

Position

Interim summary of the EU Commission's Fit for 55 package

Recommendations of the German automotive industry



Berlin, September 2022

In July 2021, the **European Commission** proposed the Fit for 55 package of comprehensive measures to reshape EU climate policy. As the German industrial sector with the highest turnover and a wide range of employment effects in upstream and downstream sectors, the German automotive industry fully supports the goal of making transport on European roads climate-neutral by 2050 at the latest.

Both the **European Council** and the **European Parliament** have now agreed on their positions on the key proposals, so the trilogue negotiations are expected to begin in autumn. Among the most important decisions for the automotive industry are the revision of CO₂ emission standards for new passenger cars and light commercial vehicles and the extension of the EU Emissions Trading Scheme to the transport sector (ETS-2). In the case of the equally important revisions of the Alternative Fuels Infrastructure Regulation (AFIR) and the Renewable Energy Directive (RED), the EU Parliament's positioning is expected in autumn so that trilogue negotiations could also begin before the end of the year.

The expansion of the private and public charging infrastructure is a top priority for the automotive industry in order to achieve the expansion of electromobility required to meet the CO₂ reduction target. Given the need to use all climate-friendly technologies to achieve the climate neutrality target, renewable fuels must also play a central role in addition to the ramp-up of electromobility. Alternative, climate-neutral fuels such as hydrogen and e-fuels also contribute and are a necessary part of the solution. That is because the existing fleet of around 280 million vehicles in the EU must be taken into account and addressed, which also gives the RED an important role to play.

CO₂ fleet regulation

Supportive framework for ambitious 2030 target:

The **EU Commission** has already drawn up extremely ambitious proposals with a renewed tightening of the reduction targets for fleet limits to 55 per cent for passenger cars and 50 per cent for vans in 2030. It is to be welcomed that the **EU Council** and the **EU Parliament** are not calling for any further tightening beyond the Commission's proposal, nor for any additional interim targets. The necessary increase in electromobility must be accompanied by an equally ambitious expansion of public charging infrastructure and H₂ charging infrastructure based on the mandatory AFIR as well as greater attention to the EPBD (Energy Performance of Buildings Directive). Further necessary supporting framework conditions for ambitious CO₂ emission standards are support programmes for electric vehicles in all member states and comprehensive industrial and social policy flanking measures.

Review as basis for post-2030 target setting:

Although the time horizon of the Fit for 55 package defines the path to climate neutrality by 2030 with a CO₂ reduction of 55 per cent, the **EU Commission** has additionally proposed a fixed target for the year 2035 in the fleet regulation: the planned reduction of the fleet limit values by 100 per cent to 0 grams is tantamount to a ban on combustion technology. The **EU Council** and the **EU Parliament** have also endorsed this target in their opinions. This decision violates the principle of technological openness and prevents ways to protect the climate, as only battery- and fuel cell-powered electric vehicles are allowed to reach this target.

In view of the unclear development of the framework conditions, especially with regard to infrastructure, as well as other factors such as the risk of new raw material dependencies, the time for setting a target for the period after 2030 is premature anyway. Instead, a decision should only be made on the basis of a review in 2028. This is because if all or some member states fail to meet the set AFIR targets, or if the current targets prove insufficient, there is no mechanism to ensure a quick and reliable adjustment. However, the fleet limits remain binding regardless of the actual development of the infrastructure. More flexibility is needed here to be able to adjust the binding targets for the expansion of charging and refuelling infrastructure in the EU member states.

Paragraph 9a of the **Council compromise**, which at least describes the admission of vehicles running exclusively on carbon neutral fuels after 2035, outside of the fleet regulation, should be filled with life by the Commission in time through a concrete regulatory proposal.

European Emissions Trading Scheme (ETS)

ETS as a guiding instrument of European climate policy:

The emissions trading system is the central and demonstrably most efficient way to reduce CO₂. One of the greatest challenges is therefore to establish CO₂ trading as the leading instrument of European climate policy also in sectors that have not been covered so far, such as transport. An effective CO₂ price based on a credible quantity cap can set clear investment signals and thus develop the entire transport sector towards sustainability. With a uniform price signal, all actors in the supply chain – from raw material to fuel to recycling – are equally involved in achieving climate targets. Consumers also receive a clear price signal. In this way, the ETS acts as an instrument to accelerate defossilisation throughout the value chain. Social hardship can be cushioned precisely with the additional revenues.

