

Policy briefing: EU CO₂ emission performance standards for new passenger cars and vans

April 2025

Overview

- Passenger cars and light commercial vehicles (vans) are responsible for around 16% and 3% of total EU territorial CO₂ emissions, respectively. Transport is also one of the only sectors where Europe's emissions have risen significantly above 1990 levels.
- The EU has a regulation that sets CO₂ emission performance standards for new passenger cars and vans. This was updated in April 2023 to bring the sector in line with the EU's legally binding targets of reducing emissions by 55% from 1990 levels by 2030 and of climate neutrality (net zero) by 2050.
- The regulation strengthens the annual emissions targets for new cars and vans from 2025 and sets a 100% emission reduction target – i.e. zero tailpipe emissions – from 2035 onwards. There are financial penalties for manufacturers for non-compliance.
- The European Commission must review the regulation by 2026 and has said it would start preparations in 2025, doing so with 'full technology neutrality as a core principle'. This is in response to negative climate lobbying by the industry to bring forward the review and to allow new internal combustion engine vehicles that run solely on e-fuels beyond 2035.
- Following intense lobbying from EU automotive companies tracked by InfluenceMap, the Commission also put forward a targeted amendment on 1 April 2025. The proposed amendment would shift requirements on automakers from annual compliance to one based on three-year averages for 2025–2027, drawing on the so-called 'banking and borrowing principle.'

Policy timeline

Q4 2022: The EU institutions reached an in principle agreement on amendments to Regulation (EU) 2019/631 ('the regulation'), which sets CO₂ emission performance standards for new cars and vans.

Q1–Q2 2023: Formal agreement was delayed by Germany, which tried to re-open negotiations to allow for the registration after 2035 of new vehicles that can operate solely on CO₂-neutral fuels of non-biological origin, or 'e-fuels'. Germany's position reflected extensive lobbying from automakers.

Q2 2023: The EU institutions formally agreed on the amendments to the regulation as initially agreed. To assuage Germany, the Commission separately committed to developing a solution for enabling the registration of vehicles running on e-fuels after 2035.

Q1 – Q4 2025: Strengthened annual emissions standards under the regulation as currently amended apply. See the background section below for further details.

Q1 2025: The Commission launched a strategic dialogue on the future of the European automotive industry and published an industrial action plan for the sector.

Q2 2025: The Commission proposed a new focused amendment to the regulation, intended to provide manufacturers with flexibility on compliance. If adopted, it would change annual compliance to compliance based on a three-year average with the same targets for the period 2025–2027. After this period annual compliance would be resumed.

Q2 – Q3 2025: The European Parliament and member states are expected to negotiate and agree on whether to accept the Commission's proposed change. This will need to be done quickly for the proposed changes to take effect before the end of this year.

2026: The Commission must review the effectiveness of the regulation and assess whether to change the targets. The Commission has already said that it will start preparations for the review in 2025 and that as part of the review it will propose another targeted amendment to the regulation to ensure a 'technology-neutral approach in which e-fuels have a role to play'.

Background

The regulation sets annual EU-fleet wide CO₂ emissions targets as well as specific emissions targets for each European automotive manufacturer. The EU fleet-wide targets reduce over five year intervals and are:

- From 1 January 2025: On average, new cars and vans registered in the EU must emit 15% less CO₂ compared with the targets applicable in 2021. This equates to a target of 93.6 g CO₂/km for cars and 153.9 g CO₂/km for vans.
- From 1 January 2030: New cars' emissions must be, on average, 55% lower (vs 2021 targets) and new vans 50% lower. This equates to targets of 49.5 g CO₂/km for cars and 90.6 g CO₂/km for vans.
- From 1 January 2035: Both new cars' and vans' emissions must be 100% lower or 0 g CO₂/km.

The annual specific average emission targets of each EU automotive manufacturer are derived from these EU fleet-wide targets. These are calculated based on a methodology set out in the annexes of the regulation.

Based on the current regulations, if the average CO₂ emissions of a manufacturer's fleet exceed its specific emission target in a given year, the manufacturer must pay an excess emissions premium. This is €95 per g/km of target exceedance applied on each of its new vehicles registered that year.

Different manufacturers can agree to 'pool', or act jointly, to meet their emissions target. This must be done with full respect for competition law.

In its communication on an Industrial Action Plan for the European Automotive Sector on 5 March 2025, the Commission said it will propose a targeted amendment to the regulation to give automakers 'additional flexibilities' following lower than anticipated demand for battery-powered electric vehicles in Europe in 2023 and 2024. The amendment was proposed on 1 April 2025. If adopted by the European Parliament and member states, it would allow car manufacturers to compensate an exceedance of the target in one or two years by overachievements in the other year(s) for the three year period 2025–2027 only.

The Commission argues this additional flexibility will help safeguard the industry's capacity to invest in the clean transition while maintaining the 2025 target and keeping the industry on track for the next round of emissions reductions. It also calls on the Parliament and member states to agree on this amendment without delay to ensure certainty for the sector.

Despite these adjustments, the Commission continues to reiterate that the 2035 climate neutrality target for cars creates predictability for investors and manufacturers and that it does not intend to alter it. In 2026, the European Commission must, under a review clause in the regulation, evaluate its effectiveness and assess whether to change the targets.

CO₂ standards for heavy-duty vehicles, such as lorries, buses, coaches and trailers, are covered by a different regulation. Currently, these vehicles are only required to achieve average EU fleet-wide CO₂ emissions reductions of 90% by 2040.

IIGCC work to date

IIGCC has not published any public position on the EU's CO₂ emission performance standards for new passenger cars and vans yet. However, we support the ambition of the regulation as it currently stands and see the maintenance of the 2035 date for 100% emissions reductions for new cars and vans as a critical policy signal that provides certainty for investors.

Policymaker perspectives

European Commission

As mentioned above, the Commission currently wants to maintain the regulation's targets but provide short-term flexibility on compliance for 2025–2027 via a targeted amendment this year. It has also agreed to ensure the regulation gives e-fuels a role to play beyond 2035.

EU member states

It is unclear how the positions of member states have evolved since the regulation was agreed in April 2023 due to multiple elections and a changing broader political climate. Countries that previously expressed reservations about the regulation as agreed included Germany, Italy, Bulgaria, Romania and Czechia.

European Parliament

The largest political group in the Parliament, the centre-right European People's Party (EPP) is divided on how it views the regulation. Some of its members (MEPs) support the Commission's approach of focused amendments while retaining overall ambition. Others wish to see a more fundamental reassessment of the agreed targets – a position most MEPs share in the resurgent hard and far right parliamentary groups. Countering this is support for maintaining the regulation's current targets from the second largest centre-left Socialists & Democrats (S&D) group, as well as the Greens and centrist Liberals. These divisions mean it is unclear what the Parliament's position will be on the upcoming amendments.

Additional Reading

- European Commission's Industrial Action Plan for the European automotive sector [03.2025]
- EPP Group position paper on Securing the Competitiveness of the European Automotive Industry [12.2024]
- InfluenceMap Transport Bulletin covering light duty vehicles CO₂ targets [08.2024]

- Transport & Environment (T&E) position paper on the registration of e-fuel cars after 2035 [09.2023]
- Public letter from Ford, Volvo Cars and a broad industry coalition appealing to the EU to ensure all new cars and vans are zero emissions from 2035 [05.2022]
- T&E briefing on the revision of the EU's car and van CO2 standards [05.2022]