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Delegations will find attached document SWD(2022) 358 final.

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COMMISSION STAFF WORKING DOCUMENT

Subsidiarity Grid

Accompanying the document

PROPOSAL FOR A REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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Subsidiarity Grid

1. Can the Union act? What is the legal basis and competence of the Unions' intended action?
1.1 Which article(s) of the Treaty are used to support the legislative proposal or policy initiative?
The legal basis for this proposal is Article 114 of the Treaty of the Functioning of the European Union (TFEU). According to this Article, the European Parliament and the Council shall adopt measures which have as their object the establishment and functioning of the Internal Market. Furthermore, the Euro emission standards have the objective to ensure a high level environmental and health protection.
1.2 Is the Union competence represented by this Treaty article exclusive, shared or supporting in nature?
In the case of Internal Market policy, the Union's competence is shared. Article 114(4) of the TFEU indicates that a Member State shall notify the Commission if it deems it necessary to maintain national provisions after the adoption of a European harmonisation measure on grounds of major needs ¹ or relating to the protection of the environment or the working environment.
2. Subsidiarity Principle: Why should the EU act?
2.1 Does the proposal fulfil the procedural requirements of Protocol No. 2²: <ul style="list-style-type: none">- Has there been a wide consultation before proposing the act?- Is there a detailed statement with qualitative and, where possible, quantitative indicators allowing an appraisal of whether the action can best be achieved at Union level?
<p>In order to collect evidence and ensure transparency, the Commission sought feedback from relevant stakeholder groups – Member States and national authorities, automotive industry (including vehicle manufacturers, component suppliers and other industry stakeholders), civil society (including consumer organisations and environmental NGOs) and citizens – through multiple consultation activities:</p> <ul style="list-style-type: none">• The initiative was discussed for the first time with stakeholders during a stakeholder conference in October 2018. Subsequently, the Advisory Group on Vehicle Emission Standards (AGVES) was set up by merging relevant expert groups from industry, civil society and Member States, with ten meetings and one ad-hoc workshop on simplification from July 2019 to April 2021.• The Inception Impact Assessment was launched on 27 March to 3 June 2020. The 18-week Public Consultation on the proposal followed on 6 July 2020 and was open for contributions until 9 November 2020.• Two 14-week targeted consultations – one for the Evaluation of Euro 6/VI (4 March to 8 June 2020) and one for the Impact Assessment of Euro 7 (3 August to 9 November 2020) – were performed focussing more on the detailed and technical aspects of the initiative. <p>The explanatory memorandum of the proposal and the impact assessment under chapter 3 contain sections on the principle of subsidiarity confirming that continued harmonised EU action to further reduce vehicle pollutants emission is fully justified (see 2.2).</p>

¹ [The Treaty on the Functioning of the European Union](#), 2012. Article 36.

² <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:12016E/PRO/02&from=EN>

2.2 Does the explanatory memorandum (and any impact assessment) accompanying the Commission's proposal contain an adequate justification regarding the conformity with the principle of subsidiarity?

Both the explanatory memorandum and the accompanying impact assessment specify that the Euro emission standards concerning the emission type-approval of motor vehicles contributes to the implementation and functioning of the internal market for goods. This Euro 7 proposal aims at rendering the implementation of this legislation more effective as part of the overall policy objective to deepen the internal market strategy.

The second reason is the transnational nature of air pollution and road transport. Even though the effects of the main toxic air pollutants are most severe close to the source, the effects on air quality are not limited to the local level and cross-border pollution is a serious environmental problem that often frustrates national solutions. Atmospheric modelling shows that the pollution emitted in one Member State contributes to pollution in other Member States. In order to solve the problem of air pollution, concerted action at the EU scale is required.

The development and governance of Euro emission standards at EU level is key to ensure properly functioning internal market. Differences in air quality policy ambitions among Member States could easily lead to a patchwork of different national measures that would create considerable obstacles for industry and pose great risk to the internal market. Hence, continued harmonised EU action to further reduce vehicle pollutants emission is fully justified.

2.3 Based on the answers to the questions below, can the objectives of the proposed action be achieved sufficiently by the Member States acting alone (necessity for EU action)?

Due to the transnational nature of air pollution and road transport, the objective of the proposed action of further reducing pollutants emission from road transport towards zero-pollution as rapidly as possible cannot be sufficiently achieved by the Member States acting alone without putting at risk the proper functioning of the internal market. Since also the need to further reduce pollutants emissions from road transport is widespread across the EU, continued harmonised EU action to further reduce vehicle pollutants emission is necessary.

(a) Are there significant/appreciable transnational/cross-border aspects to the problems being tackled? Have these been quantified?

