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| From: | General Secretariat of the Council |
| To: | Delegations |
| Subject: | AOB for the meeting of the <u>Transport</u> , Telecommunication and Energy Council on 5 Decembre 2024 Joint proposal for a renewed European automotive policy: balancing competitiveness and climate ambition – Information from the Bulgarian, Czech, Italian, Polish, Romanian and Slovak delegations |

The automotive industry is a cornerstone of Europe's economy, with over 13 million people employed across the EU, contributing to 6.8% of total EU jobs. This sector plays a crucial role in innovation, industrial strength, and economic growth, producing 14.8 million motor vehicles annually and accounting for one third of the EU's total R&D spending. However, the industry is now at a critical juncture, facing significant challenges related to production, employment, and global competition, which require urgent and coordinated action at the EU level.

The new institutional cycle 2024-2029 presents an opportunity to better align industrial policy with the EU's broader goals of decarbonization and competitiveness. As emphasized in the Draghi report and endorsed by European Commission President Ursula von der Leyen, the EU must seize this moment to launch a "New Industrial Strategy" centered on competitiveness, growth, and environmental sustainability. This strategy must include a Clean Industrial Deal to channel investment into infrastructure and industry, with sectoral policies, particularly in automotive, playing a key role.

A Comprehensive Industrial Strategy

To meet the dual objectives of economic competitiveness and climate neutrality, the EU must adopt a holistic, long-term automotive policy. The path to success lies in a coordinated multi-year investment plan that balances demand stimulation with significant support for supply-side investments, including industrial production and research and development (R&D), with a new specific aid regime to support the whole value chain alongside vehicle production, also including the EU components supply chain.

Furthermore, maintaining affordable and accessible mobility for all EU citizens is critical for social cohesion. Affordable mobility is not only an economic issue but also a key European value, essential for preserving widespread support for the European integration project. EU legislation on climate and decarbonization must take this into account, ensuring that the transition to clean mobility is both economically viable and socially just. A Partnership Forum between the automotive sector, the EU Commission, and Member States should be established to discuss the EU industrial strategy.

The Need for Regulatory Clarity and Technological Neutrality

An essential element of this strategy is the creation of a stable and predictable regulatory environment, as uncertainty hinders long-term investments in new technologies.

We call for the adoption of the principle of technological neutrality, which would recognize a broader array of clean vehicle solutions beyond battery-electric vehicles and hydrogen, including sustainably powered internal combustion engines that should be put into consideration through the correct utilization of alternative propellers. In order to ensure a quick and tangible contribution to the decarbonization process, an alternative calculation approach could also be implemented, paving the way for other technologies to contribute to reaching CO₂ emission targets. The system must not discriminate against the various vehicle types & weights and take into account all individual efforts of a manufacturer (OEM) to reduce CO₂ emissions.

This approach should allow for the continued production of cleaner vehicles ensuring that traditional engine production can support the gradual shift to decarbonized solutions for the time needed.

A Data-Driven Approach for Informed Decision-Making

The European Commission is expected to publish a progress report by 2025 on the deployment of zero- and low-emission passenger cars and light commercial vehicles, the impact on employment, and the status of recharging and refueling infrastructure. We urge the Commission to bring this report forward as soon as possible to reflect the realities of the market and provide industry with the necessary time to adapt. The report should include an open and detailed assessment of the contributions of alternative fuels and technologies to decarbonization, as well as an analysis of the economic and social impacts of the current regulatory framework, particularly on SMEs. The lack of sufficient charging infrastructure, as pointed out in the Draghi report, requires the EU to accelerate efforts to meet the target of 8.8 million charging points by 2030.

This data-driven approach will ensure that regulatory decisions are aligned with industry realities, helping to avoid unintended consequences such as job losses or reduced competitiveness. Additionally, the report should assess the financial tools available to support a just transition and to mitigate the impact of the transition on workers and companies alike.

We affirm our commitment to work closely with the Commission in preparing the progress report and reviewing the Regulation. We are ready to provide all necessary information and support for a comprehensive assessment.

Urgent Assessment of CO2 Emission Regulations

An assessment of the CO2 emission standards for new passenger cars and new light commercial vehicles Regulation is therefore urgently needed to maintain the competitiveness of the European automotive industry and to prevent the outflow of investment from green technology research and development.

Therefore, a progress report and comprehensive assessment need to be brought forward as soon as possible with a revision being proposed by the Commission still in 2025.

Furthermore, as CO2 Regulation is closely interlinked with other legal instruments such as RED, AFIR or ETS, those should be taken into consideration in the future, broader scenario.

We also recommend keeping the same approach to accelerating the review of the heavy-duty vehicle CO2 emission standards, currently planned for 2027, to ensure that the entire automotive sector benefits from a more open-minded and flexible regulatory environment. In both cases, the European Commission should adopt a realistic timeline that allows for a balanced, just, competitive and sustainable transition.

Excess Emission Premiums

The current targets for passenger cars, set to be enforced by 2025, risk imposing fines on manufacturers who are unable to meet these stringent requirements due to the slowing uptake of BEVs. Such penalties would severely limit the ability of the industry to reinvest in innovation and development, thus harming Europe's competitiveness on the global stage. The European Automobile Manufacturers' Association (ACEA) has highlighted these concerns, and we support the need for urgent appropriate measures and adequate financial means at the EU level, including a possible short-term package, to facilitate a just transition that does not further undermine European competitiveness.
