I; 	

Article 1, para 1 a -		
Text proposed by the Commission	Amendment	
(a) paragraph 5 is amended as follows:	(a) paragraph 5 is amended as follows:	
(ii) in point (b), the figure "31 %" is replaced by '50 %',	(ii) in point (b), the figure "31 %" is replaced by '45 %',	

Article 1, para 1 b -		
Text proposed by the Commission	Amendment	
(b) the following paragraph 5a is inserted:	(b) the following paragraph 5a is inserted:	
'5a. From 1 January 2035, the following EU fleet-wide targets shall apply:	'5a. From 1 January 2035, the following EU fleet-wide targets shall apply:	
(b) for the average emissions of the new light commercial vehicles fleet, an EU fleet-wide target equal to a <i>100</i> % reduction of the target in 2021 determined in accordance with Part B, 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 <i>80</i> % reduction of the target in 2021 determined in accordance with Part B, point 6.1.3, of Annex I.	

Text proposed by the Commission	Amendment
(c) the following point 6.1.3 is added:	(c) the following point 6.1.3 is added:
6.1.3 EU fleet-wide target for 2035 onwards	'6.1.3 EU fleet-wide target <i>for 2035 to 2039</i>
EU fleet-wide target ₂₀₃₅ = EU fleet-wide target ₂₀₂₁ (1- reduction factor ₂₀₃₅)	EU fleet-wide target ₂₀₃₅ = EU fleet-wide target ₂₀₂₁ $(1 - reduction factor_{2035})$
where:	where:
EU fleet-wide target ₂₀₂₁ is as defined in point 6.0;	EU fleet-wide target ₂₀₂₁ is as defined in point 6.0;
Reduction factor ₂₀₃₅ is as defined in Article 1(5a), point (a).'	Reduction factor ₂₀₃₅ is as defined in Article 1(5a), point (a).'

Text proposed by the Commission	Amendment
(c) the following point 6.1.3 is added:	(c) the following point 6.1.3 is added:
'6.1.3 The EU fleet-wide targets for 2035 onwards	'6.1.3 The EU fleet-wide targets for 2035 to 2039
EU fleet-wide target2035 = EU fleet-wide target2021 · (1– reduction factor2035)	EU fleet-wide target2035 = EU fleet-wide target2021 · (1– reduction factor2035)
where:	where:
EU fleet-wide target2021 is as defined in point 6.0;	EU fleet-wide target2021 is as defined in point 6.0;
Reduction factor2035 is as defined in Article 1(5a), point (b).'	Reduction factor2035 is as defined in Article 1(5a), point (b).'

Article 1, para 1 new c -	
Text proposed by the Commission	Amendment
	(new c)
	5b. From 1 January 2040, the following EU fleet-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 6.1.4, of Annex I.'
	uetermineu in accordance with Fart A, point 0.1.4, of Annex 1.

Article 1, para 1 new c 2-	
Text proposed by the Commission	Amendment
	(new c2)
	5b. From 1 January 2040, the following EU fleet-targets shall apply:
	(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 6.1.4, of Annex I.'

Annex, (PART A) para 2 new d	
Text proposed by the Commission	Amendment
	(new d) the following point 6.1.4 is added:
	6.1.4 The EU fleet-wide targets for 2040 onwards
	EU fleet-wide target2040 = EU fleet-wide target2021 ·(1- reduction factor2040)
	where:
	EU fleet-wide target2021 is as defined in point 6.0;
	Reduction factor2040 is as defined in Article 1 (5b), point (a).

Annex, (PART B) para 2 new d2	
Text proposed by the Commission	Amendment
	(new d2) the following point 6.1.4 is added:
	6.1.4 The EU fleet-wide targets for 2040 onwards
	EU fleet-wide target2040 = EU fleet-wide target2021 ·(1- reduction factor2040)
	where:
	EU fleet-wide target2021 is as defined in point 6.0;
	Reduction factor2040 is as defined in Article 1 (5b), point (b).'

Article 1, para 6	
Text proposed by the Commission	Amendment
(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.'	 (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.'

Recital 11	
Text proposed by the Commission	Amendment
(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.	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 1000 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.

Recital (18)	
Text proposed by the Commission	Amendment
(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 CO2 reduction targets	Deleted

Annex, (PART B) para 2 d	
Amendment	
(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 target ₂₀₃₀ + α · (TM-TM ₀)	
Where,	
EU fleet-wide target ₂₀₃₀ is as determined in accordance with point $6.1.2$;	
α is a_{2030FL} 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:	
a2030 is a202 <u>1. EU fleet-wide targ</u> et2030	
Average emissions ₂₀₂₁	
a ₂₀₂₁ is as defined in point 6.2.1	
average emissions ₂₀₂₁ 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'	

