

## Summary

- The German automotive industry is committed to the fight against climate change. **Our vision is to make mobility climate-neutral by 2050** – in line with the Paris climate objective. To achieve this, we rely on innovation and technology. A Europe-wide, **long-term stable and technology-open regulatory framework** is needed to enable a focused approach to the ambitious 2050 climate target.
- We drive the **ramp-up of electric mobility** with a variety of attractive vehicle types (BEV and PHEV, passenger cars and commercial vehicles) and services. The **rapid ramp-up of electric mobility is our clear priority** until 2030. This applies in particular to passenger cars and light commercial vehicles. The industry will invest more than 50 billion euros in this technology over the next few years.
- To achieve the objective of climate-neutral transport in 2050, **alternative powertrains and fuels** such as hydrogen and e-fuels will be part of the solution as well. These technologies can make an important contribution to climate protection in the transport sector since they address CO<sub>2</sub> emissions from the existing car fleet and are an option to decarbonize specific use cases.
- Any decision to tighten climate targets or emission performance standards should only be taken after a thorough **impact assessment**. All relevant technologies and all social and economic impacts must be considered so that the automotive industry can continue to generate prosperity and employment in the future.
- Climate-neutral mobility can only be achieved through a **joint effort** by industry, government, and society.
  - **All stakeholders** need to work together to create the conditions needed in Europe to achieve the climate targets.
  - **Attractive framework** conditions are essential. This includes the swift deployment of a **pan-European charging infrastructure**. Strategic support for alternative fuels is needed to ensure that this technology can contribute to climate-neutral transport in 2050. The framework conditions for this must be put in place now.
  - This framework must follow a **strategic plan**. All stakeholders must commit to binding targets in their respective areas of responsibility. Otherwise, targets will not be met – not the current targets, neither tighter future ones.
- The transformation will have a significant impact on the structure of the automotive industry and its employment potential. In Germany as well as in Europe, the automotive industry is an important foundation for prosperity. This transformation must therefore take into account the impact on economic growth and employment. The **focus must be on investment, innovation, and infrastructure. This is true for all relevant technologies. All technologies are needed** to achieve the objective of “climate-neutral mobility in 2050”.

## Investment, Innovation and Infrastructure

The German automotive industry is committed to the **Paris climate targets** and is working hard to achieve **CO<sub>2</sub>-neutral mobility by 2050 at the latest**. This includes a **climate-neutral value chain**, a task that manufacturers and suppliers have been following for years. What is clear: **We are part of the solution**.

The **significance of individual mobility** for the European economy, supply chains, and the realization of people’s freedom of movement is underrepresented in the public debate and in the Commission communication. Cars have a role to play in climate-friendly mobility, added value, and freedom of movement for some time to come. The development

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of sustainable mobility patterns will be characterised by more diversity and more intermodality. The German automotive industry will drive e this development. Our innovation capacity is focused on shaping the transformation that climate change and digitalization require. This is the only way in which **the automotive industry can continue to be a pillar of growth and prosperity in Germany and Europe.**

This transformation will only succeed if **investments in innovation and infrastructure** by companies, but also in the sphere of responsibility of politics on all levels are clearly aligned towards this objective. Without a stable and technology-open framework, without massive investment in infrastructure and innovation for all relevant technologies, the transformation cannot succeed. Our employees must also be part of the transformation process. This requires coordinated, long-term, and reliable actions between all actors. Last but not least, the interests of citizens must be taken into account: they need to be **convinced** of new technologies and new forms of mobility, support the development of renewable electricity and infrastructure, and act as **co-creators** rather than the losers of this change. This also means that **mobility must remain affordable for all.**

With the **2030 Climate Target Plan**, the European Commission intends to tighten the climate target for 2030 from minus 40 percent to at least minus 55 percent. The aim is to create the conditions for Europe to become the first climate-neutral continent by 2050. In this regard, the VDA notes that:

