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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SEC (2022) 397
Subject:	REGULATORY SCRUTINY BOARD OPINION Development of Euro 7/VII emission standards for cars, vans, lorries and buses

Delegations will find attached document SEC (2022) 397.

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EUROPEAN COMMISSION

Brussels, 26.01.2022

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REGULATORY SCRUTINY BOARD OPINION

Development of Euro 7/VII emission standards
for cars, vans, lorries and buses

{COM(2022) 586 final}

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EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Development of Euro 7/VII emission standards for cars, vans, lorries and buses.

Overall 2nd opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

Road transport is responsible for 39% of harmful nitrogen oxide emissions and 11% of total particulate matter emissions. Significant efforts have been made over the last four years to reduce emissions of such air pollutants.

The European Green Deal action plan includes a proposal for more stringent air pollutant emissions standards for combustion-engine vehicles by 2021.

Following evaluation findings, this initiative aims to revise the existing legislation to address the complexity of vehicle emission standards, the obsolete vehicle pollutant limits and the insufficient control of vehicle real-world emissions. The initiative is one measure aiming to reduce road transport emissions in parallel with several related initiatives stemming from the Climate Target Plan.

(B) Summary of findings

The Board notes the improvements in the revised report responding to the Board's previous opinion.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

- (1) The report does not sufficiently reflect the significant differences in the scale of the problems, and corresponding need to act, between the cars/vans and lorries/buses segments.**
- (2) The rationale behind the revised policy packages is not fully clear.**
- (3) The report does not make a convincing case for the preferred option. The proportionality analysis does not bring out clearly enough the significant performance differences in terms of net benefits and benefit-to-cost ratios between the preferred options for cars/vans and lorries/buses respectively. The evidence presented on effectiveness, efficiency and coherence is not compelling**

This opinion concerns a draft impact assessment which may differ from the final version.

Commission européenne, B-1049 Bruxelles - Belgium Office: BERL 08/010 E-mail: regulatory-scrutiny-board@ec.europa.eu

enough to narrow the preferred options to one for both segments.

(C) What to improve

(1) The report should better reflect the significant differences in the scale and evolution of the problems between the cars/vans and lorries/buses segments in the analysis throughout the report. It should better justify the need to act as regards both segments in view of the planned phasing out of cars/vans with an internal combustion engine by 2035 and the limited time remaining to recoup the necessary investments. It should nuance the need to be the ‘emission standard setter’ and technological leader for a type of vehicle that will disappear from the market relatively soon.

(2) While the report presents a revised and simplified set of policy packages, it should clarify whether these are the packages considered most relevant by stakeholders and whether other, possibly better performing, combinations of measures have been assessed. This should include, for example, an explanation why it has not considered continuous emission monitoring as part of the low ambition option package, to avoid rendering it a weaker option by design.

(3) The impact and proportionality analyses should bring out more clearly the significant performance differences between the preferred options for cars/vans and lorries/buses in terms of effectiveness and efficiency. Given that both – the net benefits and the benefit-cost ratios – are to a large extent higher for the lorries/buses segment, the report should argue more convincingly why equally ambitious action is justified as regards cars and vans. This assessment should take into account that the low green ambition option offers net benefits that clearly outperform the high green ambition options (2b) and comes relatively close to those available under the medium green ambition option (2a) while offering by far the best benefit-cost ratio among the considered cars/vans options. The narrowing of preferred options should take into account all available evidence presented in the report, including, to the extent possible, the acceptance of the stakeholders and the potential concerns of social acceptability of continuous emissions monitoring as the report states.

(4) The report (still) needs to be clearer on how big the problem of unaccounted real driving emissions is. It should assess the robustness of the evidence that 20% of current real-driving testing may exceed significantly the current emission limits. The results of the preliminary analysis done for the revision of the EU air quality legislation should be better presented, including in a more accessible manner.

The Board notes the estimated costs and benefits of the preferred option(s) in this initiative, as summarised in the attached quantification tables.

(D) Conclusion

The DG must revise the report in accordance with the Board’s findings before launching the interservice consultation.

If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.

Full title	Regulation of the European Parliament and of the Council on the type-approval of motor vehicles and of engines in respect to
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	emissions from motor vehicles (Euro 7/VII)
Reference number	PLAN/2020/6308
Submitted to RSB on	6 December 2021
Date of RSB meeting	Written procedure

ANNEX: Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

I.D Overview of Benefits (total for all provisions for light- and heavy-duty vehicles) – Option 3a		
Description	Amount	Comments
Direct benefits		
Regulatory costs savings: Testing, witnessing, type-approval and administrative costs savings	€5.25 billion	Main recipients of the benefit: Automotive industry and eventually citizens through reduced vehicle prices
Health and environmental benefits	€189.33 billion	Main recipient of the benefit: citizens
Indirect benefits		
Competitiveness: Access to international key markets	Moderate benefit	Main recipient: automotive industry
Competitiveness: Innovation	Moderate benefit	Main recipient: automotive industry
Free movement within the single market	Low benefit	Main recipient: automotive industry
Consumer trust	High benefit	Main recipient: citizens
Employment and skills	Low benefit	Main recipient: citizens

