CO2-emissions standards at the EU level are an important means to encouraging investment in and adoption of climate-neutral transport technologies, and therefore to meeting the EU climate targets moving forward. The EU’s laudably increased ambition to counteract climate change requires a commensurate adjustment of key instruments.

As the inception impact assessment states, the “current policy is not fully in line with new climate objectives and therefore does not provide sufficiently long term signal to channel the necessary investment in zero-emission vehicle sand increase their market uptake over time”. Agora Verkehrswende’s analysis shows that in order to meet EU climate targets, we will need 14M ZLEV on Germany’s streets alone by 2030, an objective we are not on track to meet given current standards and incentives. For this trans-national problem, we need the EU to show decisive leadership to enable member states to move forward.

To set the most effective incentives, ideally **standards should be based on energy efficiency**, favoring vehicles that use the smallest amount of energy overall and therefore put the lowest possible burden on our energy system. Seeing that a more fundamental adjustment to standards may not be possible given the short timeframe of this impact assessment, and aiming for adjustments that can be made with a minimum of additional overhead, we suggest targeting three main areas for the impact assessment:

1. Limiting excess ICE emissions through **supplementary standards** once ZLEV reach a significant proportion of the total fleet
2. Keeping **fuel and vehicle regulations separate** (and avoiding an inclusion of synthetic fuel offsets in vehicle emission standards)
3. **Re-assessing ZLEV factor** impact to avoid unintended consequences

## Supplementary standards for ICEV given rising percentage of ZLEV

Theoretically higher EV rates would allow for much higher CO2-emissions and fuel consumption from the remaining combustion engine models.

The more electric vehicles a manufacturer brings to the market, the higher the allowed CO2 emission level of its remaining (combustion engine vehicle) fleet. And, going from 15% to 20% electric vehicles in 2025 or 30% to 35% in 2030, the allowable level of CO2 for the non-electric vehicle fleet jumps upwards, representing the leniency built into the system as an incentive for manufacturers to meet the ZLEV targets.1

For this purpose, we suggest one of two options:

1. Company-specific backstop limit value based on 2021 level for WLTP switchover:
   * The changeover from NEDC to the WLTP  creates an incentive for OEMs to achieve a high ratio between WLTP and NEDC equivalent emission values in 2020 and, thus, to meet the “95 g”-target with rather low effectiveness in terms of real world emission reduction. The implications for a company-specific backstop value based on the values derived in 2021 will have to be assessed carefully.
2. Backstop limit value function (parallel to existing limit value curve or based on separate LV function derived from combustion engine cars only)

* The advantage of this approach is that it requires no departure from the already negotiated existing limit value curve. Questions remain regarding absolute or relative distances to the limit value curve, and the distributional impacts.

## Separate standards for fuels and vehicles

As synthetic fuels come within reach of technological feasibility, some stakeholders have called for the inclusion of fuel credits in emissions standards. We strongly believe that this does not serve the stated objective of the regulation, a just and inclusive transition to climate neutrality, and suggest a thorough and critical evaluation of any such inclusion.

Potential points of caution include

* Loss of efficacy as a result of commingling regulatory spheres: fleet standards have had great success targeting and improving vehicle technology, while fuels would generally be regulated by energy legislation. By commingling regulation in both of these areas one runs the risk of confining future improvements to just one of the two sectors
* Higher costs to tax payers: where fleet standards on the whole have reduced costs to consumers through improved efficiency and lower fuel costs over the lifetime of a vehicle, synthetic fuels would increase the cost to end consumers as well as society as a whole
* Loss of transparency and credibility: if ICE with compensatory synthetic fuel production are sold as ZLEV, especially if they receive related subsidies and other benefits, this is likely to further undermine consumer trust (which has already suffered blows due to the diesel affair as well as discrepancies in testing)

## Impacts of ZLEV factor in a low-ZLEV-cost world

In a scenario where ZLEVs become comparatively cheap to produce, a ZLEV-factor for calculating fleet averages ceases to achieve higher fleet shares of ZLEVs, since the marginal regulatory benefit of additional ZLEVs decreases quickly. Given the complications introduced by ZLEV in fleet standard calculations, we encourage a critical re-evaluation of the expected benefits of retaining a ZLEV-factor given the falling cost of ZLEVs.

Acting now can set us on the path to achieving the 2030 targets. A well-designed adjustment to EU fleet regulations will keep the EU in the global lead for sustainable vehicle technology, and for sustainable transportation regulation. We look forward to submitting more detailed inputs as the impact assessment proceeds.