Both air pollution and road transport have a transnational nature. Even though the effects of the main toxic air pollutants are most severe close to the source, the effects on air quality are not limited to the local level and cross-border pollution is a serious environmental problem that often frustrates national solutions. Atmospheric modelling shows that the pollution emitted in one Member State contributes to pollution in other Member States. In addition, neither freight transport nor passenger transport stops at the national borders of the Member States.

(b) Would national action or the absence of the EU level action conflict with core objectives of the Treaty³ or significantly damage the interests of other Member States?

National action is likely to conflict with the core objectives of Article 114 of the TFEU.

The development and governance of vehicle emission standards at EU level is key to ensure the proper functioning of the internal market. Differences in air quality policy ambitions among Member States could easily lead to a patchwork of different national measures that could result in internal

³ https://europa.eu/european-union/about-eu/eu-in-brief_en

<p>market fragmentation, with a risk of tailoring national legislation to suit local industry and increased compliance costs (passed on to consumers) for both component suppliers and vehicle manufacturers.</p>
<p>(c) To what extent do Member States have the ability or possibility to enact appropriate measures?</p>
<p>Member States have the ability and possibility to address pollutant emissions from vehicles, notably through financial incentives or measures limiting access to certain areas, and this may create synergies with the Euro 7 emission standards. However, those measures would not be sufficient to tackle the magnitude of the problem of air pollutants related to road transport, taking into account the need to drive change at EU-wide level and to create economies of scale. Uncoordinated action at national or local level in the absence of action at EU level could put at risk the free movement of persons and goods in the internal market. The objectives of the proposed action cannot be achieved sufficiently by the Member States acting alone.</p>
<p>(d) How does the problem and its causes (e.g. negative externalities, spill-over effects) vary across the national, regional and local levels of the EU?</p>
<p>Air pollution from road transport is in particular a problem at local and regional level in Europe's urban areas and differs in magnitude between cities. While in cities like Athens, Milan and Luxembourg more than 70% of NO_x emissions are a direct consequence of road transport, this share is only around 20% in cities like Lisbon, Budapest and Warsaw. However, atmospheric modelling shows that the pollution emitted in one Member State also contributes to pollution in other Member States. In conclusion, the problem and its causes are present across local, regional, national and transnational levels throughout the EU.</p>
<p>(e) Is the problem widespread across the EU or limited to a few Member States?</p>
<p>While the magnitude of the problem differs between cities and Member States, even low level air pollution was recently shown to be associated with increased mortality due to cardiovascular, respiratory and lung cancer. Hence, the need to further reduce pollutants emissions from road transport is widespread across the EU.</p>
<p>(f) Are Member States overstretched in achieving the objectives of the planned measure?</p>
<p>No, the planned measure is intended to support the EU's Zero Pollution Action Plan, and the Euro emission standards notably support Member States in meeting their commitments under the National Emission Ceilings Directive.</p>
<p>(g) How do the views/preferred courses of action of national, regional and local authorities differ across the EU?</p>
<p>The policy instrument of setting Euro emission standards for new vehicles is recognized by national, regional and local authorities as a key tool for reducing pollutants emission from road transport.</p>
<p>2.4 Based on the answer to the questions below, can the objectives of the proposed action be better achieved at Union level by reason of scale or effects of that action (EU added value)?</p>
<p>By continuing harmonised EU action by adopting Euro 7 emission standards for vehicles, the automotive industry can benefit from the full potential of the internal market to create economies of</p>

<p>scale. In addition, EU intervention is required to achieve the desired result of further reducing pollutants emission from road transport towards zero-pollution, as required by the Zero Pollution Action Plan, as rapidly as possible.</p>
<p>(a) Are there clear benefits from EU level action?</p>
<p>Yes, the evaluation of the Euro 6/VI emission standards as well as the impact assessment of the Euro 7 emission standards have shown clear benefits of EU action to ensure a high level of environmental and health protection by reducing pollutants emission from road transport in the EU.</p>
<p>(b) Are there economies of scale? Can the objectives be met more efficiently at EU level (larger benefits per unit cost)? Will the functioning of the internal market be improved?</p>
<p>Yes, the measure specifically aims at ensuring the functioning of the internal market by preventing market fragmentation. By continuing harmonised EU action, economies of scale can be achieved for the automotive industry. If Member States were expected to act to reduce pollutant emissions, a fragmented approach would be realised, resulting in less effective intervention at significantly higher costs for automotive industry. It continues to be more effective to tackle vehicle pollutants emission at EU level considering that more can be achieved there than at the national level.</p>
<p>(c) What are the benefits in replacing different national policies and rules with a more homogenous policy approach?</p>
<p>The proposal is not replacing national policies, since it is the continuation of harmonised Euro emission standards for vehicles since 1992. The continuation of Euro emission standards is beneficial, as it provides considerable added value and benefits through higher effectiveness and efficiency at EU level.</p>
<p>(d) Do the benefits of EU-level action outweigh the loss of competence of the Member States and the local and regional authorities (beyond the costs and benefits of acting at national, regional and local levels)?</p>
<p>Both air pollution and road transport have a transnational nature. While local action can be beneficial, action at a larger scale is necessary to further reducing cost-effectively pollutants emission from road transport towards zero-pollution as rapidly as possible. The EU, as a supranational organisation is well-placed to establish effective emission standards for the internal market. EU-level action in the form of Euro 7 emission standards for vehicles will also support Member States in meeting their commitments under the National Emission Ceilings Directive.</p>
<p>(e) Will there be improved legal clarity for those having to implement the legislation?</p>
<p>The proposal provides legal clarity for the automotive industry for moving towards zero-pollution mobility.</p>
<p>3. Proportionality: How the EU should act</p>
<p>3.1 Does the explanatory memorandum (and any impact assessment) accompanying the Commission’s proposal contain an adequate justification regarding the proportionality of the proposal and a statement allowing appraisal of the compliance of the proposal with the principle of proportionality?</p>