1. Ambitious climate targets for 2030 are necessary and appropriate to achieve climate neutrality. It makes sense for the EU to regularly review climate targets as part of the Green Deal. However, **decisions should only be taken on the basis of a comprehensive impact assessment which integrates economic and social aspects.** All relevant technologies and all social and economic impacts should be taken into account, so that the automotive industry can continue to generate wealth and employment in the future.
2. **We focus on climate action through innovation and technology.** We vigorously drive the transformation into alternative technologies. The Commission Communication does not properly reflect this dimension. For many years we have made great progress, greatly increasing the efficiency of internal combustion engines. In the coming years, German manufacturers and suppliers alone will be investing more than 50 billion euros in electric mobility and another 25 billion euros in digitalization. Electrification will be our clear focus. This technology is already widely available: 150 electrified models (BEV and PHEV) by German OEM will be on the market by the end of 2021. Electric mobility is thus the cornerstone of the transport sector's strategy to achieve the 2030 targets. However, we also work intensively on the development of fuel cells, and on further improving the efficiency of the combustion engine and its decarbonization with alternative fuels. Also, there are measures to save CO<sub>2</sub> through efficiency gains with digital technologies, e.g. by optimising traffic flow or car park search. Against this background, the Commission should only make a decision on tightening climate targets on the basis of a thorough holistic analysis of all these options.
3. The proposal to tighten by 50 percent the emission performance standard for passenger cars prioritised by the European Commission would **dramatically accelerate the transformation.** The following figures are intended to illustrate the size of the task:
  - In 2030, an **electrification rate of around 60 percent** (instead of around 40 percent) of the European new car fleet (BEV & PHEV) would have to be achieved, much more in developed markets such as Germany or France.
  - The total number of electrified vehicles by 2030 would have to increase by 36 percent from 39 million to 53 million in 2030.

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- The **demand for battery capacity** in 2030 would **increase** from 194 GWh to **320 GWh (+65 percent)** compared to the 37.5 percent scenario.
- A **minimum of 60 million private recharging points and 6 million public recharging points** across the EU (1.125 private, 0.1 public recharging points and 0.1 public fast recharging points per car) would have to be built.

It is surprising that the European Commission anticipates a yet non-existing impact assessment required for such a proposal. The Communication of the European Commission does not contain any statements as to which **measures** could help to achieve such a new target, and how **affordability** of the transformation could be ensured. A clear and reliable conditionality between enabling measures and targets has to be established.

**Such measures could include:**

- ➔ EU-wide, rapid and widespread expansion of public charging infrastructure for passenger cars and commercial vehicles. This should be enabled by a significantly higher level of funding than currently planned.
- ➔ EU-wide targets and programs to support and accelerate the development of private charging infrastructure at home and at work.
- ➔ Support for all relevant public and private actors (such as municipalities, energy suppliers, energy service providers) in the development and implementation of coordinated and binding plans for the development of charging infrastructure, including the creation of a single payment system across Europe.
- ➔ Creation of an effective funding framework for ZLEV across the EU to facilitate rapid upscaling in all markets.
- ➔ Pushing ahead with EU-wide expansion of renewable energy sources, including a program to ensure competitive prices for charging electricity as well as for electricity needed for hydrogen production.
- ➔ EU-wide criteria for vehicle-specific urban transport policies. A fragmentation of the internal market for electric vehicles and other alternative fuels must be avoided.
- ➔ Increased support for battery cell production in the EU measures to support national ZLEV public procurement programs.
- ➔ A European consumer awareness campaign on the benefits of ZLEV.
- ➔ The development of a European infrastructure for the production, storage and distribution of hydrogen and e-fuels, including regulatory requirements in RED II and national implementations.
- ➔ A strengthening the competence of third countries in the production and processing of hydrogen and e-fuels.

**The VDA asks the European Commission to submit detailed proposals on these points at the same time as a decision on the climate target is taken.**

4. The European Green Deal is an opportunity for a comprehensive **systemic reassessment** of all climate change mitigation instruments. Unfortunately, the European Commission has not taken up this opportunity. Rather, it places a strong focus on the upcoming proposal to tighten the emission performance standards announced for June 2021. Instead of effectively parting with the principle of technology openness, the European Commission should take a holistic view of the mix of instruments for achieving climate objectives. The Commission itself concludes in its impact assessment that the increase in the level of ambition from 37.5 percent to 50 percent of the CO<sub>2</sub> emission performance standard for newly registered cars and vans **reduces CO<sub>2</sub> emissions from passenger cars only for as much as around 9 percent**. It is clear: This instrument alone is not decisive.