Annex, (PART B) para 2 e	
Text proposed by the Commission	Amendment
(e) point 6.2.3 is added:	(e) point 6.2.3 is added:
'6.2.3 Specific emissions reference targets for 2035 onwards	'6.2.3 Specific emissions reference targets for 2035 to 2039
Specific emissions reference target = EU fleet-wide target ₂₀₃₅ + α · (TM-TM ₀)	Specific emissions reference target = EU fleet-wide target ₂₀₃₅ + α · (TM-TM ₀)
Where,	Where,
EU fleet-wide target ₂₀₃₅ is as determined in accordance with point $6.1.3$;	EU fleet-wide target ₂₀₃₅ 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 ;	α is a_{2035FL} 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:	where:
a _{2035,L} is <i>a</i> ₂₀₂₁ . EU fleet-wide target ₂₀₃₅	a2035 is a202 <u>1. EU fleet-wide targe</u> t2035
Average emissions ₂₀₂₁	Average emissions ₂₀₂₁
a _{2035,H} is a ₂₀₂₁ . <u>EU fleet-wide target</u> ₂₀₃₅	a ₂₀₂₁ is as defined in point 6.2.1
EU fleet-wide target2025	
average emissions ₂₀₂₁ is as defined in point 6.2.1	average emissions ₂₀₂₁ is as defined in point 6.2.1
TM 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'	TM_0 is as defined in point 6.2.1'

Annex, (Part B) para 2 new ee	
Text proposed by the Commission	Amendment
	(new ee) point 6.2.4 is added:
	6.2.4 Specific emissions reference targets for 2040 onwards
	Specific emissions reference target = EU fleet-wide target ₂₀₄₀ + α · (TM TM ₀)
	Where,
	EU fleet-wide target2040 is as determined in accordance with point 6.1.4
	a is a_{2040} 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:
	<i>a</i> ₂₀₄₀ is <i>a</i> ₂₀₂₁ . <i>EU fleet-wide target</i> ₂₀₄₀
	Average emissions ₂₀₂₁
	a_{2021} is as defined in point 6.2.1
	average emissions ₂₀₂₁ 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'

Article 1, para 1, lett. c)	
Text proposed by the Commission	Amendment
(c) in paragraph 6, the words "From 1 January 2025," are replaced by 'From 1 January 2025 to 31 December 2029,'	Deleted

Article 1, para 9	
Text proposed by the Commission	Amendment
the following Article 14a is inserted:	the following Article 14a is inserted:
'Article 14a Progress report	'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.';	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, in particular in the light commercial vehicles segment , effectiveness and necessity of ZLEV or any other incentive mechanism in supporting uptake across the EU , progress in achieving the targets for the roll-out of recharging and refuelling infrastructure as required under the Alternative Fuels Infrastructure Regulation and an analysis of the second-hand market in Member States ;
towards zero emission road mobility.;	- the potential contribution of innovation technologies and sustainable alternative fuels to reach climate neutral mobility, impact on consumers,

particularly on low and medium income households, progress in social
dialogue, the effectiveness of measures to support retraining and upskilling
of the automotive workforce as well as aspects to further facilitate an
economically viable and socially fair transition towards zero emission road
mobility;
- the impact of this amending Regulation on the achievement of the
Member States' objectives under Regulation EU/xxxx/xxxx [amended
Effort Sharing Regulation] and air quality standards under Directive
2008/50/EC;
- the need for any additional measures, including measures at EU level,
that can facilitate Member States' transition to zero emission light duty
vehicles.

Recital xx (New)	
Text proposed by Commission	Amendment
	 (xx) This regulation aims to accelerate the transition towards carbon neutral mobility in a technologically neutral way. As a complement to the efforts towards an increasing availability of zero emission vehicles, a methodology based on a voluntary crediting system is introduced to account the contribution from the use of sustainable and/or advanced renewable fuels when assessing the compliance with CO2 emissions reductions of newly registered cars and light commercial vehicles. If a vehicle manufacturer can demonstrate that a certified additional amount of advanced and/or sustainable renewable fuel is introduced into the transport market the equivalent CO2 emissions savings can be credited when assessing the compliance with this Regulation.

Article 3 - Definitions	
Text proposed by Commission	Amendment
	New (o) 'sustainable and/or advanced renewable fuel' means fuels that meet the sustainability requirements set out in Directive (EU) 2018/2001.

Text proposed by Commission	Amendment
	 Upon application by a manufacturer, CO2 savings deriving from the use of sustainable and/or advanced renewable fuels shall be considered. The total contribution of those savings may be up to [xx] g CO2/km. Within three months from the notification under Article 7(4), the manufacture shall notify to the Commission: (a) the amount and the type of sustainable and/or advanced renewable fuel provided by a fuel supplier in a specific Member State and related to the average lifetime fuel consumption of the vehicles; (b) that the amount referred to in point (a) is additional to the obligations set by Directive (EU) 2018/2001 for the fuel supplier in the specific Member State; (c) the CO2 savings resulting from the supply of the amount of fuel in point (a) calculated following the procedures laid down in Directive (EU) 2018/2001. (d) that the vehicles referred to in point (a) are technically compatible with the use of the type of sustainable and/or advanced renewable fue in accordance with Regulation (EC) 715/2007; (e) that the information referred to in points (a) to (d) have also been notified to the competent authority in the specific Member State according to Article 7(6).