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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 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
- Progress report

I. INTRODUCTION

1. On 16 December 2025, the Commission presented a proposal for amending the regulation on CO₂ performance standards for new passenger cars and vans (referred to as the proposal on CO₂ standards)¹. It also incorporates rules on vehicle labelling.
2. The proposal was presented as part of an automotive package that also includes a proposal on Clean corporate vehicles and proposals for Simplification of automotive legislation (automotive omnibus).

¹ Document 17010/25 + ADD1.

3. The proposal aims to provide a more flexible and technology-neutral approach, taking into account technological and market developments, while staying the course on climate neutrality, contributing to energy security and independence by shifting away from fossil use in road transport and maintaining predictability for manufacturers and investors in a fair transition towards zero-emission mobility.

It notably lowers the 2035 targets for cars and vans from 100% to 90% and the 2030 target for vans from 50% to 40% and introduces new flexibilities for manufacturers to meet their specific emission reduction targets: the compliance assessment is proposed to be multiannual in the period 2030 to 2032, until 2034 super credits for small electric cars “made in the EU”, and from 2035 credits for the use of sustainable renewable fuels and credits for low-carbon steel “made in the EU”. The two latter flexibilities are to be used for compensating remaining emissions to ensure the climate neutrality of the proposal. They enhance the technology neutrality and take into account emission reductions beyond tailpipe.

4. The Council (Environment) held a policy debate on the proposal on 17 March 2026, focusing on the core elements of the proposal, namely the emission reduction targets and the new flexibilities.
5. In the European Parliament, Massimiliano SALINI (EPP, IT) has been appointed rapporteur on behalf of the ENVI Committee. A vote in plenary is expected in November 2026.
6. The Economic and Social Committee delivered its opinion on the proposal on 29 April 2026. The Committee of the Regions has not yet delivered its opinion on the proposal.
7. Below, the Presidency sets out the progress achieved so far on the proposal and provides a broad overview of the state of play on the main outstanding issues.

II. STATE OF PLAY

General

8. The CO₂ standards proposal has been examined by the Working Party on the Environment at several meetings, latest on 21 May 2026.

9. The policy debate at the Environment Council in March and the thorough examination at Working Party level has allowed to identify the main issues in the proposal and delegations' general positions thereon. Nevertheless, a number of delegations maintain scrutiny reservations on the whole text or parts thereof.
10. Further, two core provisions in the proposal: super credits for small electric cars “made in the EU” and credits for “low-carbon” steel “made in the EU” are closely interlinked with the automotive omnibus proposal and the proposal for an “Industrial Accelerator Act” (IAA). The IAA proposal was only submitted on 4 March 2026, and examination is still at a relatively early stage. A discussion on the interlinked provisions was held in the Permanent Representatives Committee on 5 June 2026.
11. While the Presidency has continued work on all elements of the proposal, in concrete terms, at this stage it has focused on forging a compromise notably on labelling and more technical issues. This has resulted in broad agreement on the Presidency's latest compromise text, however with some issues outstanding, mainly on second hand vehicles and the inclusion in the label of the energy efficiency of vehicles. A few other outstanding issues are linked to the main issues of the proposal.
12. It is the Presidency's overall assessment that further progress on the proposal will require addressing all of the main outstanding issues as part of an overall balanced compromise.

Main outstanding issues

13. From the start of the examination of the proposal, it has been clear that the main political issues evolve around the 2035 and 2030 emission reduction targets and the new flexibilities. Against the backdrop of a European automotive sector facing challenges related to production costs, overcapacity and increasing global competition, the debate has focused on finding the right balances between staying the course towards climate neutrality and driving electrification while providing manufacturers with more options and flexibilities in meeting their emission reduction targets, thereby strengthening technological neutrality, all while ensuring a strong and competitive automotive industry within the EU. One side of the argument sees flexibility for manufacturers and technological neutrality as key for ensuring competitiveness of the industry while the other side sees continuing the path and pace towards electrification as the way forward for future proofing competitiveness.

In that context, a number of delegations wish to expand the definition of zero-emission vehicles to include vehicles exclusively running on “carbon neutral” fuels. These delegations propose to define “carbon neutral” as covering all the types of renewable fuels listed in the Renewable Energy Directive (RED). One delegation wishes to expand the definition to “renewable fuels, including advanced biofuels”. Other delegations are opposed to this considering that the definition should continue to be based on tailpipe emissions. One delegation suggests moving towards a full lifecycle assessment approach.

Considerations on differences between Member States, including as regards the uptake of electric vehicles and roll out of infrastructure have also been brought forward.

a) Emission reduction targets

A number of delegations have not yet expressed any final or concrete position on the proposed emission reduction targets. Positions that have been expressed diverge widely.

14. 2030 target for vans

While some delegations have expressed explicit support for lowering of the 2030 target for vans from 50% to 40%, many delegations maintain reservations on substance or are still assessing the proposal. A number of delegations, while welcoming the direction of travel, call for further lowering of the target given the structural barriers for the uptake of electric vans. Others have reservations on lowering the target, questioning the need for this. One delegation has explicitly called for lowering the 2030 target also for passenger cars.

