

THE AUTOMOTIVE INDUSTRY'S PROPOSAL FOR AN EFFECTIVE STRATEGIC DIALOGUE ON THE FUTURE OF THE EUROPEAN AUTOMOTIVE INDUSTRY

The EU auto industry fully supports the EU's 2050 climate neutrality goal and the shift to zero-emission transport and mobility. We have already committed over €250 billion to this transition—more than the GDP of several member states combined.

Our goal is to remain a strategic pillar of EU economic growth, supporting nearly 13 million jobs across the automotive value chain. However, we must secure this role now. Without a reality check, the European Green Deal risks failing to transform decarbonization into a green, profitable business model.

We welcome this Strategic Dialogue as an opportunity to drive tangible progress for our industry's competitiveness, following the recommendations of the Draghi report. There's no time for more reports—it's time for action.

For the Strategic Dialogue to deliver meaningful impact, discussions and regulatory approaches must align with the following principles:

- **Market-oriented and demand-driven policy:** Measures to stimulate demand for light-duty and heavy-duty vehicles (LDVs and HDVs) are urgently needed. The automotive industry has already invested in zero-emission technologies, and the threat of penalties does nothing but eat away at its ability to reinvest in the transition.
- **Coherence and synchronization of measures:** The transition can only succeed if ambitious climate targets are supported by appropriate recharging and refuelling infrastructure, the right carbon price, and purchase and fiscal incentives, among other key factors.
- **Electromobility is at the forefront of the transition;** however, keeping a technology-open approach remains critical to achieving decarbonization without limiting innovation.

The first urgent priority of this Strategic Dialogue should be addressing the 2025 CO₂ target compliance burden for light-duty vehicles in light of sluggish EV demand. Battery electric vehicle (BEV) market share dropped from 14.6% in 2023 to 13.6% in 2024, instead of accelerating toward the expected 25%. The situation for vans is even more critical. Without a practical solution to this issue, further discussions on other subjects will be increasingly difficult. Let's tackle this pressing challenge first and propose concrete solutions to alleviate the threat of penalties for light-duty vehicles at the kick-off meeting.

Dedicated attention must be given to the specific challenges for passenger cars, vans, and the heavy-duty vehicle sector (trucks and buses). With a market share of only 2.2% for zero-emission heavy-duty vehicles in the first nine months of 2024, only early adopters have so far invested and the necessary enabling conditions for their widespread market adoption in this segment are lacking. At least 1/3 of all new registrations for this segment must be zero-emission by 2030 to meet CO₂ targets.

Priority topics to address:

Short-term (immediate, first meeting)

- Urgently resolve the 2025 CO2 target compliance burden for light-duty vehicles to ensure no penalties will be incurred.
- Accelerate the reviews of the CO2 Regulations for light-duty vehicles and heavy-duty vehicles, based on the assessment of the availability of the enabling conditions, market and value chain realities.
- Define the priorities for the Automotive Industrial Action Plan and ensure its coherence with the Clean Industrial Deal
- Discuss an EU-wide purchase incentive scheme for cars, and dedicated measures to stimulate demand for zero-emission heavy-duty vehicles.
- Assess the negative impact of trade tensions with US and China on the EU automotive industry and how to avoid them
- Urgently create transparency on the availability of enabling conditions, notably for heavy-duty vehicles, where information is largely absent. Establish a robust regular (6-monthly) monitoring of the state of a comprehensive set of enabling conditions.

Mid-term

- Provide input to the Automotive Industrial Action Plan
- Review the development of the local battery value chain in the EU
- Prepare the introduction of streamlined principles for simplified regulatory frameworks affecting the automotive sector, such as:
 - a 3-year lead time between final regulation and implementation for cars and vans, and 7 years for heavy-duty vehicles;
 - apply new horizontal & vehicle specific legislation only for new types of vehicles and not retro-actively request modifications to already type-approved vehicles;
 - establish a one-stop-shop “Regulatory Observatory” within the Commission’s Secretariat General to upfront assess consistency of new proposals

Long-term

- Provide input to an accelerated review of all relevant pieces of legislation for decarbonisation as key enabling framework conditions (AFIR, EPBD, REDIII requirements to speed-up the decarbonization of fuels, input to the Fuels Strategy, implementation of the Energy Taxation Directive and the ETS-2 in Member States, workable business case-led design of an initiative to green corporate fleets with a different approach to the needs of light-duty and heavy-duty vehicles etc.)

- Define the EU automotive workforce needs for transition, prepare the establishment of the Automotive Skills Academy to address workforce needs in areas like EV maintenance and cybersecurity.
- Discuss financing of the green transition's automotive value chain/pre-competitive R&D needs under the next MFF
- Address the state of the grids for the charging needs of the transport sector
- Prepare engagement with CRM-rich countries (trade and partnership agreements).

Regarding the format of the discussion, we would like to propose the following:

- All vehicle segments must be adequately represented, and manufacturers and suppliers with a substantial industrial footprint in the EU must all have a seat at the table.
- The Strategic Dialogue should conclude swiftly with a clear list of actionable items for the Commission to implement. Regular six-monthly progress monitoring reports must follow to ensure accountability and track progress.
- Permanent participation and leadership of Commission President or a key member of Commission Cabinet (clearly designated for this role) supported by Secretariat General to ensure the relevant Commission services are involved and consulted. Each institution should be represented by four officials in plenary meetings to keep the discussion focused.
- The Dialogue should cover short-, mid- and long-term priorities with a focus on the industry's competitiveness. The agenda should allow flexibility to address emerging challenges, such as potential U.S. tariffs on EU vehicle exports.
- The recommendations from the Draghi report on improving industrial competitiveness should serve as the "North Star" guiding the Dialogue's outcomes.
- Plenary meetings involving Commission President and automotive industry CEOs (OEMs, suppliers) should be held quarterly; working level meetings (Heads of Cabinets, Director Generals, Heads of Associations, company sherpas) in between to take stock of the progress and prepare a new plenary meeting.

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