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REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation (EU) 2019/631 for the purpose of revising the CO2 emission performance standards for new passenger cars and new light commercial vehicles

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EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Revision of Regulation (EU) 2019/631 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles.

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

In September 2020, the Commission adopted the Climate Target Plan to cut greenhouse gas emissions by at least 55% by 2030 and achieve climate neutrality by 2050. Passenger cars and vans are responsible for around 12% and 2.5%, respectively, of total EU emissions of carbon dioxide (CO_2). The automotive industry accounts for over 7% of the EU's gross domestic product. Emissions of CO_2, the main greenhouse gas emissions from road transport are expected to grow by 2050.

Regulation 2019/631 set CO_2 emission reduction targets at 37.5% for new cars and 31% for new vans by 2030. This initiative aims to revise CO_2 emission reduction targets to contribute to the new 2030 climate target objective.

The initiative is one measure aiming to reduce road transport emissions. It is carried out in parallel with several related initiatives.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and the commitments to make changes to the report. It also notes the significant efforts to coordinate and ensure coherence across the 'Fit for 55' initiatives.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

(1) The report is not clear on the reasons for revising the existing regulation. It lacks clarity on the coherence and proportionality with other linked initiatives.

(2) The report does not sufficiently demonstrate the feasibility of the high-level reduction target. The trade-offs between the three target options are not sufficiently clear.

This opinion concerns a draft impact assessment which may differ from the final version.

(3) The report does not provide sufficient information on the impacts of the preferred options on competiveness, innovation and smooth sector transition.

(4) Stakeholders' views have not sufficiently informed the analysis.

(C) What to improve

(1) The initiative revises Regulation 2019/631 that only came into force in 2020. The report should explain upfront why another revision of the CO_2 standards is necessary after such a short period of implementation. It should clarify what new problems have arisen since the adoption. The report should make clear to what extent the very positive market developments in the uptake and availability of electric vehicles have been reflected in the baseline projections.

(2) The report should better explain the coherence with the linked 'Fit for 55' initiatives. In particular, the report should clarify the added value of the current initiative in view of a possible extension of the Emission Trading System to road transport. It should explain why the latter would not be sufficient to reach the climate target for passenger cars and light commercial vehicles, and assess the risk of over-regulating road transport emissions.

(3) The report should better explain how feasible the high-level reduction target is given the substantial investment needs for the EU automotive sector and the need for timely availability of a full EU wide charging network. It should be transparent on related assumptions, uncertainties and risks. The report should better explain the differences between the three target levels options in terms of overall cost-efficiency and discuss the resulting trade-offs.

(4) The report should establish a clearer intervention logic throughout the report, especially for the objectives relating to consumer behaviour, and innovation and technological leadership. In particular, the report should strengthen the analysis of the impacts on innovation and competitiveness.

(5) The baseline should show the likely evolution of the automotive sector under the current legislation, including emissions, availability of zero-emissions vehicles, employment, competitiveness, etc. It should be used consistently as point of comparison when assessing the policy options. Apart from a clear analysis of who will be directly affected and how, the report should also consider any indirect impacts that may be significant. The report should systematically take into account the views of consulted stakeholder groups in discussing impacts.

(6) The methodological section (in the annex), including methods, key assumptions, and baseline, should be harmonised as much as possible across all 'Fit for 55' initiatives. Key methodological elements and assumptions should be included concisely in the main report under the baseline section and the introduction to the options. The report should refer explicitly to uncertainties linked to the modelling. Where relevant, the methodological presentation should be adapted to this specific initiative.

(7) Annex 3 should present a complete summary of costs and benefits with all key information, including quantified estimates.

The Board notes the estimated costs and benefits of the preferred option(s) in this initiative, as summarised in the attached quantification tables.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion **The DG may proceed with the initiative.** **The DG must revise the report in accordance with the Board's findings before launching the interservice consultation.** **If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.**	
Full title	Revision of Regulation (EU) 2019/631 setting CO2 emission performance standards for new passenger cars and for new light commercial vehicles.
Reference number	PLAN/2020/8689
Submitted to RSB on	17 March 2021
Date of RSB meeting	14 April 2021

ANNEX: Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

Table: Overview of benefits

Description	***Amount***	***Comments***
Direct benefits		
Target levels (TL_Med): net economic savings from societal and end-user (TCO) perspectives	*See Sections 6.2.1.1.2 to 6.2.1.1.3 of the impact assessment* *These savings are calculated as the difference, between the policy options and the baseline, of the total costs, averaged over the EU-wide new vehicle fleet of cars and vans registered in 2030, 2035 or 2040. The total costs include the capital costs, the fuel or electricity costs, and the operation and maintenance (O&M) costs of the vehicles. For the societal perspective, they also include the external cost of CO_2 emissions. The end-user perspective is presented for the first user (first 5 years after first registeration) and the second user (years 6-10).* *The impact of the CO_2 standards separately and the impacts of the combined policies are both presented.*	*Main beneficiaries are the end users and society overall.*
Target levels (TL_Med): energy (fuel) savings	*See Section 6.2.1.1.5 of the impact assessment* *The CO_2 emission standards alone will contribute to the 2040 reductions of the final energy demand for cars and vans by 20 percentage points.* *Over the period 2030 to 2050, the stricter target would result in cumulative savings of diesel and gasoline with respect to the baseline of around 890 Mtoe. This is equivalent to around 250 billion euros at current oil prices.*	*Main beneficiaries are the end users.*
Target level (TL_Med): reduced air pollution	*See Section 6.2.1.3.3 of the impact assessment.* *The cumulative cost of the avoided pollutants compared to the baseline in the period 2030 to 2040 amounts to around 46 56 billion euros.*	*Main beneficiaries are citizens, especially those living in urban areas.*

Indirect benefits		
Target level (TL_Med): social benefits	*See Section 6.2.1.2 of the impact assessment:* • *For higher income groups, the preferred target level option does not lead to significant changes as regards the affordability of vehicles. For the lower income groups, there are some affordability restrictions for larger vehicles segments and hybrid vehicles. However, these types of vehicles are generally not purchased by these income groups. BEV remain or become affordable with time except the larger BEV for the lower income groups.* • *From a 'subjective' TCO perspective for the affordable options, lower income groups are projected to see higher savings relative to their annual income. These relative savings increase with higher target levels.*	*Main beneficiaries are lower income groups.*
Derogations for small volume manufacturers: Remove the possibility for small volume manufacturers to be granted a derogation target from 2030	*By removing the derogation possibility, market distortion affecting competition between manufacturers operating in the same segments would be reduced.*	*Main beneficiaries are manufacturers having to meet the stricter targets, which are competing with manufacturers benefiting from the derogation*
Employment	*Macro economic impacts, including employment – see Section 6.2.1.1.7*	

Table 1: Overview of costs

		Citizens/Consumers		*Businesses*		*Administrations*	
		One-off	*Recurrent*	*One-off*	*Recurrent*	*One-off*	*Recurrent*
CO_2 emission target levels ***(option TL_Med)***	*Direct costs*	*N/A*	*See qualitative assessment in Section 3.1 of this Annex.*	*N/A*	*Automotive manufacturers: see Section* ***Error! Reference source not found.*** *of the impact assessment* *Costs are calculated as the difference, between the policy options and the baseline, of the manufacturing costs, averaged over the EU-wide new vehicle fleet of cars and vans registered in 2030, 2035, 2040.* *Fuels suppliers, energy suppliers/grid operators, automotive suppliers, vehicle repair and maintenance businesses:* *See qualitative assessment in Section 3.1 of this Annex.*	*N/A*	*N/A*
	Indirect costs	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*