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REGULATORY SCRUTINY BOARD OPINION

Revision of the CO₂ emission standards for cars and vans and Revision of the EU rules on car labelling

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Brussels,
RSB

Opinion

Title: Impact assessment / Revision of the CO₂ emission standards for cars and vans and Revision of the EU rules on car labelling

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

EU rules on CO₂ emission performance standards for new cars and vans are key policies to reduce road transport CO₂ emissions and reach the Union's climate objectives. Regulation (EU) 2019/631 sets mandatory CO₂ emission targets for new passenger cars and vans. Regulation (EU) 2023/851 amends the Regulation by setting a 100% emission reduction target for both cars and vans from 2035 onwards. The EU automotive sector is currently undergoing a structural transformation, related to the clean and digital transitions, and is confronted with serious competitiveness challenges. This initiative proposes to revise the current rules, taking into account relevant technological developments and the importance of an economically viable and socially fair transition towards zero-emission mobility.

EU rules on car labelling (Directive 1999/94/EC) aim to ensure that information relating to the fuel consumption and CO₂ emissions of new passenger cars offered for sale or lease in the Union is made available to consumers in order to enable them to make informed choices. In light of the substantial policy and market developments since those rules were adopted and in view of the findings of the preceding evaluation, this revision proposes changes to keep the legislation fit for purpose.

This initiative is presented together with an initiative on clean corporate vehicles.

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

(B) Key issues

The Board notes the additional information provided and commitments to make changes to the report.

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

- (1) The problem, its magnitude and underlying causes are not clearly defined. The underlying causes for the slow uptake of ZEVs and the risk and consequences of not meeting the CO2 targets are not sufficiently analysed.**
- (2) The report is not sufficiently clear and evidence-based on the range of considered options and the choice of options.**
- (3) The combined effects of the measures are not sufficiently assessed. It is not clear how and to what extent the initiative will address challenges related to the competitiveness of industries in its scope and their ability to invest in transition.**
- (4) The assessment of costs and benefits is incomplete. The analysis on proportionality is not sufficient.**

(C) What to improve

(1) The report should better define the identified problems based on quantitative analysis and assess the magnitude of the identified problems. The report should better explain what has not materialised since the time of setting the current CO2 targets and to what extent and based on what evidence the manufacturers are at risk of not to be able to meet them. This should also cover analysis of the potential consequences, including the financial aspects such as fines. The report should assess available evidence, including scientific evidence, why a more technology-neutral approach is needed, which would motivate the revision of the Regulation adopted two years ago.

(2) Regarding the underlying causes, the report should thoroughly analyse all factors that may affect consumer choices and the uptake of ZEVs and the competitiveness of the EU automotive sector, such as competition from third countries, purchase prices of ZEVs, relative depreciation of value, and operational constraints, including the availability of charging infrastructure. The report should better explain to what extent and how the problems are related to regulatory or market failure and to what extent the initiative could address the identified problems.

(3) Taking into account the improved analysis of identified problems and underlying causes, the intervention logic should be clearly linked to the nature and magnitude of the identified problems. The specific objectives should be operationalised and presented in a S.M.A.R.T.-er mode. The report should include a chart, clearly indicating based on available evidence the links between the problems, the objectives and the options.

(4) The report should further explain how the dynamic baseline takes into account the identified problems. The consequences of non-action should be clearly presented, both in terms of the impact on the automotive industry, including the impact on expected

investment towards the transition and for the environment. The report should clearly indicate any major uncertainties related to the dynamic baseline.

(5) The report should better explain the logic behind the options and their combinations. In case other options and their combination were discarded the report should clearly explain the underlying reasons. Taking into account all relevant sub-options including multiannual compliance and the use of fines, the report should demonstrate how and to what extent the selected options are expected to address the identified problems.

(6) The report should further analyse the expected cost savings and other benefits for the EU automotive sector and demonstrate to what extent the identified problems would be tackled. In particular, it should explain how the measures would improve their financial situation, competitiveness, including price and cost competitiveness and international competitiveness, and their ability to make the investments to ensure the transition to ZEVs. The report should revisit and further elaborate the competitiveness check (Annex 5).

(7) The report should improve the analysis and estimates of total cost of ownership (TCO) for users of ZEVs and ICE cars respectively, including how this might impact costs and benefits of different options, and how it could impact consumer choices. The report should explain how the costs related to the operational constraints were established and taken into account. The analysis should distinguish the costs that consumers are voluntarily bearing with the compliance cost.

(8) The report should provide a clear account of costs and benefits of all measures, including the total environmental costs. All costs and benefits should be quantified and monetised to the extent possible to allow to establish the total benefits as well as costs for relevant combinations of options. The summary of costs and benefits table (Annex 3) should be complemented to include totals for the overall period.

(9) The analysis underlying the comparison of options is insufficient for supporting the conclusion regarding the preferred option; it needs to take into account scientific evidence. The comparison of options in terms of effectiveness and efficiency should be based on the analysis of total costs and benefits over the appraisal period, as well as the benefit/cost ratios established for each combination of options. The improved analysis of total costs and benefits and the established benefit/cost ratios should also be used for the proportionality assessment of the options.

(10) In terms of coherence, the report should clarify how the intervention will interplay with the ETS2 and the proposal on Industrial Accelerator and effects on allocative efficiency.

(11) The choice of the preferred options, and the combination thereof, should also be further substantiated based on the preceding analysis, including regarding the choice on financial support and labelling. The report should clearly explain how the combination of preferred options is expected to address the identified problems, including in terms of market uptake and competitiveness of the automotive sector in the EU and third markets.

(12) Considering the impact analyses is largely based on modelling, it should factor in uncertainties.

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

(D) Conclusion

The lead Service may proceed with the initiative.

The lead Service must revise the report in accordance with the Board's findings before launching the interservice consultation.

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