Inconsistent path taken by the EU Parliament:

Against this background, the **EU Commission's** proposal for a second emissions trading system for transport and buildings is a step in the right direction: the planned merging of the existing and the new ETS offers a major advantage in the long term, as CO₂ savings can be achieved where it is most cost-effective. However, the transition to a single ETS in the EU should have a binding timetable to ensure that markets are merged early and with planning certainty.

It is also worth noting that the **EU Council** has supported the Commission's proposal, albeit with reservations. In contrast, individual proposals of the **EU Parliament** are counterproductive. These include, above all, that the trading system should initially only apply to commercial use and thus de facto exclusively to heavy goods traffic. The proposal for a price cap and an upper limit for passing on costs to consumers should be critically discussed against the background of a functioning emissions trading system.

Alternative Fuels Infrastructure Regulation (AFIR)

Central role of the AFIR for the ramp-up of electromobility:

In order to achieve the stricter targets of CO₂ regulation for passenger cars and light commercial vehicles, the market for electric vehicles must be significantly boosted. This requires a binding, rapid and Europe-wide expansion of the public charging infrastructure, which is why the AFIR plays a central role. When it comes to mobility services of general interest, people rightly expect a nationwide infrastructure – those who unilaterally refer to the possibilities at home and at work simply exclude certain mobility needs. With the upcoming revision of the CO₂ emission limits for heavy commercial vehicle fleets, binding targets for the expansion of hydrogen filling stations are required in addition to ambitious targets for a sufficient charging infrastructure for commercial vehicles. Corresponding targets and framework conditions must already be anchored in the AFIR.

Raising the level of ambition:

The EU Commission's proposal rightly provides for binding targets for charging capacities. However, the targeted level of performance, which is essentially also supported by the EU Council, must be significantly increased in order to achieve comprehensive coverage. For a larger number of charging points, the power factor of 1 kilowatt charging capacity per BEV (and 0.66 kilowatts per PHEV) specified in the Commission proposal must therefore be significantly increased to a factor of 3 kilowatts per BEV (and 2 kilowatts per PHEV). Correspondingly higher charging capacities are also required in the heavy-duty vehicle and coaches sector. It is therefore very encouraging that a majority for a higher level of ambition is emerging in the EU Parliament.

Beyond this, however, there are other important levers for the development of a nationwide charging infrastructure. A higher level of ambition is also required for the envisaged maximum distances between charging stations and the respective power capacities: for passenger cars, in addition to adjusting the maximum distance between charging stations from 60 to 40 kilometers, a doubling of the corresponding capacity per charging station is required compared to the Commission's proposals in order to meet the increasing demand for higher charging capacities. In addition, each charging station must be equipped with at least one 350 kilowatts charging point. For heavy commercial vehicles and coaches, a nationwide expansion also plays a special role to ensure European trade in goods and passenger transport. For these charging points, a network expansion with higher connected loads (in the core network by 2025: 5000 kilowatts, by 2030: 6500 kilowatts; in the overall network by 2027: 1400 kilowatts, by 2030: 3000 kilowatts, from 2035: 5000 kilowatts), shorter station distances (50 kilometers in the core network, 100 kilometers in the overall network) and significantly higher capacities of the individual MCS charging points (at least 700 kilowatts) must be realised. At the same time, a night charging system (100 kilowatts per charging point at all lorry stops along the motorways) should be established.

Ensuring minimum equipment as basic supply:

In order to meet the demand for public charging infrastructure, especially in urban areas, it is not sufficient to provide charging infrastructure based on the number of vehicles alone and to focus on TEN-T networks. The minimum provision should therefore be set at the level of the federal states as a whole as well as for metropolitan areas (e.g. depending on the number of inhabitants or the total number of vehicles) and the right of citizens to access the charging station (in kilometers or time) close to their home.

