*The Alliance of European Car Dealers and Repairers represents and promotes the interests of 57,500 franchised dealers and authorised repairers. These companies employ 1,175,000 people.*

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# The European automotive retail industry calls for an ambitious and realistic approach to the transition towards climate-neutral mobility

## Background

In July 2021 the European Commission (EC) released its 'Fit for 55' package. The package consists of 13 legislative proposals altogether aiming at aligning EU climate and energy policies with new climate targets set by the recently adopted Climate Law: a CO2-emission reduction of at least 55% by 2030 compared to 1990 levels, and climate neutrality by 2050.

The announced package further aims at reviewing the content of several existing pieces of EU legislation that have major impact on the well-functioning of the entire automotive value chain, including the automotive retail and repair sector represented by AECDR. Parts of this highly important legislation that is currently being reviewed include the Regulation setting CO2 emission performance standards for new cars and vans as well as the Alternative Fuels Infrastructure Directive (AFID) proposed to become the AFIR.

## AECDR fully supports the EU ambition of a climate-neutral road transport sector by 2050

The European car dealers and repairers are a pivotal part of the automotive industry value chain. They have been so for many decades. With this recognised role in the value chain, car dealers and repairers have provided reliable and affordable mobility solutions to European citizens and businesses for decades.

These European companies are thus key enablers for social interaction and sustainable economic growth in Europe while fully supporting the EU vision of climate neutrality in 2050. European car dealers and repairers do not only provide with a palette of mobility solutions from OEMs around the world but are also the interface for end-users (consumers) of the car.

As it stands, climate neutrality in the road transport sector is highly dependent on the role of European car dealers and repairers as these companies are the imperative link between the OEMs and the end-users of green mobility services. Therefore, AECDR urges EU policy makers to consider this essential sector as an allied in the fight against climate change in the creation and amendment of regulatory areas of importance to the automotive industry.

## The shift to clean mobility must include various fuel types

While AECDR acknowledges the efforts made by the EC to transfer the ambitious climate objectives of the new climate law into a comprehensive legislative package ('Fit for 55'), European car dealers and repairers are concerned that the one-tech-only approach - where battery electric vehicles are promoted exclusively – may diminish the size and complexity of the challenges in this transition from internal combustion engine (ICE) vehicles to electric vehicles (EVs).

Where the electric powertrain may be the winning technology for passenger cars, a complex and multi-modal mobility system makes it difficult – if not in some cases impossible – to currently rely solely on electric powertrains as the short-term solution for most commercial vehicles. The choice of powertrain must be chosen in accordance with the intended use of the chosen vehicle.

Therefore, it is critical for the EC to acknowledge that certain vehicle use types, such as long-distance transport, construction, and others, are better off with for example biogas vehicles or hydrogen vehicles in the coming years rather than with the available electric vehicles.

Despite a rapid transition from ICE vehicle sales to EV sales during the coming decade, most of the vehicles in the European running fleet (car parc) will still be ICE vehicles by 2030. Our forecasts show that at least 70 percent of the European fleet (passenger cars, light-duty commercial vehicles and heavy-duty commercial vehicles) will still be ICE vehicles by 2030. This is especially due to the important fact that the electric powertrain is not currently the short-term solution for heavy-duty commercial vehicles, which must cover long distances or must cover heavy loads of goods.

Therefore, if the decarbonization strategy of the EU is to become more ambitious and not least more comprehensive as well as realistic, EU policy makers must set up new climate policy initiatives that recognize the benefits of renewable and low-carbon fuels for the existing car parc. Such initiatives should stand side by side with the mentioned favourable ecosystem for EVs, while neither one of these can stand alone to reach the vision of climate neutrality by 2050.

Further, it is imperative for the promotion of EVs into the European car parc that EU member states promote demand complementary to initiatives that facilitate the increase of the EV production. To do so, the EU needs to develop the charging infrastructure network, eliminate, or reduce taxes on the purchase of vehicles and increase subsidies.

## Risks of an EVs-only approach in EU policymaking

As electric vehicles are not suitable for all mobility needs, the EU risks a range of negative consequences if policy makers do not manage to amend the first version of the 'fit for 55' package to include fuel types other than electric vehicles.

**<u>Risks for private and commercial users</u>**

- Imposing specific technologies will inevitably limit vehicle users' choices, which among other consequences may constrain innovation – especially specific commercial use types may be limited as previously mentioned.
- In the absence of EU-wide coherent financial as well as non-financial incentives, higher prices of EVs (as compared to ICEV alternatives) will undoubtedly have a negative impact on the freedom of mobility of users with limited financial resources.

**Risks for the automotive distribution industry**

- As a consequence of the proposed review of the CO2 standards regulation from the 'Fit for 55' package, OEMs may be subjects to more stringent EV sales targets. This can only correlate with the respective market growth. In the absence of solid and swift demand of EVs – supported by sufficient charging infrastructure and an EU-wide uniform incentive framework –, there are risks of a dangerous misalignment between the types of vehicles present at the dealerships (i.e., EVs which the automotive dealers buy because they are imposed to do so by the OEMs) and the vehicles that vehicle users are willing to buy.

