

**Director General Petriccione
Meeting with AmCham EU
Brussels, 25/07/2018**

Meeting with AmCham EU

Scene setter:

AmCham EU (American Chamber of Commerce to the European Union) speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters.

EU ETS: Carbon Leakage and Free Allocation

The Commission is preparing for implementation of the revised EU ETS legislation. During the next 3 years several steps need to be taken in order to implement the framework as outlined in the revised Directive for the smooth start of Phase 4. In this process we work with Member States, industry and other relevant stakeholders.

As the first milestone for the implementation of ETS free allocation rules for phase 4, a Commission Notice was published on 8 May presenting the **preliminary Carbon Leakage List**, based on quantitative assessments following the criteria set out in the revised EU ETS Directive. The Carbon Leakage List determines if installations of a sector receive 100% or 30% free allocation of the benchmark level. The preliminary list identifies 44 sectors for immediate inclusion in the carbon leakage list and 28 sectors eligible for the second-level assessments. The legal act with the final carbon leakage list is foreseen to be adopted in December this year. Few of the around 100 sector falling off the list complained at various levels. Previously, the tyres sectors used AmCham EU to promote their inclusions in the carbon leakage list. However, at a bilateral meeting with the tyres association on 19 July, they announced not to proceed with the efforts for inclusions in the carbon leakage list and instead, to focus on eligibility of their sector for the upcoming state aid guidelines for indirect cost compensation.

In parallel, we are updating the rules to determine the level of free allocation received by industry. We plan to adopt this delegated regulation in autumn 2018.

In autumn, we will start preparing an implementing act on allocation changes due to production level changes, this act will allow for a better alignment between production levels and free allocation, reducing the risk of windfall profits or of shortage of allowances.

While the scope of the product benchmarks will not be modified, the values will be updated in 2020 in order to reflect technological progress of the last decade. The benchmark values will be updated by comparing their values during phase 3 of the ETS with the current efficiency of installations based on data for 2016 – 2017, collected by Member States in 2019. An annual reduction factor of between 0.2% and 1.6% will be applied to each benchmark, reflecting the efficiency gains during the last decade.

The involvement on stakeholders in this process is essential; we have established a Commission Expert Group on Climate Change Policy with 24 members representing European industry and civil society plus representatives of member states. The group will discuss the legal acts needed for the implementation of phase 4. There were already two meetings (14/15 June and 17 July) focusing on the first draft of the new free allocation rules delegated Regulation.

CO2 emission standards for light- and heavy-duty vehicles

- The Commission's proposal setting CO₂ emission standards for cars and vans for the period after 2020, which was adopted in November 2017, is currently being discussed by the European Parliament and the Council.
- AmCham EU has issued a position paper on the proposal in May 2018, stressing the importance of feasibility, technology neutrality and taking an integrated/holistic approach, and highlighting following issues:
 - Switch to new WLTP test procedure is challenging and will add to the stringency;
 - Proposed targets are too ambitious and do not ensure technological and economic feasibility, cost-efficiency and technology neutrality;
 - Recognise the difference in CO₂ reduction potential between cars and vans by creating separate feasible targets for each;
 - Recognise potential of measures other than vehicle technology (fuels, etc.);
- Regarding the recent Commission proposal for CO₂ emission standards for heavy-duty vehicles, AmCham EU has not yet issued a position.

Key messages:

Carbon Leakage and free allocation

- The results of the carbon leakage assessment reflect the degree of carbon leakage exposure as expressed by the modified criterion set by the revised ETS Directive: Instead of meeting one out of two separate criteria expressing trade and emissions intensity, one combined criterion – based on trade AND emissions intensity – needs to be met to qualify for the 2021-2030 carbon leakage list.
- As a result, around 100 sectors will no longer appear on the carbon leakage list. The vast majority of these sectors have low emissions and they qualified for the 2015-2020 carbon leakage list only due to the trade intensity criterion.
- A shorter carbon leakage list is politically desired to avoid the application of the 'cross sector correction factor' which reduces free allocation to all sectors including the most exposed ones.
- Due to the low emissions, the economic impact on the sectors no longer appearing on the carbon leakage list is limited. They are still eligible to receive free allocation, just at a lower level. Furthermore, the ETS offers attractive sources for industry to support the transition to a low-carbon economy.
- When implementing the Directive, the Commission follows strictly the parameters and calculation method set by the co-legislators. Method and data sources used for all 250 sectors assessed are fully in line with two previous carbon leakage lists (2013-2014 and 2015-2020).

