CLEPA
European Association of Automotive Suppliers

POSITION PAPER

MAKING EU CO_2 STANDARDS FIT FOR A COMPETITIVE DECARBONISATION TRANSITION

EXECUTIVE SUMMARY

The European automotive suppliers fully support and commit to the 2050 climate neutrality goals, recognising **electrification as the primary and most important pathway to achieving those objectives**. Decarbonising road transport is our shared goal, but the route to get there must be feasible for businesses.

Europe currently enforces the world's toughest CO_2 tailpipe-emission targets against the backdrop of a **slower-than-expected uptake of e-mobility and insufficient enabling conditions.** If we ignore these market realities, the EU will not only miss its climate targets, but also severely damage the competitiveness of its automotive sector.

CLEPA, the European association of automotive suppliers, considers that the revision of EU regulation (EU) 2019/631 setting the CO_2 emission performance standards for cars and vans is a critical opportunity to take a more realistic assessment of the pathway to decarbonising road transport, **while ensuring its feasibility.** At the core of this transition must be the principle of **technology neutrality**, implemented in a manner that effectively incentivises the uptake of key automotive technologies, including **plug-in hybrid electric vehicles, range extender electric vehicles, and renewable fuels, as valuable complements to electrification**.

This paper sets out concrete, actionable recommendations to address existing gaps and shortcomings, while contributing to the **strengthening the competitiveness, resilience and innovation of the European automotive industry.**

CLEPA's main recommendations:

1. Recognise the decarbonisation role of electric plug-in hybrid vehicles (PHEVs) and electric range extender vehicles (EREV)

2. Capitalise on the immediate emissions-saving potential of renewable fuels

3. Optimise the super-credits mechanism to boost EU manufacturing and electrification

4. Maximise low-carbon steel credits through early application

5. Introduce a Low-Temperature BEV range to Vehicle Label to build consumer trust

CONTEXT

Europe's automotive sector is facing unprecedented pressure, as weak demand coincides with large-scale investments in electrification that are not yet yielding returns. Automotive suppliers are absorbing severe socio-economic consequences, including the loss of 104,000 jobs in the past two years alone (corresponding to 142 jobs per day). Factories are shutting down, and 76% of suppliers now operate with profitability margins below 5%. This financial strain undermines their ability to invest in innovation and compete in a distorted global market.

Maintaining the regulatory status quo in the current conditions guarantees further industrial decline. Extreme economic pressure, compounded by geopolitical and trade tensions, requires an industrial policy that aligns environmental goals with technological and economic prosperity. Without it, value creation and supply chains will leave Europe. A joint Roland Berger-CLEPA study shows that the EU risks losing up to 23% of its automotive value add by 2030, forcing the inevitable relocation of components' production for all powertrains abroad.

In contrast, a technologically neutral approach would foster innovation and research into the most effective decarbonisation solutions, strengthening competitiveness and safeguarding expertise in the EU.

CLEPA KEY RECOMMENDATIONS

1. *Recognise the important role and contribution of electric plug-in hybrid vehicles (PHEVs) and electric range extender vehicles (EREVs)*

As the Commission proposal rightfully acknowledges, PHEVs and EREVs are a vital part for the automotive competence chain. They secure substantial investments and employment and keep production sites alive in Europe. They also reduce our reliance on imported batteries and critical raw materials.

Nonetheless, the proposal does not provide concrete measures to integrate these technologies into the long-term transition. Meanwhile, other major economies, such as China, the United States and Japan, have adopted multi-technology strategies. A BEV-only approach in the EU risks placing European suppliers at a disadvantage in these key markets and worldwide, weakening their international competitiveness, limiting export opportunities and affecting economic growth and employment.

CLEPA calls policymakers to create the conditions for this technology to realise its CO2 saving potential while continuing to contribute to industrial resilience and competitiveness in Europe, through two concrete actions:

a. Freeze the tightening of the Utility Factor (UF) for PHEVs from 2027 onwards: amendment to the Euro 7 regulation through the automotive omnibus proposal.

Tightening of the UF will drastically disincentivise future investments in PHEVs by European OEMs and suppliers.

This move relies on flawed, outdated datasets. While the tightening of the Utility Factor is based on the assumption that real-world PHEV emissions are significantly higher than their official homologation values, the assessment comes from older generations of PHEVs. These datasets are also largely based on company car users, who often have little incentive to use the electric mode and operate in areas where the charging ecosystem is still underdeveloped. The new generation of PHEVs already possesses a higher electric range and performance, actively encouraging drivers to use the electric mode.

Consumer behaviour improves instantly when governments provide affordable electricity prices and robust charging networks. EU policy must focus on rewarding the correct use of these technologies, building the infrastructure, and bolstering the supply of inexpensive and renewable energy.

b. Apply an adjustment coefficient of 0.6 to advanced PHEVs made in the EU that meet a clear set of technical requirements, for the purpose of calculating the emissions performance in this regulation.

