

Other recent meeting with CLEPA involvement:

CLEPA/industry members participated:

- Structured Engagement with Industry” calls organised by Ccsr Breton on 26 March and 26 April
- Call with Ccsr Schmit and automotive industry on 7 May
- Call with VP Timmermans and Ccsr Breton and ACEA/CLEPA/OEMs from mid May

General background

I. General information about CLEPA

The automotive supplier industry in Europe represents over 3,000 companies supplying state-of-the-art components and innovative technology solutions, employing about five million people across Europe, in large as well as small- and mid-sized enterprises, representing annual revenues of 600 billion euros. The industry invests 25 billion euro annually in RD&I, making it the EU’s largest private investor in innovation and a crucial defender of European competitiveness.

II. Automotive Recovery

Commission position on demand purchasing/scraping schemes

- Given the severity of the crisis in the automotive ecosystem, targeted actions are necessary. A coordinated approach at EU level meeting the automotive ecosystem’s needs at large is desirable.
- Support to the automotive industry and to the purchasing and scrapping schemes can be enabled by the recent Next Generation EU proposal¹ and more particularly its Pillar I “European Recovery and Resilience Facility (ERRF)”.
- EU Member States will have to submit their plans together with their National Recovery Plan as part of the EU Semester. The plans will be examined by the Commission based on their coherence with the long-term strategies of the Union –including the Green Deal priority- and the Member States’ national Energy and Climate Plans.
- Three key axes that focus on making Europe and its economic ecosystems, in line with industrial policy strategy will also be considered: (1) more resilient and more autonomous; (2) more digital; (3) greener and more circular.
- As regarding impact and conditions: attaching green strings as well as digitalization and resilience conditions to the EU Member States’ national plans will have a double positive effect on boosting production and demand but also on accelerating car manufacturers’ progress in their 2020/2021 CO2 emission performances. Similarly, Member States’ solutions to take the best opportunities for channeling investment in R&D, new technologies and green transformation will be supported. We need to turn the recovery

¹ Communication COM(2020) 456 final

into an opportunity to modernize our economy and accelerate the green and digital transitions.

- An EU action should also result in ensuring access to mobility for all consumers (and not only the better off): it will support Member States plans in delivering more commensurate financial support and address gaps preventing less affluent consumers to enjoy mobility at affordable price.
- Level of financing support for the automotive and implementation timing challenge
- As regards the level of financing, the current Commission proposal builds on a prior targeted and commensurate assessment of the ecosystem needs. The timing is ambitious as the Next Generation EU Package announced implementation date is January 2021. The EU Parliament and EU Council will now have the responsibility to find an agreement as soon as possible on the reinforced long term MFF for the EU 2021-2027. We need a swift and large consensus so that smooth and efficient implementation follows at EU Semester level.

Regulatory deadlines

- Postponing regulatory deadlines, especially if this implies a rollback of our Green deal targets and the Paris agreement on climate is not a way forward. Strict environmental legislation is the best way to promote competitiveness and innovation. It is also important to ensure the trust of citizens that the EU can improve their health and environment.
- For this reason, pragmatic solutions in the respect of the existing deadlines should be explored together with Member States. As an example, the Commission is supporting Member States Type-Approval authorities to develop a coordinated approach with regard to remote testing. Flexibilities are also under consideration with regard to end of series vehicles for which sales have been delayed due to the closure of the dealers networks.

Outlook for the future/policy and financial incentives for clean mobility – Link with wider mobility and transport agenda

- Reflections are also in progress on how to support the strengthening of the EU value chains and limit dependence on other markets in line with the recently adopted Industrial Strategy.
- Adjusted actions on upskilling and skilling are planned both for the shorter and longer term, including an updated Skills Agenda (foreseen for July 2020) and mobilising all stakeholders to invest in re- and upskilling, with a focus on most affected competencies.

III. Green Deal policy areas of work

EURO 7

- The preparatory work for the future Euro 7 standards on pollutant emissions from motor vehicles has started. In this respect, a conference was organised with all stakeholders in

October 2018 and several scientific studies were launched in 2019. This work will be complemented by public consultations and impact assessment in 2020. The proposal is expected in 2021. Entry into force is not expected before 2025.

- Euro 7 will be, in all likelihood, the last emission standard for internal combustion engines because the plan is to make these standards exhaustive (i.e. regulate all possible pollutants of relevance) and to ensure lifetime compliance through the use of sensors. At the same time the share of vehicles with internal combustion engines is expected to decrease rapidly in the future.

CO2 standards for cars and vans in the EU

- Contrary to other sectors, greenhouse gas emissions from road transport have not been decreasing since 1990. CO2 emissions from light-duty vehicles, i.e. passenger cars and vans, account for around 15% of total EU CO2 emissions, and they are increasing. While the EU CO2 emission standards, that have been in place for a decade, initially led to lower emissions, the average fuel-efficiency of new cars has not improved since 2016. Furthermore, zero- and low-emission vehicles represent less than 2% of the new fleet.
- Over the next decade, the transition towards low-emission mobility needs to accelerate in view of the objective of achieving a climate neutral economy by 2050. Throughout this process, it needs to be ensured that the EU automotive sector remains competitive and that the transition is a just and fair one.