Contact point: [REDACTED] CLIMA [REDACTED] [REDACTED]

CO₂ standards for cars and vans

- The Commission proposal strikes a balance between three main objectives that were considered together: (i) environmental objectives; (ii) savings for consumers; (iii) employment.
- The intermediate 2025 target is crucial to ensure that investments already kick-start now, while the 2030 target gives stability and long-term direction to keep up these investments.

- The proposal is now being discussed by the co-legislators. So far, we see quite diverging views emerging in the European Parliament as well as in the Council. Many have called for more environmental ambition.
- It is essential that an ambitious but realistic proposal is adopted during the current legislative term. We must not lose time so that the sector can contribute fully to the achievement of our Paris commitments and that we provide certainty for the manufacturers and suppliers concerned.

CO₂ standards for HDVs

- The Commission's proposal for EU-wide CO₂ standards for HDVs is another crucial step towards reducing greenhouse gas emissions from the road transport sector.
- The binding 2025 target of 15% reduction reflects the application of technologies, which are mature and deployed, while the aspirational 2030 target of 30% reduction takes account of technologies that need further development.
- An early review in 2022 will allow to exploit data available by then to set a binding 2030 target and to expand the scope to other HDV categories, such as buses and coaches, smaller lorries and trailers.
- It is essential that this Regulation is adopted during the current legislative term.

Contact point CLIMA. 


Long-term strategy

- Preparing a Long-Term Strategy for greenhouse gas emissions reductions is **our commitment under the Paris Agreement**. We prepare the strategy

already now, well ahead of the UNFCCC deadline for delivery (2020) because we want to **build on the momentum** of securing the 2030 ambition and **lead by example** in delivery of the Paris Agreement.

- The strategy **will not set targets or legislative proposals** but rather analyse **multiple decarbonisation pathways**. But the Commission does not want the Strategy to be **a mere exercise of trajectory setting either**. It will reflect on the vision of a competitive, GHG neutral European economy in the long-term, which will **work for all Europeans**. It will shed light on a socially fair transition induced by the transformation across key economic sectors.
- The strategy will provide **insights for industry** into the potential of various technologies, the innovation and R&D needs as well as the magnitude of investment needs.
- The **energy transition** will be in the spotlight because of the changes needed in the energy system.
- Many industries and the energy sector in particular have already started incorporating European energy and climate policies in their long-term strategy. **Every major industrial sector has a decarbonisation roadmap**.
- These transformations will provide **opportunities for creating jobs and growth, modernising the economy and strengthening the EU's competitiveness**. They would also reinforce the EU's global leadership in the fight against climate change by providing solutions for global partners. The transitions will also entail **benefits in terms of quality of life and the environment**.
- The strategy will address **inevitable challenges** such as a need for a strong research and innovation push, necessary policy frameworks or sufficient private and public investments. It will also consider impacts on citizens, businesses and regions that stand to be negatively affected by decarbonisation.
- We want this Long-term strategy to be **an inclusive exercise involving stakeholders and Member States**. The Paris Agreement has very high support of citizens and so has to be the EU Long Term Strategy. The Commission will **include the opinions, expertise and visions of all stakeholders** when preparing the strategy.

- On 10 and 11 July, the Commission held a **High-Level Event on the EU vision for a modern, clean and competitive economy**. The event brought together policy makers and speakers from consumer organisations, stakeholders, researchers and academia, NGOs, and others, in order to debate the long-term strategy. A second public event should take place shortly after the summer.
- All stakeholders are invited to **bring their know-how and vision to the stakeholder consultation** on the long-term strategy. The **online consultation was launched on 17 July** and is open until 9 October. The aim is to collect views and opinions on the technological and socio-economic pathways that should be explored and gather information, data and knowledge on opportunities and challenges relevant to the strategy.

Contact point: 

Defensive points:

Carbon Leakage and free allocation

The non-appearance on the carbon leakage list puts sectors concerned under strong economic pressure.