Alongside the Utility Factor freeze, this mechanism would recognise and incentivise the continuously developing of PHEV technology and enhance it as a business case with a higher contribution to meeting CO2 targets. To qualify, vehicles must meet the following technical criteria:

- **Mandatory: an inducement system** by which the vehicle power shall be reduced by 50% without affecting vehicle and user safety, if no recharging event (minimum by 80% state of charge) occurs over 1000km. This is meant to address the 10-15% of users that never or rarely recharge the vehicle.
- **Additional:** at least two of the four following requirements must be met, with the aim of ensuring a higher share of the electric driving mode and incentivising consumers to recharge the vehicle more often:
  - » **Minimum electric range of 80km (scaling to 100km as of 2035).**
  - » **Fast charging (DC) capabilities.**
  - » **Ability to master all every day driving situations electrically** (requires minimum electric motor performance to complete the WLTC in e-mode).
  - » **Geofencing capabilities.**

This framework guarantees vehicles operate efficiently while offering consumers the flexibility they need to navigate the current gaps in Europe's charging infrastructure.

2. *Capitalise on the emissions saving potential of renewable fuels*

The EU must incentivise renewable fuels to decarbonise both new vehicles and the existing fleet that will remain on EU roads beyond 2035. Renewable fuels slash emissions, bridge the gap where electrification is slower or limited, and strengthen the EU's strategic autonomy by further reducing the dependency on fossil fuels. With the appropriate regulatory framework and incentives, these fuels are expected to continue growing. To unlock this potential, the regulation must:

- **Implement a new category of vehicles running exclusively on eligible fuels to be considered as zero-emission vehicles**, as soon as possible.
- **Remove the 3%** (3.3 g CO_2/km) **cap on renewable fuel credits, and the 1% cap on biofuels.** The current cap significantly restricts compliance options and ignores the CO_2 savings potential of these

fuels. Data from the SHARES data base confirms that RED-compliant renewable fuels could save nearly 15g CO_2/km by 2026, increasing to 25g CO_2/km by 2035.

- **Activate renewable fuel credits upon entry into force of the regulation revision**, in order to provide an immediate and credible incentive for early investment and deployment of renewable fuels.
- **Recognise all sustainable fuels that meet the Renewable Energy Directive (EU) 2018/2001 criteria:** advanced & waste biofuels, RFNBOs, biogas, bioethanol, etc.
- **Reduce the average lifetime mileage of passenger cars in the fuel credits calculation from 240,000km to 200,000km for both cars and vans**, to ensure alignment with the Regulation (EU) 2024/1257 (Euro 7) and regulatory consistency.

3. *Optimise the super-credits mechanism to boost EU manufacturing and electrification*

- **Extend super-credits to all 'Made in Europe' BEVs with a minimum factor of 1.5, applicable until at least 2035.** This directly accelerates BEV adoption while rewarding long-term investments in domestic manufacturing.
- **Secure EU production of electric vehicles.** Anchoring the EV value chain within Europe is essential to preserve and strengthen know-how.
- **Align 'Made in the EU' definitions:** Ensure the criteria accurately matches that of the Industrial Accelerator Act.

4. *Maximise low-carbon steel credits through their early application*

- Apply green steel credits in alignment with the entry into force of the implementing and delegated acts (Article 5b.5 and 5b.6). This is critical to incentivise early investment and deployment of low-carbon steel.

The proposed starting date of 2035 will not provide sufficient incentive for the uptake and benefits of utilising low-carbon steel in the production of vehicles in the EU.

This proposal is a positive **step forward towards a long-term life-cycle approach (LCA)** to account for CO2 savings across the supply chain. Clarifications, assurances and safeguard for automotive suppliers are needed to ensure effectiveness and fairness.

5. *Introduce Low-Temperature BEV range to Vehicle Label (Car Labelling Directive revision)*

- Include the value of the battery electric vehicles' electric range measured at -7˚C in the vehicle label to provide consumers with transparent and realistic information and strengthens overall trust in BEVs. This would recognise investments made to improve thermal management technologies that maintain vehicle performance in colder climates.

The current labelling requirements only include ambient temperature even though cold/winter conditions are prevalent in many parts in Europe, which means that the electric range can drop significantly.

ABOUT CLEPA

CLEPA, the European Association of Automotive Suppliers, represents over 3,000 companies supplying state-of-the-art components and innovative technologies for safe, smart, and sustainable mobility.

CLEPA brings together over 120 global suppliers of car parts, systems, and modules and more than 20 national trade associations and European sector associations. CLEPA is the voice of the EU automotive supplier industry linking the sector to policy makers.

The automotive sector accounts for **30% of R&D** in the EU, making it the number one investor.

European automotive suppliers invest over **30 billion euros** yearly in research and development.

Automotive suppliers register over **39,000 new patents** each year.

Automotive suppliers in Europe generate **1.7 million** direct jobs.

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