Council of the European Union

**Brussels, 18 December 2025**
**(OR. en)**

**17010/25**
**ADD 5**

**Interinstitutional File:**
**2025/0420 (COD)**

**CLIMA 617**
**ENV 1417**
**TRANS 661**
**MI 1083**
**COMPET 1377**
**CODEC 2172**
**IA 238**

**COVER NOTE**

| | |
|---|---|
| From: | Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director |
| date of receipt: | 17 December 2025 |
| To: | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union |
| No. Cion doc.: | SWD(2025) 1059 final |
| Subject: | COMMISSION STAFF WORKING DOCUMENT<br>EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document<br>Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/631 as regards $CO_2$ emission performance standards for new light duty vehicles and vehicle labelling and repealing Directive 1999/94/EC |

Delegations will find attached document SWD(2025) 1059 final.

Encl.: SWD(2025) 1059 final

EUROPEAN
COMMISSION

Strasbourg, 16.12.2025
SWD(2025) 1059 final

**COMMISSION STAFF WORKING DOCUMENT**

**EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT**

***Accompanying the document***

**Proposal for a Regulation of the European Parliament and of the Council**

**amending Regulation (EU) 2019/631 as regards CO2 emission performance standards for new light duty vehicles and vehicle labelling and repealing Directive 1999/94/EC**

{COM(2025) 995 final} - {SEC(2025) 995 final} - {SWD(2025) 1057 final} - {SWD(2025) 1058 final}

The framework set out by the EU to become a decarbonised economy by 2050, as enshrined in the **European Climate Law**, can drive competitiveness if objectives and policies are well aligned, as it gives certainty and predictability to companies and investors alike.

The **Regulation setting $CO_2$ emission standards for new passenger cars and light commercial vehicles**[1] is an essential element of the basket of EU measures aimed to achieve the decarbonisation of road transport. It drives a gradual transition towards zero-emission vehicles and provides long-term certainty and predictability for investors along the value chain, while allowing for sufficient lead time for a fair transition.

The Commission's **Industrial Action Plan for the European automotive sector**[2] sets out concrete measures to help secure global competitiveness of the European automotive industry and maintain a strong European production base. It introduces around 50 flagship actions, including the review of the $CO_2$ emission standards for passenger cars and vans and of the Car Labelling Directive. A recent evaluation of that Directive found that buyers of zero-emission cars, light commercial vehicles and second-hand vehicles are not served by it, that a lack of harmonisation hampers its effectiveness and that it does not sufficiently cover digital tools.

Four key **problems** have been identified at the EU level: (1) vehicle manufacturers risk facing difficulties in meeting progressively stricter $CO_2$ emission targets in a cost-efficient manner; (2) the $CO_2$ standards risk creating a barrier for the continuous innovation and advancement of technologies other than zero-emission powertrains; (3) manufacturers of light commercial vehicles face particular challenges to deploy ZEV in the market and (4) the insufficient harmonisation of adequate consumer information poses a problem by potentially restricting the demand for zero-emission vehicles.

The impact assessment also outlines the **drivers** behind these problems, and the most affected **stakeholders**.

The initiative therefore aims to achieve the following **specific objectives**: (1) provide more flexibility for manufacturers of passenger cars and light commercial vehicles to meet their $CO_2$ emission targets; (2) enhance technology neutrality of the $CO_2$ emission standards; (3) maintain the contribution of the $CO_2$ standards towards the climate targets set in the EU Climate Law; (4) maintain certainty and predictability for manufacturers and investors in the zero-emission mobility value chain; (5) better serve potential zero-emission vehicle buyers by providing them with adequate information, consequently supporting manufacturers' compliance with $CO_2$ standards.

As the $CO_2$ emission standards for vehicles are set at EU level, the objectives of this initiative, can only be achieved at **Union level**.

In their replies to the **public consultation**, stakeholders expressed a wide range of opinions regarding the $CO_2$ target levels. Policy stability was identified as essential by some Member States, local authorities, environmental NGOs, academics and the electricity sector. By contrast, most other industry respondents, alongside feedback from a mobilised citizens' campaign, considered the 2035 targets unattainable due to slower uptake of zero-emission vehicles than anticipated. Industry representatives generally advocated for giving sustainable renewable fuels and off-vehicle charging hybrid electric vehicles (OVC-HEV) a role under

---

[1] http://data.europa.eu/eli/reg/2019/631/2025-07-09
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52025DC0095

the vehicle $CO_2$ standards, in order to increase flexibility and enhance technology neutrality, while NGOs and public authorities mostly expressed the opposite view. Industry stakeholders also sought greater flexibility in the use of fines, proposing that they serve as a support mechanism rather than a punitive measure. Citizens and NGOs generally advocated for using the revenues to support workers, development of charging infrastructure, and demand-side measures. A clear majority of stakeholders supported the harmonisation and simplification of vehicle labelling as well as adding specific information for zero-emission vehicles to the label, but not other additional information. Most stakeholders consider it important to extend the label to cover new vans. The consumer organisations called for extending the scope to second-hand cars.

Various **policy options** were explored, grouped in three main categories: (i) $CO_2$ emission targets for cars and vans and various flexibilities facilitating compliance (sustainable renewable fuels, OVC-HEV, multiannual compliance, super-credits for small and affordable ZEV); (ii) financial support via use of fines; (iii) vehicle labelling. Two combinations of the options considered under point (i) have been assessed.

A preferred combination of options concerning targets and flexibilities has been identified, which provides for more flexibility and technology neutrality, while maintaining a stronger signal for investments in zero-emission mobility in the longer term. Regarding the financial support via the use of fines, allocation of the revenues to the Social Climate Fund is the preferred option. Regarding vehicle labelling, the option covering the broadest range of second-hand vehicles is preferred.

The preferred combined option regarding the $CO_2$ targets and flexibilities brings **benefits** for manufacturers in the period 2030-2034. Also, while maintaining the 2035 100% targets, it enhances technology neutrality by recognising a role for well-performing OVC-HEV and vehicles running exclusively on sustainable renewable fuels beyond 2035. This will stimulate continued investments in and development of technologies other than zero-emission powertrains, that can be useful for specific use cases and/or for a transitional phasee, possibly also supporting the competitiveness of some European manufacturers in other markets. As shown in the assessment, the energy and climate implications of the preferred option are limited, in particular due to the built-in safeguards. In view of this, the initiative is consistent with the EU 2050 climate neutrality objective and 2030 climate target and progress on adaptation.

As regards the use of fines revenue, the preferred option would enhance the capacity of the Social Climate Fund to support vulnerable households and communities in the transition towards sustainable mobility. It should however be noted that the additional revenue generated is expected to be uncertain. The preferred vehicle labelling option will provide potential ZEV buyers with more adequate information and ensure that the harmonisation of the label design at EU level will effectively lead to simplification and cover all second-hand vehicles in an equal manner. The harmonisation removes the need for developing a national label design, which results in cost savings for national authorities.

The preferred combination of options regarding the $CO_2$ targets and flexibilities brings some additional total system **costs** (capital, fuel and other operating costs), but does not show significant changes compared to the baseline.

The regulatory flexibility provided by the initiative is expected to enhance short-term **competitiveness**. The preferred combination of options includes elements, which aim to achieve the necessary balance between regulatory flexibility and enhanced technology neutrality and maintaining the predictability and stability of the long-term signal toward ZEV.