- The vast majority of the around 100 sectors no longer appearing on the carbon leakage list have low emissions and they qualified for the 2015-2020 carbon leakage list only due to the trade intensity criterion.
- Due to the low emissions, ETS-related costs of these sectors are rather limited. For example the tyres sector with an annual turnover of about 41 billion Euros emits less than 1.5 million tons of CO₂. With 30% free allocation (and today's carbon price), the annual carbon costs would be around 15 million Euros.
- Also to note that many sectors benefit from an oversupply of free allowance in phases 1 to 3. For example, the tyres sector's accumulated over-supply sums up to around 3.5 million allowances, equivalent to almost three year's annual emissions.

The results of the carbon leakage assessment are incorrect and based on inappropriate data sources.

- The same official data sources and references that were used for the two last carbon-leakage list (2013-2014 and 2015-2020) have been used again this time.
- Data sources include official Eurostat statistics (economic data), the official ETS database (EUTL) for emissions and data provided by Member States (electricity consumption of industry sectors).
- These are well-established and official data sources that have been accepted by all sectors last time.

What if some economically important sectors in the EU fall off the carbon leakage list in Phase 4 because they do not reach the criteria? Will you insist on the technical conclusions of the numerical exercise without giving them another possibility to be assessed by the European Commission?

- The thresholds for the quantitative assessment and the eligibility criteria for second level assessments have been decided by co-legislators. Deviations are not foreseen.
- The economic impacts on the sectors concerns are rather limited, due to their low emission intensity.

How and when have stakeholders been involved in the process?

- The process for determining the sectors which are at risk of carbon leakage has been transparent.
- In preparation of the Commission Notice on preliminary Carbon Leakage List, the Commission held two public consultations and a significant number of bilateral meetings with industry, Member States, NGOs and academics.
- The preliminary carbon leakage list was also presented and discussed with relevant stakeholders at a meeting on 16 May in Brussels organized by the Commission.
- 44 sectors have directly qualified based on the first assessment and 28 sectors and subsectors will be further assessed. Together, these sectors and subsectors represent around 95% of the total industrial emissions.
- In order to ensure transparency, data on trade intensity, direct and indirect emission intensity and the final carbon leakage indicator has been published on DG CLIMA Website.
- DG CLIMA has also engaged in a dialogue and analysed the data provided by any sector which has contacted us.

Tyre sector:

What are the main drivers for the tyre sector carbon leakage indicator result?

- The main reason why the tyre sector no longer appears on the Carbon Leakage List is the changed criterion requiring that a sector product of emissions and trade intensities needs to achieve a threshold value set in the Directive to be in the Carbon Leakage List or be eligible for further assessment.
- Furthermore, the sector's emissions intensity is low, even lower than calculated for Carbon Leakage List in phase 3.

- Contrary to the previous provisions of the ETS Directive for phase 3, the high trade intensity alone is not sufficient to qualify for the Carbon Leakage List in phase 4.

CO2 emission standards for cars and vans

(On particular issues raised in AmCham EU's position paper)

Manufacturers will have great difficulties in meeting the 2021 CO2 target, and the switch to the new test WLTP test procedure is adding to this.

- The EU fleet-wide 2021 target of 95 g CO2/km was initially established in 2009 and the modalities for reaching it were adopted in 2014. Manufacturers have thus had ample time to prepare for meeting it.
- Despite a recent slow-down in progress, we expect to see further significant emission reductions for new cars in the coming years. More efficient conventional engines, hybridisation and electrification will make it possible to further reduce CO2 emissions.
- In addition, flexibility instruments which are embedded in the legislation, such as eco-innovations and super-credits, should support manufacturers to invest in new technologies.
- In brief, we are convinced that car manufacturers will continue their tradition of delivering on their legally required emission reductions as they did for the 2015 target of 130 g CO2/km, which was already achieved in 2013.
- As regards the change to WLTP, we are closely monitoring the situation and supporting type approval authorities during the transition phase.
- A lot of effort has been put into ensuring that the application of the old and the new test procedure will lead to comparable stringency of the existing targets. The “correlation legislation” has been agreed on that basis.
- However, from the data that we have recently received, it appears that manufacturers have ways to inflate their emissions and hence undermine the stringency of the future targets. We are taking initiatives to avoid this and to safeguard the intended effectiveness of the proposed 2025 and 2030 targets.