**Therefore, in addition to the emission performance standard and any measures to speed up the rapid ramp up of charging infrastructure, it is important that the following instruments are also tackled swiftly:**

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- The inclusion of transport in the EU Emissions Trading Scheme
- An ambitious revision of the RED II Directive
- Uniform quality standards for decarbonized fuels
- Intelligent pricing mechanisms for the use of traffic infrastructure
- A fundamental overhaul of energy taxation
- The regulation of the value chain, while respecting each of the individual responsibilities

The **overall analysis of these regulatory complexes** must enable technological innovations – such as FCEV and climate-neutral combustion engines powered by e-fuels or hydrogen – to be able to exploit their strengths in competition to technologies like BEV and PHEV. Additionally, CO<sub>2</sub> emissions by the existing car fleet must be addressed as well. We need a **target-oriented mix of tools and technologies** and the appropriate technology-open approach. We firmly oppose a ban on combustion engines and welcome the clear rejection of this idea by Executive-Vice-President Timmermans. The Commission should seize the opportunity to undertake an **overall revision** of the regulatory system for climate change in transport by 2021. Consideration should also be given to **burden-sharing** between different sectors. Therefore, a **long-term approach integrating the cost dimension, targeting 2050, and looking at all technologies, is important**.

5. A further tightening of the emission performance standard for 2030 would significantly exacerbate the already high pressure of transformation on the automotive industry, especially in the case of many medium-sized suppliers. Various studies (BMW/Roland Berger/ELAB/Fraunhofer) estimate that in Germany alone, **at least 100,000 direct jobs in the automotive industry** might be at risk as a result of the transformation. Consequently, this will affect families, prosperity, and education. Support from the “Just Transition Fund” and the “Recovery Plan” alone will not be sufficient to contain the drastic changes and to mitigate their impact. The transformation in supply chains and shaping the labour market transformation is also a **task of industrial policy**. It is crucial that transformation can succeed at all levels: product, production, and value chain. We see a clear need for placing more emphasis on the industrial policy dimension of the Green Deal.

**In order to avoid disruptive effects and negative social impacts, concrete actions at European and national level are essential to cope with the structural change driven by climate policy:**

- Measures to encourage investments in innovation and transformation with regards to products and production
- Measures to support training and skills development
- Reform of EU State aid rules with the aim of enabling more focused support for the transformation of the automotive industry independently of the location of a production site
- Significant improvement of research programs for innovative technologies and approaches in the field of transport
- Actions to strengthen Europe in key technologies, such as cell and battery manufacturing, hydrogen, and e-fuels, including programs to strengthen R&E and scale the production of hydrogen and e-fuels

**Regarding these points, the Commission should present detailed proposals at the same time as the adoption of a new climate target. An industrial policy strategy living up to the challenge to manage the transformation has not yet been adopted.** However, such a strategy is necessary to shape change and adhere to the principle of sustainability. The ambition to tighten climate targets is in the current proposal not supported by any corresponding industrial policy ambition.

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6. The serious economic impact of the **COVID19-pandemic** is not taken into consideration by the Commission. This approach is insufficient as the current economic crisis permanently weakens our companies' ability to invest and focus on the future. This weakness will not be compensated by the announced state aid either.

**The VDA calls for measures to strengthen the competitiveness and innovation capacity of companies in Europe, also in the light of the effects of the coronavirus outbreak:**

- ➔ Review of the burden of European regulations
- ➔ Measures to strengthen companies' ability to invest and innovate, particularly by suppliers
- ➔ Continuation and, if necessary, scaling up of coronavirus assistance

Measures on these issues should be continuously reviewed and adapted in the context of the evolution of the pandemic. Rescue measurements must not have a structural preservative effect.

7. We welcome the fact that the European Commission is seriously considering the **extension of the EU Emissions Trading Scheme to fossil fuels. We are in favour of a quantitative and cross-sectoral CO<sub>2</sub> pricing system.** Therefore, we welcome a possible extension of the EU ETS to fuels. A relevant CO<sub>2</sub> minimum price can improve predictability for stakeholders. The CO<sub>2</sub> cap is more efficient than any other instrument to limit CO<sub>2</sub> emissions from the transport sector, as it is driven by the differences in CO<sub>2</sub> mitigation costs. The aim must be to create a coherent regulatory system for all climate-friendly technologies along the automotive value chain. In the perspective of a **long-term stable, technology-open framework for the transformation** to a climate-neutral transport sector, the current uncoordinated sectoral regulations and objectives need to be reviewed and aligned with the objective of climate neutrality.