CO2 standards for cars and vans and CO2 standards for trucks

- Under the current Regulations, stricter targets for new cars and vans will start to apply in 2020. In case they were to exceed the target, the manufacturers concerned will have to pay fines.
- For cars and vans, the new Regulation (EU) 2019/631 contains progressively stricter CO2 emission targets for 2025 (-15% versus 2021) and 2030 (-37.5% for cars, -31% for vans versus 2021). It also contains an incentive mechanism for zero- and low-emission vehicles and a strengthened governance regime.
- In order to incentivise the uptake of zero- and low-emission vehicles (ZLEV, defined as vehicles with tailpipe emissions of less than 50g CO2/km), a “bonus-only” crediting system is introduced from 2025. This means that the specific CO2 emission target of a manufacturer will be relaxed if its share of ZLEV exceeds the benchmark levels set in the legislation. The benchmark levels are the following: for cars 15% in 2025 and 35% in 2030; for vans: 15% in 2025 and 30% in 2030.
- New elements have been introduced with the aim of reinforcing the effectiveness of the Regulation and ensuring that the emission test procedure yields results which are representative of real-world emissions, such as new rules for in-service conformity and the assessment of real-world emissions by on-board fuel and/or energy consumption monitoring devices (OBFCM)

- In order to prevent the gap between emissions tested in the laboratory and real-world emissions to increase, the Commission shall regularly collect data on the real-world CO2 emissions and energy consumption of light-duty vehicles using OBFCEM. The Commission shall monitor how that gap evolves between 2021 and 2026. On that basis, the Commission shall assess the feasibility of a mechanism to adjust the manufacturer's average specific CO2 emissions as of 2030.
- Elements for cost effective implementations: different mechanisms are included to support a cost effective implementation. They include the pooling mechanism, the eco-innovation scheme, derogation schemes for manufacturers registering low number of vehicles in Europe.
- The Commission will need to closely monitor the implementation of the existing legislation and engage with manufacturers to ensure compliance with the 2020/2021 targets and, where needed, take adequate enforcement action.
- The Commission will develop in the next 2 years several delegated and implementing acts to ensure the effective implementation of the new Regulation, esp. in the area of real-world emission monitoring and the verification of emissions of vehicles in-service.
- For trucks, new binding EU fleet-wide CO2 emission targets have been set for the first time in Regulation (EU) 2019/1242: -15% for 2025 and -30% for 2030 compared to 2019 baseline. The targets cover the largest vehicles, which account for about 70% of the sector's CO2 emissions. The Regulation also contains an incentive mechanism for zero- and low-emission vehicles as well as a solid governance regime.

III. Digitalisation

- The car sector at the forefront on digitalisation. Historically, It is been one of the most automated sector for manufacturing (robots). Now the development of automated/connected cars is accelerating the on-going changes in the sector from selling cars to selling services around the car, thereby blurring the line between traditional car makers/suppliers and services providers (repairers, mobility providers and application platforms such as Google). Given the volume at stake (15 million cars sold every year) and the fact that cars are moving everywhere in Europe, the sector could be sued as a locomotive for deploying the digital market.
- CLEPA members are already leading in increasingly automated driving systems (e.g. automated braking today and fully automated driving on motorway expected this year). On the connectivity side, they need to compete/cooperate with the mobile phone industry, so it sometimes creates frictions (see the conflict on standard for essential patents between Continental/Nokia). On data they are also challenged by the IT industry coming from digital platform (Google, Apple).
- We support the industry with research programmes (e.g. a PPP on automated driving in the next Horizon Europe programme) and legislation for the internal market (see the recent Regulation 2144/2019 on safety/cyber rules for automated vehicles) that can be projected at the international level (mostly UNECE). Since car data will be the source of

future services around the car, we also announced in the data strategy a legal framework in 2021 on the access and sharing of car data.

IV. EU Industrial Strategy

- Even though the New Industrial Strategy for Europe was published already amidst the Covid-19 crisis (10 March 2020), it will stay relevant in guiding the EU policy response to the Covid-19 crisis and relaunching the economy.
- The European Green Deal remains key growth strategy of the EU and also represents a key element of the exit strategy for the automotive sector. All industry value chains will have to reduce their carbon footprints and accelerate transition to carbon-neutral economy by adopting affordable and clean technology solutions.
- In the automotive sector, the focus will stay on sustainable and smart mobility while strengthening the competitiveness of European industry. The recovery plan for automotive industry will respect the outline of the New Industrial Strategy, with efforts on sales of no- and low-emission vehicles. One of the key elements of the New Industrial Strategy is also increasing Europe's strategic autonomy and reducing dependence on other markets in relation to critical goods, materials and technologies. In the automotive industry, the strengthening of the EU value chain and limiting dependence on other markets, especially in relation to goods and raw materials needed for the production of clean vehicles (e.g. batteries), will also be crucial.