Editorial by Benjamin Krieger, CLEPA Secretary General

Europe's green mobility push meets economic reality

As the EU reviews its 2035 zero-emission vehicle mandate, it confronts a deeper question: how will it lead the green transition without losing its industrial strength?

Europe's economic engine – the automotive industry – faces a layered cake of burdens that threaten its future. Externally rising protectionism and volatile trade conditions make planning more unpredictable. Internally the EU's ambitious CO_2 regulatory framework forces a technology change unsupported by market or technological realities. This toxic mix is more than just a transition challenge for the car industry. It's a test of whether Europe can maintain its global relevance during the shift towards a more sustainable future.

Today's reality is sobering. Suppliers face tightening margins, and small and medium-sized enterprises increasingly face bankruptcy. The costs of carbon compliance increase and trade barriers multiply. Investment is slowing, and companies are reconsidering their footprint in Europe in favour of more predictable and cost-effective environments. Job-loss is not just a risk anymore – it is a reality impacting thousands of employees across the supply chain, from skilled plant workers to certified engineers. When energy, labour, and regulatory compliance all come at a premium, we must ask: what competitive case does Europe offer?

Meanwhile, geopolitical tensions are escalating. A range of new US tariffs has already disrupted business flows, while relations with China are marked by level playing field and supply chain dependency concerns. China's retaliatory export restrictions on critical raw materials, including rare earths essential for EVs, underscore how vulnerable Europe's industrial autonomy really is.

This is nothing less than a wake-up call. Without a well-coordinated response, Europe risks being squeezed between policy overreach and global trade disruption. The recent relief on CO_2 penalties for automakers is welcome, but temporary. It cannot fix a regulatory trajectory that risks undermining future innovation and investment.

The Automotive Action Plan presented by the European Commission in March acknowledges the sector's strategic importance. But good intentions are not enough. The recent Strategic Dialogues must now result in strategic action. What's on the table so far lacks the perspective, scale and ambition required to secure Europe's industrial leadership in the decades ahead. This will mean less opportunities for young Europeans to find jobs, less value creation inside of the EU single market and ultimately less tax revenue for EU Member states.

To change course, three things are critical:

1. Ratify trade agreements and reset our key trade relationships

We need to restore a level playing field in the trade relationship with China and ensure reciprocal market access on fair terms. A balanced EU–US trade agreement will be critical for both sides; retaliation should be targeted and only serve to increase the chances of a negotiated outcome. Prolonged tariff escalation will only fuel instability and we need to avoid that retaliation predominantly hits European companies twice. Lastly, support diversification through the ratification and negotiation of trade agreements, including the Mercosur agreement.

2. Adopt a technology-open approach to CO_2 regulation

This includes supporting sustainable fuels, hydrogen technologies, and hybrid solutions alongside battery electric vehicles (BEVs). Mandating one technological solution risks missing others. BEVs are essential, but not exclusive. Over-prescriptive rules ignore market readiness, limit innovation, and raise costs. BEV and PHEV production in 2025 is now forecast to fall short by over 1.25 million units compared to expectations just two years ago — partly due to regulatory and fiscal uncertainty.

3. Anchor climate ambition in industrial reality

The EU's climate objectives must be achieved in tandem with securing industrial capacity and supply chains. Whether for batteries, EV motors, or the modernised internal combustion engine. Strategic autonomy depends on technological plurality and resilience.

CLEPA and its members are committed to working with the EU institutions to forge a green transition that is not only climate-smart, but also economically viable and globally competitive.

The decisions taken now will define Europe's place in the industrial world order. Let's ensure we're not looking back in 2035 asking: why did we lose what we had the power to protect?

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