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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council setting emission performance standards for new passenger cars and for the new light commercial vehicles as part of the Union's integrated approach to reduce CO₂ emissions from light-duty vehicles and amending Regulation (EC) No 715/2007 (recast)

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Executive Summary Sheet
Impact assessment on a recast Proposal for a Regulation setting CO ₂ emission performance standards for new passenger cars and new light commercial vehicles and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011
A. Need for action
Why? What is the problem being addressed?
The current Regulations set EU-wide CO₂ emissions targets for new cars and vans until 2020/2021. The standards have represented a fundamental tool to push for innovation and investments in low carbon technologies. They helped the EU automotive industry to maintain global technological leadership and to reduce CO₂ emissions from new vehicles. Consumers have benefitted from lower fuel costs. However, the following key problems have been identified: 1) insufficient uptake of the most efficient vehicles, including low- and zero-emission vehicles, to meet Paris Agreement commitments and to improve air quality, notably in urban areas; 2) consumers miss out on possible fuel savings; 3) risk of losing the EU's competitive advantage due to insufficient innovation in low- emission automotive technologies over the long term.
What is this initiative expected to achieve?
The initiative expects to: 1) contribute to the achievement of the EU's commitments under the Paris Agreement by reducing CO₂ emissions from cars and vans cost-effectively, 2) reduce fuel consumption costs for consumers, 3) strengthen the competitiveness of EU automotive industry and stimulate employment.
What is the value added of action at the EU level?
Without further EU action it is likely there would be little additional substantial CO₂ reduction from new cars and vans. CO₂ standards beyond 2020 will help Member States to meet their 2030 binding emission reduction targets proposed under the Effort Sharing Regulation. National and local initiatives alone are likely to be less effective as they risk being incoherent, thus fragmenting the internal market.
B. Solutions
What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?
Various policy options were considered for the following issues: 1) CO₂ emission targets; 2) Distribution of effort amongst manufacturers; 3) Incentives for low- and zero-emission vehicles (LEV/ZEV) 4) Elements for cost-effective implementation 5) Strengthening of the governance
Who supports which option?
Concerning target levels, manufacturers in general support less ambitious targets for 2030 compared to environmental and consumer NGOs that are in favour of more ambitious targets for both 2025 and 2030. As regards the distribution of effort, manufacturers support a limit value curve based on mass, whereas NGOs prefer footprint as utility parameter. While the automotive industry is mostly against a LEV/ZEV mandate, battery and electricity producers, infrastructure investors, European cities facing air quality problems, as well as most environment and transport NGOs call for such an approach. Consumer organisations take a neutral position on this.

C. Impacts of the preferred option
What are the benefits of the preferred option (if any, otherwise main ones)? The additional CO₂ emission reductions for cars between 2005 and 2030, on top of the baseline, range from 4 to 11.4 percentage points. Between 2020 and 2030, air pollutant emissions decrease by 2 to 8 percentage points for NO_x and up to 10 percentage points for PM_{2.5}. For vans, the additional CO₂ emission reductions between 2005 and 2030 range from 4.8 to 14.1 percentage points. Air pollutant emissions of vans reduce up to 9 (NO_x) or 10 (PM_{2.5}) percentage points between 2020 and 2030. Consumer benefits in terms of 'total cost of ownership' for a 2030 'average new car' are between 1,000 and 2,000 EUR considering a lifetime of 15 years. For a 2030 'average new van', these savings are between 3,800 EUR and 4,400 EUR. Net savings occur both for the first and the second user, thus benefiting also the lower income groups of consumers.
What are the costs of the preferred option (if any, otherwise main ones)? Manufacturing costs will increase and this will impact the vehicle price, and thus consumers/businesses will face higher upfront costs for a new vehicle. These costs increase with stricter fleet-wide CO₂ target levels. For an average new car registered in 2030, they range from 400 EUR to 2,700 EUR. For an average 2030 van, they range from 400 EUR to 2,400 EUR.
How will businesses, SMEs and micro-enterprises be affected? The analysis shows positive economic impacts, including for SMEs. Small car manufacturers with less than 1,000 new vehicle registrations in the EU per year are exempted from the CO₂ standards. SMEs as user of more efficient vans will largely benefit from fuel savings. In the automotive value chain, SMEs producing conventional technologies may need to adjust but will also benefit from the additional demand for new and more efficient technologies.
Will there be significant impacts on national budgets and administrations? The fuel duty revenue loss in 2030 is estimated at around 0.04% of the EU-28 GDP. In all scenarios assessed, this is assumed to be compensated by an increase in indirect taxation.
Will there be other significant impacts? An ambitious but realistic and cost-effective regulatory framework for cars and vans will help the EU automotive industry to retain its global competitiveness and access to markets. Due to reduced fossil fuel needs, the EU's energy security situation will improve with the strongest gains in the medium term.
D. Follow up
When will the policy be reviewed? A review of the effectiveness of the new legislation could take place in 2024, aligned with the review of other legislation such as in the proposal for ETS and the Effort Sharing Regulation.