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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Proposal for a Regulation of the European Parliament and of the Council on circularity requirements for vehicle design and on management of end-of-life vehicles, amending Regulations (EU) 2018/858 and 2019/1020 and repealing Directives 2000/53/EC and 2005/64/EC – Policy debate

1. To guide the policy debate on the abovementioned topic at the meeting of the Council (Environment) on 17 December 2024, the Presidency has prepared the attached note and questions for Ministers.
2. The Permanent Representatives Committee is invited to take note of the Presidency note and questions and forward them to the Council for the policy debate.

**Proposal for a Regulation on circularity requirements for vehicle design and on
management of end-of-life vehicles**

- Policy debate -

INTRODUCTION

On 13 July 2023, the European Commission published a Proposal for a Regulation of the European Parliament and of the Council on circularity requirements for vehicle design and on management of end-of-life vehicles, amending Regulations (EU) 2018/858 and 2019/1020 and repealing Directives 2000/53/EC and 2005/64/EC (the ‘Proposal’).

The Commission presented its legislative proposal and the accompanying impact assessment, together with an initial exchange of views, at the Working Party on the Environment (WPE) on 3 October 2023 under the Spanish Presidency of the Council.

The Belgian Presidency went on to achieve substantial progress in the negotiations in the first half of 2024, with in-depth discussions during six WPE meetings.

Amongst other issues, the discussions addressed the definition of end-of-life vehicles (ELV) and the distinction between used vehicles and ELV, together with the relevant criteria in Annex I of the Regulation, but also the collection and treatment of ELV, as well as their export regime. The results of the work under the Belgian Presidency have been recorded in a partial Presidency compromise text¹ and also presented to the Environment Council in June 2024².

¹ 11733/24.

² 11019/24.

WORK UNDER THE HUNGARIAN PRESIDENCY

The Presidency has dedicated another six meetings of the WPE to this proposal, noting that alongside a strong focus on circularity aspects and environmental protection, the Member States pay an ever increasing attention to its impacts on the competitiveness of the EU's automotive industry, a tendency that is likely to mark the current legislative cycle as a whole. The results of the work done under the Hungarian Presidency have also been recorded in a Presidency compromise text³.

a. Legal basis

The Commission proposed that Article 114 TFEU should be the legal basis for the entire proposal. However, taking into account the discussions at Working Party level, the Presidency added Article 192(1) TFEU as the legal basis for Chapters IV and V of the proposal on the management of ELVs and on used vehicles and their export, while the other provisions of the Regulation, especially its Chapters II and III which primarily concern the production of new vehicles, remain based on Article 114 TFEU.

b. Scope extensions for heavy-duty vehicles (HDVs) and motorcycles

The Presidency has devoted significant discussion time to the request of a number of member states to increase the level of ambition regarding HDVs and two- or three-wheel vehicles and quadricycles. This encompasses new obligations which were initially foreseen only for passenger cars and light commercial vans, such as design enabling the removal of certain parts, the establishment of a circularity strategy or labelling of parts. At the same time, the regime of extended producer responsibility (EPR) for heavy duty vehicles and motorcycles would newly cover not only their collection and depollution, as proposed by the Commission, but also the costs of the treatment chain as a whole, as is already the case for passenger cars and light commercial vans.

³ 16429/24.

c. Minimum recycled content

The question of minimum recycled content is another reflection of the overall environmental ambition of the proposal. While a number of member states appear ready to support the 25% recycled content target for plastics in passenger cars and light commercial vans, as proposed by the Commission, others warn that it could lead to market distortions in case of shortage of recycled material. On the other hand, ambitious recycling targets in other instruments, such as the recently finalised Packaging Regulation, might ensure that sufficient amounts of recycled material will be available. Regarding the related 25% closed loop sub-target, some question whether pre-consumer scrap could be used to fulfil a part of it.

In the same context, the Member States have also discussed the possibility of increasing the Proposal's level of ambition by setting a quantified target for minimum recycled steel content as of its entry into force, rather than empowering the Commission to do so in a delegated act on the basis of a future feasibility study. Also, this topic requires further guidance by the Council, in order to define whether there could be a baseline target that delegations could agree with as of now, for instance, in combination with a review clause that would apply once the feasibility study is finalised.

d. Design to enable removal of parts and components

Thorough discussions have taken place as to the scope of parts and components that have to be designed in a way that does not hinder their compulsory dismantling from ELVs. While a number of member states appear ready to accept the list proposed by the Commission in part C of Annex VII of the Proposal or even propose additional components to be covered (e.g. start-stop systems or steering-assist pumps or any parts above 10kg of weight), others argue that only parts with a genuine reuse market interest should be covered and propose exclusions from the list. Again, this discussion reflects the shared goal of striking a balance between environmental goals and the preservation of competitiveness.

CONCLUSION

Based on the above, the Presidency considers that the addition of Article 192(1) as a legal basis for chapters IV and V of the proposal has broad support amongst the delegations, however the remaining topics require further guidance by the Council on the basis of the following questions to the ministers:

1. *Do the Member States agree with the scope extensions as regards the obligations for heavy-duty vehicles and two- or three-wheel vehicles and quadricycles?*
2. *At which rate can the Member States support the target for minimum plastic recycled content, as set out in Article 6 of the Proposal? Regarding the closed-loop sub-target, could the Member States accept that production scrap would be part of its calculation? To what extent?*
3. *At which rate could the Member States support a target for steel recycled content without awaiting the outcomes of the feasibility study foreseen in Article 6(3)?*
4. *Can the Member States agree with the list of parts and components set out in part C of Annex VII of the Proposal? Which additions or exclusions do they consider necessary?*