Yes, the proposal is proportionate as it provides for the necessary legal change and at the same time does not go beyond what is necessary to achieve the objectives of reduction of pollutant emissions from motor vehicles on the one hand and ensuring legal certainty for vehicle manufacturers on the other. It provides for the necessary legal conditions to uphold, to the extent possible, a level playing field among vehicle manufacturers.

This proposal replaces the Euro 6/VI emission standards for cars, vans, lorries and buses to further reduce air pollutants emission from road transport towards zero-pollution as part of the European Green Deal.

3.2 Based on the answers to the questions below and information available from any impact assessment, the explanatory memorandum or other sources, is the proposed action an appropriate way to achieve the intended objectives?

The proposed action builds on an existing and well-functioning policy that has demonstrated its ability to ensure the proper functioning of the single market by setting adequate, cost-effective and future-proof rules for vehicle emissions and a high level of environmental and health protection in the EU by reducing air pollutants emission from road transport.

(a) Is the initiative limited to those aspects that Member States cannot achieve satisfactorily on their own, and where the Union can do better?

Yes, the initiative is limited to the objective of further reducing air pollutants emission from road transport towards zero-pollution as rapidly as possible that cannot be sufficiently achieved by the Member States acting alone without putting at risk the proper functioning of the internal market.

(b) Is the form of Union action (choice of instrument) justified, as simple as possible, and coherent with the satisfactory achievement of, and ensuring compliance with the objectives pursued (e.g. choice between regulation, (framework) directive, recommendation, or alternative regulatory methods such as co-legislation, etc.)?

The use of a Regulation is considered to be appropriate in that it provides the required assurance for direct and harmonised application and enforcement throughout the EU of automotive manufacturers' obligation to meet the Euro 7 emission standards while not requiring transposition into Member States' legislation.

This proposal is also a recast of two existing Regulations. The recast technique allows in this case the merger of the two largely similar earlier Regulations into a single legislative text which makes the desired amendments, codifies those amendments with the unchanged provisions of the earlier acts, and repeals those acts.

(c) Does the Union action leave as much scope for national decision as possible while achieving satisfactorily the objectives set? (e.g. is it possible to limit the European action to minimum standards or use a less stringent policy instrument or approach?)

Yes. Member States may notify technical prescriptions imposed by national, regional or local authorities under the notification procedure of Directive [2015/1535](#)⁴.

(d) Does the initiative create financial or administrative cost for the Union, national

⁴ [Directive \(EU\) 2015/1535](#) laying down a procedure for the provision of information in the field of technical regulations and of rules on Information Society services; see also [2015/1535 notification procedure](#)

governments, regional or local authorities, economic operators or citizens? Are these costs commensurate with the objective to be achieved?

Euro 7 emission standards for vehicles are expected to increase regulatory costs for vehicle manufacturers in terms of equipment costs for emission control technologies and the related R&D and calibration costs including facilities and tooling cost. At the same time, simplification measures will lead to regulatory costs savings comprising compliance costs savings during testing, witnessing of tests by type-approval authorities and type-approval fees as well as administrative costs savings for reporting and other information obligation as part of the type-approval procedures.

The total regulatory costs endured by the manufacturers are expected to be passed on to consumers, resulting in vehicle price increases that are expected to have low negative impact on affordability for consumers and SMEs.

Since monetary health and environmental benefits resulting from reductions in pollutants emission from vehicles outweigh the total regulatory costs, these costs commensurate with the environmental and health objectives to be achieved.

(e) While respecting the Union law, have special circumstances applying in individual Member States been taken into account?

The Euro 7 emission standards for cars, vans, lorries and buses set requirements to be complied with by the automotive industry operating across the Union.