Establishing a user-oriented charging infrastructure:

To ensure the most efficient use of charging stations and non-discriminatory access for all users, a roaming obligation should be introduced (similar to mobile phones: telephone service on all networks with all contracts). The necessary monitoring processes for follow-up should be established as early as possible. In addition, charging stations must be built in accordance with ISO 15118 to ensure interoperability for the benefit of users and high cybersecurity standards.

Strengthening hydrogen infrastructure along the TEN-T network:

The AFIR should also be improved in the provision of hydrogen infrastructure. Appropriate fuelling stations should already be designed so that they can be used equally by all vehicle segments. The planned targets (minimum capacity of 2 t/d at a pressure of at least 700 bar by 2030) should also be continued for the entire network TEN-T until 2027 and then become more ambitious. It would also make sense to have maximum distances of 100 kilometers instead of 150 kilometers and to give sufficient consideration to a supply of liquid hydrogen.

EPBD: ‚non-public‘ charging infrastructure:

In addition to the ambitious and binding AFIR project, the EPBD (Energy Performance of Buildings Directive) must also receive more attention in the further process. It lays the foundation for the expansion of charging infrastructure in private, public and commercial buildings and is therefore an important complement to AFIR. The proposed revision of the EPBD still needs to be improved, especially with regard to the level of ambition and the special consideration of existing buildings. This should also include an entitlement to the installation of a charging station. An overall concept with load management and easy retrofitting of charging points is in preparation.

Renewable Energy Directive (RED)

Correct approach, but level of ambition is too low:

An ambitious quota for reducing greenhouse gas emissions is crucial for promoting climate protection in transport, as it promotes both electromobility and the supply of climate-friendly fuels to the existing vehicle fleet. Therefore, the GHG reduction target of 13 per cent by 2030 proposed by the **EU Commission** and the **EU Council** is not nearly ambitious enough. The 16 per cent figure proposed by the **EU Parliament** is also insufficient, as a significant increase in the EU's greenhouse gas reduction target of 40 per cent by 2030 (30 per cent liquid fuels) as well as post-2030 targets is necessary to achieve the EU's climate goals. In addition, the possibility of introducing greenhouse gas emission allowances (renewable energy share of 29 per cent vs. greenhouse gas emission reductions of 13 per cent) proposed by the **EU Council** should be rejected. The GHG reduction quota proposed by the **EU Commission**, which is binding as a control variable for all member states, is preferable, as this avoids a patchwork of regulations. Moreover, climate protection would be more precisely controllable, as the quota would be directly linked to CO₂ emissions.

More incentives for renewable fuels:

The **EU Commission's** proposed sub-quotas for RFNBO and advanced biofuels are clearly too low. The lack of ambition and vision beyond 2030 creates too few investment incentives and thus jeopardizes the urgently needed climate protection in the vehicle fleet. To reach the climate target, 30 per cent renewable fuels are needed. The proposed 2.6 to 5.7 per cent of electricity-based fuels (RFNBO) and 2.2 to 4.4 per cent of advanced biofuels are far from that – especially considering that the **EU Council** proposes double counting for quota fulfilment.

Minimum consensus must be prevented and targets defined for the period after 2030:

Only with reliable and ambitious framework conditions will investors be willing to build plants for the production of electricity-based fuels and advanced biofuels. This requires much higher quotas without multiple credits, intermediate targets and a post-2030 perspective. Should the weakest position prevail in the trilogue negotiations, the potential of the existing vehicle fleet for climate protection in road transport cannot be adequately addressed.

Do not neglect data protection in the RED:

The **EU Commission** has proposed the free disclosure of battery status and other battery data to facilitate the entry of electric vehicles with batteries into the grid (charging and discharging with grid maintenance). The **EU Council** has endorsed the proposal. Only the **EU Parliament** raised the issue of data protection and excluded the transmission of vehicle location and required the consent of vehicle owners and users. These proposals of the EU Parliament should be included in the final regulation.

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