II.C Overview of costs for light- and heavy-duty vehicles – Option 3a							
Billion €		Citizens/Consumers		Manufacturers		Administrations	
		One-off	Recurrent (annual)	One-off	Recurrent (annual)	One-off	Recurrent (annual)
Simplification measures (cost savings see Error! Reference source not found.)	Direct costs (regulatory costs)	0.00	0.00	0.00	-0.20	0.00	0.00
	Indirect costs (prices)	0.00	-0.20	0.00	0.00	0.00	0.00
Medium ambition emission limits, real driving testing boundaries and durability (2a)³	Direct costs (regulatory costs)	0.00	0.00	16.30	1.32	0.00	0.00
	Indirect costs (prices)	0.00	1.94	0.00	0.00	0.00	0.00
Continuous emission monitoring	Direct costs (regulatory costs)	0.00	0.00	1.25	0.05	0.00	0.00
	Indirect costs (prices)	0.00	0.09	0.00	0.00	0.00	0.00



EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Development of Euro 7/VII emission standards for cars, vans, lorries and buses.

Overall opinion: NEGATIVE

(A) Policy context

Road transport is responsible for 39% of harmful nitrogen oxide emissions and 11% of total particulate matter emissions. Significant efforts have been made over the last four years to reduce emissions of such air pollutants.

The European Green Deal action plan includes a proposal for more stringent air pollutant emissions standards for combustion-engine vehicles by 2021.

Following evaluation findings, this initiative aims to revise the existing legislation to address the complexity of vehicle emission standards, the obsolete vehicle pollutant limits and the insufficient control of vehicle real-world emissions. The initiative is one measure aiming to reduce road transport emissions in parallel with several related initiatives stemming from the Climate Target Plan.

(B) Summary of findings

The Board notes the additional information provided in advance of the meeting and commitments to make changes to the report.

However, the Board gives a negative opinion, because the report contains the following significant shortcomings:

- (1) The report does not present a convincing case on the reasons for revising the Regulation at this point of time. It lacks clarity on the implications of related initiatives such as the CO₂ emission standards for new cars and vans proposal or the horizontal Ambient Air Quality Directives.**
- (2) The performance of the option packages depends significantly on the final political choices on the proposal for CO₂ emission standards. The report does not deal adequately with this critical uncertainty.**
- (3) The report does not present a clear comparison of option packages in terms of effectiveness, efficiency and coherence. The proportionality assessment of the preferred option(s) is not sufficiently balanced and informed by the most**

important costs and benefits. It does not sufficiently differentiate between light and heavy duty vehicles.

- (4) The report does not provide sufficient information on the robustness of the modelling work and the credibility of the quantitative estimates. It does not address the cumulative impacts from regulating road transport emissions on consumers, industry, competitiveness and employment. Differences in stakeholders' views have not been reflected sufficiently in the analysis.**

(C) What to improve

(1) The report should better explain the evolution of the problem of air pollutants related to road transport and the need for further action on reducing them. It should clarify upfront how a possible earlier end-date for introducing new combustion engine cars in the EU market would affect the magnitude of the problem and how big the problem of unaccounted real driving emissions is.

(2) For some emissions, the report should present the reduction efforts in their broader policy context. For example, the report should describe how this initiative interacts with the planned revision of Ambient Air Quality Directives. It should explain why industry specific action is necessary ahead of this horizontal revision and how it will ensure coherence and overall cost-efficient emission reduction.

(3) The design of options packages should facilitate an understanding of the differences between certain types of actions. The actions on comprehensive real driving testing and extended durability are either both absent or both present in all options. The presentation of options should better distinguish between the effects of these measures.

(4) The report should narrow the range of the preferred options, given the significant performance differences between the option packages, as well as between light and heavy-duty vehicles. It should present clearly the trade-offs between the policy packages. In view of the low benefit-cost ratio of some option packages and the uncertainty as regards the robustness of the related estimates, the report should better justify the proportionality of the policy option packages.

(5) The report should explain to what extent the analysis and the conclusions reached in the support studies are uncontested and verified. It should explain the buy-in of stakeholders to the conclusions, especially in relation to the technological potential for reducing emissions, the potential accelerated shift to electric vehicles and the impacts on competitiveness, where industry stakeholders seem to have different views. In case of remaining uncertainty, the report should complement the analysis by providing ranges of expected costs and benefits for the car and van option packages, based on alternative sets of assumptions on costs and benefits.

(6) The report should better discuss the cumulative impacts on consumers, employment and industry competitiveness. For example, when discussing affordability it should acknowledge that consumers will face not only the pass-on of additional regulatory costs from Euro7 but also from the new CO₂ emission standards.

Some more technical comments have been sent directly to the author DG.

<u>(D) Conclusion</u>	
The DG must revise the report in accordance with the Board's findings and resubmit it for a final RSB opinion.	
Full title	Regulation of the European Parliament and of the Council on the type-approval of motor vehicles and of engines in respect to emissions from motor vehicles (Euro 7/VII)
Reference number	PLAN/2020/6308
Submitted to RSB on	10 June 2021
Date of RSB meeting	7 July 2021