- Furthermore, the significant investments that automotive dealers and repairers are already allocating to for example train their employees, improve buildings and equipment at the dealerships etc. to make them profitable with an EV value proposition are all risked remaining unamortized for a longer than normal period in the absence of the above-mentioned EV demand.

**Risks for the EU (internal market and societal affairs)**

- There is an imminent risk of market fragmentation across the EU if the question of affordability and access to sufficient infrastructure is not handled in all member states. Recent figures[1] show that the different levels of GDP per capita determine different speeds of EV adoption across the EU.

- There is a real risk of failure to meet the ambitious climate goals due to a combination of factors if EU policy makers do not work with a holistic approach to decarbonizing the transport sector:

    - EU policy makers should be fully committed to recognize the LCA (Life Cycle Assessment) of all vehicle types. LCA requirements should take the carbon contribution of each step of the vehicle lifespan into due account – including production, usage, and end of life-processes. For example, EVs do not make sense in a climate discussion if the electricity used is not 100% renewable.

    - EU policy makers should recognize the pivotal role of renewable and low-carbon fuels in order to decarbonize the existing ICEV fleet.

- There is a risk of heavy dependence on raw materials and technologies sourced and provided by companies mainly located outside Europe. This dependence not only introduces an uncontrollable variable into one of the main European industries, but it also opens the doors to unfair competition.

## AECDR calls for an ambitious yet realistic approach to the transition towards climate-neutral mobility in Europe

AECDR urges EU policy makers to approach the 'Fit for 55' initiatives with a realistic and comprehensive strategy that recognizes and includes all technologies (EVs, FCEVs and, especially for commercial vehicles, also ICEVs) as well as various fuel types (electricity, renewable and low-carbon fuels such as hydrogen, biomethane, e-fuels, etc.), which are all effectively able to contribute to the decarbonization of mobility in Europe.

[1] Electric cars: lower-income countries fall behind, with uptake linked to GDP per capita https://www.acea.auto/press-release/electric-cars-lower-income-countries-fall-behind-with-uptake-linked-to-gdp-per-capita/

## Overall AECDR recommendations to EU policy makers

a) The ambitiously proposed 55% CO2 emissions reduction target for cars by 2030 will be very challenging for European OEMs to reach, and certainly requires a corresponding binding target for member states to build the required charging and refuelling infrastructure. The objective of 3.5 million charging points by 2030 is not sufficient to support the projected size of the vehicle fleet.

   Furthermore, and maybe even more crucial for reaching the 55% target, it is not just a question of the number of charging points but also a question of charging capacity. Therefore, AECDR proposes that the EU sets national requirements of High-Power Charging points (<150 kilowatts per hour) to reach the demand for infrastructure across all types of vehicles from passenger to light- and heavy-duty vehicles.

b) Besides the number and capacity of charging/refuelling points it is also important to ensure that the right level of green energy is provided by the energy grid.

c) It is necessary for the EU to implement a structural and consistent EU-wide incentive scheme for both private and professional users, which could make alternatively fuelled vehicles competitive against their traditional alternatives while avoiding the market fragmentation and the situations of mobility poverty.

d) The most useful and realistic methods to measure the effective impact of all mobility-related policies on climate should be adopted across all areas. AECDR finds that the current 'Tank-to-Wheel' approach is far too narrow as it does not include some key parts of the vehicle's life cycle. Instead, other methods that imply a more complete analysis (for example 'LCA', 'Well-to-Wheel') in combination with voluntary schemes such as the 'crediting system', which account for the positive role of renewable and low-carbon fuels, should be adopted.

e) All green alternatives to the electric vehicles that can help to achieve the EU decarbonization objectives must be considered. Researchers say[2] that there are other options to consider, such as hydrogen vehicles (with either a hydrogen as a fuel or within fuel cells) and biofuels-based vehicles. Therefore, AECDR believes that the EU cannot close the doors to our future mobility while leaving aside other viable green technologies.

f) The new CO2 targets will significantly speed up the structural transformation of the automotive value chain – not least in the distribution link of the chain. This will further require careful management by EU policy makers to minimize the impact of the economies and European jobs within the sector.

g) The risks of market fragmentation across the EU should be reduced by linking the subsidies for EV affordability and access to sufficient infrastructure with GDP growth.

[2] Decarbonisation of transport: options and challenges - EASAC policy report 37 - March 2019
https://easac.eu/fileadmin/PDF_s/reports_statements/Decarbonisation_of_Tansport/EASAC_Decarbonisation_of_Transport_FINAL_March_2019.pdf
Towards an effective EU framework for road transport and GHG emissions – CEPS special reports – July 2016
https://www.ceps.eu/wp-content/uploads/2016/07/ECH%20Transport%20CEPS%20Special%20Report.pdf
VISION 2050 A strategy to decarbonize the global transport sector by mid-century – INTERNATIONAL COUNCIL ON CLEAN TRANSPORTATION – September 2020
https://theicct.org/sites/default/files/publications/ICCT_Vision2050_sept2020.pdf

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