Why is the emission reduction target for vans the same as the one for cars (15% in 2025 and 30% in 2030)?

- The Impact Assessment shows that economic benefits for users of vans increase with increasing target levels. While upfront costs get higher, they are

always outweighed by increasing fuel savings. This is the case both for the first user, as well as for the second user. This translates into very short pay-back periods. This is particularly important as vans are mainly purchased by small and medium enterprises, for whom fuel costs are a significant part of their overall expenditure (1/4 of their operational costs).

- Furthermore, the additional costs for van manufacturers increase only marginally.
- Overall, the analysis strongly calls for a target of at least -30% for vans, both from an environmental, social and competitiveness point of view.

According to a recent assessment [on behalf BorgWarner, automotive supplier], the Commission's impact assessment has overestimated the emission reduction potential of internal combustion engines.

- The technology cost curves underlying our Impact Assessment have been developed following extensive research and data gathering as well as consultation with experts having various affiliations and backgrounds.
- A range of costs has been considered (high/medium/low), reflecting for example uncertainty over future market uptake and economies of scale.
- Feedback received has recognised that the exercise has been very thorough and the results have not been put into question.
- Past experience has shown that ex ante costs are often overestimated.

A harmonised approach is needed for adapting taxation schemes in Member States to take account of the new WLTP test procedure.

- Road tax is under full national control. Member States choosing to take into account CO2 emissions for this purpose, can currently use all information available for a given vehicle, in relation to either test procedure.
- If WLTP figures are used, the previous tax bins (based on the NEDC values) may be adjusted or not according to national law.

The Commission proposed a 30% emission reduction target in 2030. Why?

- The proposed 30% reduction target is ambitious and realistic. It is the result of a robust and thorough impact assessment. A 30% reduction target provides benefits for the environment, for consumers and for employment:

- A 30% target will help Member States in meeting their 2030 targets for the non-ETS sectors under the Effort Sharing Regulation. It will deliver emission reductions in road transport in line with its cost-effective potential, while leaving space for additional policies, in particular for trucks.
- A 30% target will bring economic benefits for all consumers. The increase in upfront cost to purchase more efficient vehicles is outweighed by increasing fuel savings. For new cars, the net savings over the vehicle's lifetime are up to around €600 when bought in 2025 and up to about €1500 in 2030. The user of a second hand vehicle will benefit as much as the owner of a new car.
- The overall impact on employment of a 30% target is positive, as it allows a smooth transition to low- and zero-emission vehicles. More than 80% of the new vehicles will still have an internal combustion engine in 2030. Plug-in hybrid vehicles are also incentivised by the new crediting system. These vehicles have a higher labour intensity as they have both a classical internal combustion engine and an electric engine. This approach will ensure sufficient time for the re-skilling and up-skilling of workers in the current automotive supply chain.

What does the Commission consider a "zero- and low-emission" vehicle?

- A "zero- and low-emission vehicle" is a vehicle with tailpipe emissions between zero and 50 g CO₂/km.
- This definition is technologically neutral as it relates to the performance of the vehicles concerned and not to a particular vehicle technology. The definition covers vehicles with zero tailpipe emissions, such as battery electric vehicles and fuel cell vehicles, but also other vehicles, with low tailpipe emissions, such as plug-in hybrid vehicles with a sufficient zero-emission range.
- The definition is also differentiating between zero and low emission vehicles by granting more credits to vehicles with lower CO₂ emissions.

Why are well-to-tank emissions and embedded emissions not taken into account, e.g. through a life cycle assessment approach?

- Our approach is based on the principle of "clear responsibilities for clear actors". Legislation on CO₂ emissions for cars and vans applies directly to the

manufacturers and they cannot be held responsible for the type of fuel used in each vehicle.

- Furthermore, one vehicle is not necessarily linked to one fuel type as in many cases the same vehicle can run on several fuels, either conventional fuels, bio-fuels or other low-carbon fuels.
- This being said, it does not mean that we are not taking action to decarbonise emissions from well-to-tank: the ETS reform will ensure decarbonisation of electricity production and the revised Renewable Energy Directive will ensure that more low-carbon fuels will enter the market.

