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From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

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Subject: Proposal for a Regulation of the European Parliament and of the Council setting emission performance standards for new passenger cars and new light commercial vehicles as part of the Union's integrated approach to reduce CO₂ emissions from light-duty vehicles and amending Regulation (EC) No 715/2007 (recast)
– Policy debate

In view of the Environment Council on 25 June 2018, a background note on the proposal with questions from the Presidency is contained in the Annex.

The Committee of Permanent Representatives is invited to take note of the background note and questions and to forward them to the Council.

Background note with questions for the policy debate**I. Introduction**

1. On 8 November 2017 the Commission submitted its proposal for a Regulation on setting new CO₂ emission standards for cars and vans. The aim of the proposal is inter alia to contribute to reaching the 30% reduction target by 2030 in the non-ETS sectors set by the European Council and to achieving the objectives of the Paris Agreement.
2. To this end, the Commission suggests EU wide CO₂ emissions reduction targets for new passenger cars and vans from 2025 to 2029 and from 2030 compared to the targets for 2021 set by previous legislation:
 - 15 % from 2025 to 2029 for both cars and vans;
 - 30 % from 2030 for both cars and vans.

The proposal maintains the mass of vehicles in the fleet as a parameter for calculating the specific targets for each manufacturer.

3. To progressively further the uptake of zero- and low-emission vehicles (for example electric vehicles and plug-in hybrids), the Commission proposal includes a mechanism from 2025 onwards to incentivise manufacturers to place a higher number of these vehicles on the market. If the share of zero- and low-emission vehicles of the manufacturer exceeds certain benchmarks, the manufacturer will be rewarded with less strict CO₂ emission targets. From 2025 to 2029 the benchmark is proposed to be 15% and from 2030 onwards, it is proposed to be 30%.

The Commission proposes that for the calculation of a manufacturer's share of zero- and low-emission vehicles, the lesser the CO₂ emissions of a vehicle is, the more it will count towards reaching the benchmark. Thus a zero-emission vehicle will count the most towards reaching the benchmark.

II. Work within the Council

4. The proposal has been examined at a number of meetings of the Working Party on the Environment focusing in particular on other substantial issues in the proposal, notably:
 - measures related to facilitating manufacturer's in meeting their targets (pooling between manufacturers, derogations and eco-innovations), including the introduction of additional measures to this effect;
 - provisions on real world CO₂ emissions and energy consumption and in-service conformity of CO₂ emissions, including the impact of the change to the "Worldwide Harmonised Light Vehicle Test Procedure" (WLTP). In that context, in particular the issue of the development of a test to measure Real Driving Emissions has been raised in the discussions.

5. As concerns the proposed targets and the incentives for zero- and low-emission vehicles, discussions have shown that a number of delegations do not have a concrete position yet. Views of those delegations who have pronounced themselves vary:
 - on the proposed targets, positions range from support to finding these too ambitious, in particular the 2025 target, and to calling for higher targets. Some delegations propose to delete mass as a parameter for calculating the specific targets for manufacturers, while others support maintaining it. The risk of "intra-EU carbon leakage" in transport resulting from the proposal through increased imports of second hand vehicles from high-income Member States to low-income Member States has also been raised;

- in general there is support for having provisions on incentives for zero- and low-emission vehicles but some delegations believe that they are not technology neutral, arguing that they favour zero-emission vehicles too much vis-à-vis low-emission vehicles such as plug-in hybrids. Others would prefer focusing incentives on zero-emission vehicles. A number of delegations support the idea of introducing a mechanism, whereby manufacturers who do not meet the benchmarks are penalised with higher targets (also referred to as a "bonus-malus" system). Some delegations could support having binding quotas for zero-and low-emission vehicles.

6. Finally, a number of more technical issues have been clarified as reflected in the Presidency text set out in document 8949/18.

III. Questions

7. Against this background, the Presidency invites Ministers to provide guidance for further work in relation to the following two questions:

- a) *Does the proposed level of ambition concerning the 2025 and 2030 targets for cars and vans strike the right balance in terms of providing an adequate contribution to reducing CO₂ emissions and ensuring European jobs and growth and competitiveness of the European automotive industry?*
- b) *Is the incentive mechanism for zero-and low-emission vehicles as proposed by the Commission the best and most efficient way to further the uptake of these vehicles?*