

'FIT FOR 55' CLIMATE PACKAGE: AUTOMOTIVE SECTOR

What is the 'Fit for 55' Package?

The 'Fit for 55' Package is the legislative package that will be presented by the European Commission on 14 July in which essential pieces of energy legislation will be reviewed to reflect the EU's increased climate ambition of 55% emissions reduction by 2030.

Which legislative initiatives are most important to the automotive sector?

CO2-emission standards for cars and vans

- Regulation setting CO2-emission performance standards will be reviewed.
- The current 15% reduction from 2025 and 37.5% reduction from 2030 (compared to 2021) will be increased, with a leak showing the Commission's aim to phase out gasoline and petrol cars by 2035.
- Methodology for measurement of emissions and a potential crediting mechanism will impact the automotive sector.

Alternative Fuels Infrastructure Directive (AFID)

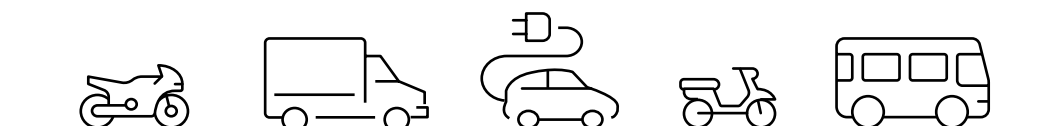
- AFID review to impose stricter requirements on Member States for the roll-out of charging and refuelling infrastructure across the EU.
- Infrastructure will have to match an increasing number of vehicles fuelled by alternative fuels (e.g. electric vehicles (EV), hydrogen, biogas-derived biomethane/liquefied natural gas (bio-CNG/LNG)).

Revision Renewable Energy Directive (RED II)

- The revision of RED II will further increase the renewable energy targets for 2030 towards 38-40% instead of the current 32%.
- The share of renewable energy in the transport energy mix could be increased from 14% to 26%. This will move Member States to more ambitious policies (e.g. stricter admixture obligations) to achieve their renewable energy targets.

Revision Energy Tax Directive (ETD)

- The ETD will be revised for the first time since 2003 and will increase the minimum tax levels in the EU.
- As the ETD harmonises the structure of excise duties for fuels, the revision will significantly impact the road sector.
- The differentiation based on environmental performance that the Commission is considering could further incentivise decarbonisation in the sector.



Revision EU Emission Trading System (ETS)

- Apart from a stricter cap on the EU's carbon market, the EU ETS will be expected to be extended to road transport.
- Car manufacturers will be forced to pay a CO2 price based on their emissions, in addition to existing implicit carbon taxes on road transport.

Revision Effort Sharing Regulation (ESR)

- This regulation setting nationally binding annual greenhouse gas emissions targets for non-Emissions Trading System (ETS) sectors such as transport and buildings will be revised.
- An inclusion of road transport in the ETS could make the ESR redundant for this sector.

Next steps after the publication of the 'Fit for 55'

The Council and the European Parliament are expected to start reviewing the legislative proposals of the European Commission from September 2021. Even though the Commission will have already mapped out its ideal route towards a climate-neutral road transport sector, engagement and dialogue with the co-legislators will still allow changes that will foster the automotive sector's ability to make a successful transition to climate-neutrality. Furthermore, with work in the field of infrastructure (e.g. Trans-European Transport Network (TEN-T) Regulation) and battery technology (e.g. Batteries Regulation) ongoing, the transformation of the transport sector is still in its infancy.

Cicero/amo has extensive experience in supporting automotive companies in the legislative landscape. Please do get in touch to discuss this document in greater detail or if you would like to find out more about how we can support your organisation.

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