What are the Commission's views on the proposal to allow trading of credits between manufacturers of cars and vans?

- Allowing for the exchange of emission credits between cars and vans poses a risk in terms of distortion of competition between different manufacturers, i.e. those manufacturing both cars and vans vs. those that manufacturer only one vehicle type.
- Furthermore, the environmental integrity of the system should be ensured and for this the differences in mileage between vehicles types need to be considered. This would require agreeing on specific mileage factors depending on the type of vehicle concerned.

Background:

AmCham views on climate policy (general)

- US withdrawal from Paris Agreement
 - AmCham's EU members regret the decision of the President of the United States to withdraw from the Paris Agreement.
 - A stable and predictable framework for investments is necessary and the the Paris Agreement provided such a framework.
- Post-2020 CO₂ emissions standards for cars and vans
 - Policy makers must recognise that the new revised test cycle is accompanied with regulatory challenges that will also add to the stringency.
 - The ambition level should ensure technological and economic feasibility, cost-efficiency and technology neutrality to reduce road transport CO₂ emissions effectively.
 - Policy makers should refrain from setting mandates or imposing a penalty for not reaching the low-emission benchmark.
 - Separate targets should be set for passenger cars and light commercial vehicles to recognise the difference in CO₂ reduction potential.
 - The competitiveness of the automotive industry in the EU should be safeguarded.
- Carbon leakage
 - Carbon leakage remains a risk that cannot be underestimated, particularly the risk of investment leakage which may be less visible but equally damaging.
 - The effectiveness of the protection against carbon leakage has been undermined by the significant and continuous increase of the cross-sectoral correction factor.
- Clean Energy Package
 - Corporate renewable energy purchasing has brought billions of euros of investment and innovation in business model development throughout the world, as well as further ongoing deployment of advanced technologies.

- The Clean Energy Package seeks to change the model for renewable projects after 2020. However, it does not address the hurdles to long-term energy contracts which would allow corporate demand for renewable energy to thrive, based on clear and predictable price signals.
- Corporate investments in renewables in the EU have been lower in comparison to the US, mainly because of:
 - A lack of cross-Member State interconnections.
 - Unclear or inconsistent crediting mechanisms for Guarantees of Origin (GOs) across Member States.
 - Colliding, often duplicative, public and private mechanisms for promoting renewable energy deployment.

1. Cars/Vans proposal

AmCham EU's position (May 2018) – summary of key messages

Recognise that the new Worldwide Harmonized Light Vehicles Test Cycle, is accompanied with regulatory challenges that will also add to the stringency;

- Current estimates indicate that WLTP may result in **>5% additional stringency** in testing after the correlation exercise. For this purpose, to meet the ‘comparable stringency’ principle it is paramount to alternatively permit physical duplicate testing as per today’s NEDC regulations until 2020 in addition to the CO₂MPAS simulation results.
- Until today, there is no clarification from Member States regarding when the **WLTP-based CO₂ value** will be applicable to **taxation** incentives etc. A harmonised approach and implementation with the EU will be necessary to avoid any further confusion.

Set an ambition level that ensures technological and economic feasibility, cost-efficiency and technology neutrality.

- The Commission’s impact assessment projects the share of zero- and low-emission vehicles required to meet the 2030 target to be 20%. However, an in-depth reanalysis of the data shows that the **impact assessment significantly overestimates the CO₂ reduction potentials of conventional technologies**. Accordingly, the required sales share of electric vehicles may be much higher, up to about 35%. This would require an unprecedented transition in consumer demand and expectations, which cannot be guaranteed, even if sufficient affordable vehicle models are on offer. **The 2030 target does not therefore fulfil the feasibility test.**

- An ambition level of **20%-25% fleet average** CO₂ reduction for passenger cars in 2030 based on WLTP, with the actual achievement in 2021 as the baseline level, would be in line with the targets set in other sectors.
- Similarly, the proposed timeframe for the 2025 target is not sufficient to ensure the necessary market shift to alternative fuelled vehicles can take place. This target may be especially difficult to achieve due to the recently reported indication that the 95g/km (NEDC) target in 2021 may not be met. **The mandatory sanction-based 2025 target should, therefore, be revisited** to reflect the current realities and the short lead-time, to give industry the flexibility to make the necessary long-term technology developments and to allow the consumer market-uptake. The long development and production cycles make this target near-impossible to meet, **especially for the van segment**.