There seems to be broad support to the three-year averaging for compliance to the 2030 target (both cars and vans). A few have reservations on averaging, whereas a number of delegations argue that further flexibility is needed and wish to extend it to five years, some also for the 2025 target. Others oppose a general extension to five years.

15. 2035 target for cars and vans and obligation to compensate remaining emissions

Some delegations have indicated support for the 90% target combined with the obligation to compensate the remaining emissions, with some also calling for ensuring that emissions reductions will be in line with the European Climate Law.

Others have stated that they can support the 90% with certain caveats, notably that the 90% should be unconditional or at least only partially compensated and/or that the flexibilities for manufacturers to meet their specific targets be increased and broadened to reflect market realities. Some delegations advocate further lowering of the 2035 targets for both cars and vans or for vans only, questioning the feasibility of the proposed targets.

Conversely, a number of delegations are critical of the lowering of the 2035 targets. Some wish to stick to the current 100% targets, referring to considerations such as their Effort Sharing Regulation targets, the need to send a clear signal for electrification and be in line with the objectives in the European Climate Law. Some have provided indications that their reservations are linked to their scepticism towards whether the compensation mechanism with credits will lead to the same emission reductions as the current targets.

b) Flexibilities

16. 2030 target for cars - super credits for “small electric vehicles made in the EU”

There appears to be broad support for the concept of super credits for small cars, but a number of delegations call for changes to the concrete proposal or have scrutiny reservations on particular elements thereof. Notably, a number of delegations consider that a technologically neutral approach should also allow for super-credits for small cars running exclusively on carbon neutral/renewable fuels. Some underline that the affordability of such small cars is a key element in their assessment of the provision.

However, some delegations have reservations related to the concept, a few wanting to extend it to also bigger electric cars, and one delegation rejects the proposal altogether.

The definition of a “small electric vehicle” is proposed in the automotive omnibus, where agreement is still pending within the Council.

On “made in the EU” see below.

17. 2035 targets for cars and vans – fuel credits and low-carbon steel made in the EU credits

As regards the fuel credits, many delegations have reservations on the provision, either because it does not go far enough for them in providing flexibility or supporting technological neutrality or because they have doubts about the environmental integrity of the proposal and because it sends the wrong signals to the market. A number of delegations want to expand the provision, including by applying it before 2035 and/or increasing the percentage of credits and/or extending the type of biofuels. A number of delegations support that vehicles exclusively running on carbon neutral/renewable fuels should be considered as zero-emission vehicles. In that context, it is proposed that all fuels listed in RED be covered equally. Conversely, another group of delegations has strong reservations, arguing that the flexibility will not lead to additional emission reductions, will divert supply away from the sectors (aviation and maritime) that need these fuels in the absence of decarbonisation alternatives and dilute the signal towards electrification. They are opposed to considering vehicles running exclusively on carbon neutral/renewable fuels as zero-emission vehicles.

When it comes to the low-carbon steel credits, there is rather broad support or at least openness for the concept and the aim to stimulate a lead-market for low carbon steel made in EU. Some want to apply the credits to earlier than 2035 and some call for extending the scope of the credits, notably to aluminium. However, delegations in general have queries on the methodology and parameters to define low-carbon steel, which will be established in a delegated act under the Eco-design Regulation.

On “made in the EU”, see below.

18. A few delegations have reservations on the restriction of pooling to connected manufacturers, arguing that it will lead to distortion of competition.

19. “Made in the EU” and linkages with the IAA proposal

Given that the examination of the IAA proposal is still in its early phases, most delegations have so far had scrutiny reservations and queries on “made in the EU” and as mentioned above on low-carbon steel.

Some delegations have expressed full or at least partial support for “made in the EU” concept. For a few delegations, it is a key element of the CO₂ standards proposal in order to incentivise continued investments in EU based production and reduce dependencies on imports. Others have expressed their doubts on the “made in the EU” concept, questioning its compatibility with international obligations and its effectiveness in preserving value chains for manufacturers.

20. Review

A number of delegations consider the review of the regulation foreseen for 2035 too late with some calling for including further details on the content of the review. Others see no need for advancing the review.

21. Utility factor for plug-in hybrid vehicles

Although not part of the CO₂ standards proposal, a group of delegations have called for freezing the so called “utility factor” for plug-in hybrid vehicles, while another group opposes this. The “utility factor” is used to calculate CO₂ emissions and fuel consumption of these vehicles. It is determined on the basis of the estimated ratio between driving in electric mode and in combustion engine mode. The update of the utility factor has been adopted via secondary legislation to ensure that CO₂ emissions better reflect real world emissions of these vehicles and will apply from 29 November 2026.

III. CONCLUSION

The Permanent Representatives Committee is invited to take note of the present progress report and forward it to the Council (Environment) with a view to its meeting on 25 June 2026.