Refrain from setting mandates or imposing a penalty for not reaching the low-emission benchmark, to maintain the technology neutrality of the regulation;

- Due to the sliding scale of credits on which the share of ZLEVs is calculated, a full credit is only received for battery and fuel cell electric vehicles, whilst most plug-in hybrids are likely to receive only a fraction of a credit. This is therefore not a technology neutral standard, since plug-in hybrids can achieve average CO₂ reduction potential approaching that of battery electric/fuel cell vehicles, without compromising consumer choices. **The calculation mechanism should be amended such that plug-in hybrids and other low-emission technologies receive an appropriate credit.**
- In order to maintain the technology neutrality of the regulation, a penalty for not meeting the benchmark should be avoided. This would be a de facto technology mandate for electric vehicles.

Recognise the difference in CO₂ reduction potential between passenger cars and light commercial vehicles (LCVs) by creating separate feasible targets for each;

- The proposed CO₂ reductions in 2025 and 2030 could only be achieved through a significant shift to plug-in or fuel cell electric. For the timeframe of this proposed legislation, zero emission LCVs are expected to remain an expensive and restricted solution.
- A feasible differentiation should have been preserved in the legislative proposal, instead of applying the same target to these two very different cases. **The 2030 target for LCVs should therefore be set at a level significantly lower than the 20% to 25% reduction recommended above for passenger cars.**

Recognise the untapped potential of measures other than vehicle technology that can contribute to the reduction of CO₂ emissions in transport, within an integrated approach;

- More investment in **alternative fuel infrastructure** is needed.
- Taking into account the CO₂ reduction contribution from **lower carbon fuels** in the vehicle regulation could be a possible pathway to further reduce emissions from transport during the coming decade and stimulate the use of renewables
- The untapped potential of **intelligent transport systems** should also be further promoted. For example, ecodriving support can save around 7% to 10% CO₂. Traffic signal systems can lead to CO₂ savings of around 5% in urban areas.
- The untapped potential of **connected mobility** should also be further promoted. Vehicle-to-everything (V2X) communication will enable further CO₂ reductions with the condition of a robust regulatory framework on data flows.

Safeguard the competitiveness of the automotive industry.

- Enforcing a particular technological path or unfeasible targets would constrict the ability of the industry to innovate productively and would not enhance the industry's competitiveness.
- Europe is a world leader in the automotive industry and to maintain this high level of technological intelligence the focus should be on realising all available potentials, including the **further potential of conventional engines** alongside the development of alternative fuelled drivetrains. Only by safeguarding past and current investment in the automotive industry will we be able to finance future investments into alternative fuelled drivetrains.

State of play in Council and European Parliament

Date	Event
10/9	EP ENVI vote
2-4/10	EP Plenary vote
9/10	ENVI Council – General Approach

European Parliament

The ENVI Committee draft report was presented by rapporteur MEP Dalli (S&D / MT) on 16 May 2018. It includes in particular amendments to raise the level of ambition.

The amendments tabled indicate that views are quite divergent, not only between different political groups, but also within the same group, possibly also influenced by the specific situations of their constituencies:

The draft opinions presented by TRAN rapporteur MEP Revault d'Allonnes-Bonnefoy (S&D /FR) and ITRE rapporteur MEP Dalunde (Greens EFA / SE) also proposed to increase the level of ambition, but did not find support within these Committees.

The TRAN opinion adopted on 10 July 2018 is mainly based on compromise amendments from EPP, ECR and ALDE. It maintains the target levels proposed by the Commission (15% in 2025 and 30% in 2030) as well as mass as utility parameter.

ITRE did not adopt an opinion on 10 July 2018 due to inconsistent amendments on the target levels adopted during the course of the vote.

The ENVI report is scheduled for adoption on 10 September 2018 by the ENVI Committee, with a view to a Plenary vote during the first week of October 2018.

Council

The Proposal has been discussed during ten meetings of the Working Party on Environment (WPE). Progress has been limited on the main political issues, i.e. the target levels and timing and the incentive for low and zero emission vehicles.

According to the interventions in the WPE, a group of MS (NL, FI, BE, LU, FR, PT, IE, SE, SI) would be in favour of more ambition than in the Commission proposal. Another group of MS (CZ, SK, RO, HU) has highlighted the need for realistic targets to avoid negative impacts on industrial competitiveness. DE has taken a rather neutral stance, pending agreement within the government on its final position.

During the Policy Debate at the 25 June Environment Council, Member States generally reiterated their positions on the target levels and the ZEV/LEV incentive mechanism.

Only 3 MS explicitly called for less ambitious targets, i.e. CZ, SK and HU. A few MS support the target levels proposed by the Commission, but most MS (at least 14) called for a higher level of ambition. The new governments in IT and ES took a more ambitious approach than before.

On the ZEV/LEV incentive, MS were less outspoken, with only a few calling for adding a 'malus' to the crediting system.

DE did not express a position, neither on the target levels, nor on the ZEV/LEV mechanism.

2. CO₂ emission standards for heavy-duty vehicles (HDV)

As part of the third Mobility Package, the Commission has proposed on 17 May 2018 for the first time CO₂ emission standards for HDV. This follows on from the CO₂ certification legislation adopted in December 2017 and the CO₂ monitoring and reporting legislation adopted by the EP and Council in June 2018, which will generate certified CO₂ values for the main lorry categories from 2019 onwards.

In 2025, the average CO₂ emissions of new HDV will have to be 15% lower, compared to 2019. This target is mandatory and can be achieved using technologies that are already available on the market.

In 2030, emissions have to be at least 30% lower. This target is aspirational, giving long-term direction. It will be reviewed in 2022 to incorporate additional information on the new technologies needed to meet this target.

As a first step, the CO₂ emission standards are proposed for large lorries, which account for 65% to 70% of all CO₂ emissions from HDV. In 2022, the scope will be extended to include other vehicle types such as smaller lorries, buses, coaches and trailers.

The proposal includes an incentive mechanism to accelerate the uptake of zero- and low-emission vehicles. A system of super credits will reward those manufacturers who will invest more in innovative technologies, while preserving the environmental integrity of the CO₂ targets. It also includes zero-emission buses, which are needed for cleaner air in cities.

The proposal includes several elements to support cost-effective implementation:

- (i) Banking and borrowing to take account of long production cycles, including a reward for early action, while maintaining the environmental integrity of the target;
- (ii) full flexibility for manufacturers to balance emissions between the different groups of vehicles within their portfolio;
- (iii) vocational vehicles, such as garbage trucks and construction vehicles, are exempted due to their limited potential for cost-efficient CO₂ reduction.

To ensure the effectiveness and enforcement of the targets, different measures are proposed:

- (iv) apply financial penalties in case of non-compliance with the CO₂ targets
- (v) collect, publish and monitor real-world fuel consumption data reported by manufacturers, based on mandatory standardised fuel consumption meters;

- (vi) introduce in-service conformity tests and mandate the reporting of deviations and the introduction of a correction mechanism;

HDV CO₂ emission standards - State of play in EP and Council

Date	Event
29/8	Consideration of ENVI draft report
4/9	Deadline for ENVI amendments
18/10	EP ENVI vote
tbd	EP Plenary vote

European Parliament

Bas Eickhout (Greens/NL) has been appointed as the Rapporteur in ENVI. He has indicated that the Parliament will prepare a draft report before the summer break with the deadline for amendments being 4 September 2018.

Council

The Commissioner has presented the Proposal at the 25 June Environment Council. The Impact Assessment and Proposal have been presented and discussed in the Working Party on Environment (WPE). Discussions in the Council are ongoing. Member States support the proposal and recognise its importance. The Austrian Presidency will aim for a General Approach in the autumn.

Tyres

- The tyre sector carbon leakage indicator (value of 0,121), calculated based on 2013-15 data, is below the 0,15 threshold which is the value above which sectors can apply for a qualitative assessment.
- The lower emission intensity of the tyre sector is the reason why it will not be on the carbon leakage list. At the same time, it is important to note that, even without being on the carbon leakage list, the tyre sector will benefit from 30% of free allocation.
- Therefore the tyre sector is neither identified for immediate inclusion nor eligible to apply for a second level assessment. The tyre sector questions the EC methodology in terms of completeness of electricity consumption data and heat emissions accounting.