

European Automotive Action Plan: Ensuring Industry Resilience and Leadership

We welcome the European Commission's initiative to address the diverse challenges the industry is facing. While the specifics may differ, the overall structural issues are common across sectors. Fortunately, the groundwork for these solutions already exists.

The Draghi Report clearly addresses the structural challenges undermining EU industry competitiveness. The report underscores the absence of an industrial strategy to complement Europe's ambitious decarbonization goals, which threatens vehicle production, jobs, and supply chain readiness. Regulatory overload (Draghi Report, Part A p. 45, Part B p.146), the lack of technological neutrality (Part B, p. 147), unprepared EV supply chain (Part B, p.153) high energy costs (Part A p.02 & p.37), and fragmented State Aid policies (Part B p. 17 & 125) are among the prime examples of the structural roadblocks the (automotive) industry must overcome. By aligning with the Draghi Report's roadmap, the EU can take immediate steps to enhance competitiveness, preserve strategic autonomy, and ensure the automotive industry's long-term viability. Without addressing these, manufacturing will be pushed further to shift its production outside Europe, costing us GDP, jobs, and innovation potential.

In this context, as representatives of the automotive industry, we appreciate the launch of a strategic dialogue aimed at resolving these issues and remain confident that it will yield tangible results. However, given the urgency of the situation, we ask for immediate actions to tackle critical legislative bottlenecks alongside addressing the structural issues.

At the same time, the market reality remains far from expectations. Multiple external factors—energy costs, the pandemic crisis, international conflicts, high prices, and the state of charging infrastructure—have slowed the transition. While the regulatory framework is crucial, European citizens remain the ultimate decision-makers when it comes to mobility choices. To maintain the competitiveness of the automotive industry and secure affordable and sustainable mobility, EU policies must ensure that purchasing an electric vehicle is not only an environmentally sound choice but also the most economically viable one in terms of total cost of ownership.

1. Regulatory Streamlining and Process Optimisation

1.1. CO₂ Regulation & Market Readiness Adjustment

Current Challenge: The EU's stringent CO₂ emission targets for LDVs and HDVs for 2025 and 2030 impose significant compliance costs on automakers. Pressure on rapid implementation may outpace the industry's capacity to adapt, given current market conditions and infrastructure readiness. BEV market share has stagnated at 13.5% in 2024, and economic stagnation (~1% GDP growth in the next years) complicates compliance. Before addressing the broader issues highlighted in this document, **the European Commission must act swiftly to resolve the most pressing legislative bottlenecks within the next weeks**, using expedited procedures to prevent undue penalisation of the automotive industry. While this will not resolve the root causes, **it will buy crucial time to develop comprehensive, long-term solutions.**

Recommendations:

- a) **Adopt a 5-Year Average Compliance Mechanism** for cars:
 - o Replace annual compliance with a **5-year average system** to allow flexibility and reduce administrative burdens for all involved, including the Commission and Member State authorities.

- Recognise that the overall target and increase of clean vehicles on European roads remain unchanged and even promotes wider adoption of clean mobility solutions in the same timeframe as it allows gradual adoption in line with market demand and charging infrastructure rollout.
- Furthermore, this approach should neither disrupt existing pooling agreements nor impose mandatory extensions of these arrangements, ensuring that manufacturers retain the flexibility to navigate compliance strategies based on their specific needs and market conditions.
- b) **Re-introduce phase-in mechanism as an alternative to point a):**
 - Introduction of a phase-in of 90% in 2025 and 95% in 2026 as previously applied in 2020 and 2021 could be considered as a suitable, short-term alternative to mitigate the pressure and the threat of penalisation for OEMs.
- c) **Specific measures for vans:**
 - **Given the specific challenges faced by the Light Commercial Vehicles (LCV) market, limited incentives and even slower market uptake of electrified vans to date, it is critical to introduce multiple flexibilities for this segment, in addition to the 5-year average compliance mechanism.**
- d) **Advance CO₂ Regulation Reviews LDV and HDV:**
 - Reassess **Regulations 2023/851 (cars & vans) and 2024/1610 (HDVs)** earlier to ensure technological neutrality and recognise PHEVs' role in decarbonization.
 - **Reassess CO₂ emission targets for coaches if enabling conditions, such as adequate charging and refuelling infrastructure, remain insufficient.**
 - **Review HDV (Truck & Bus) penalty structure**, as current fines are **10 times higher** than those for LDVs, ensuring a fair and realistic regulatory framework.
 - Provide broader pathways to compliance, including **ZLEV benchmarks, phase-in mechanisms, and super-credits for low-emission vehicles.**

1.2. Utility Factor for PHEVs

Current challenge: Frequent updates to the **Utility Factor (UF) calculation methodology** undermine technological neutrality, distort CO₂ compliance targets, and increase costs for automakers and consumers. Since January 2025, **Euro 6e-bis** has significantly raised the assumed real-world CO₂ emissions of PHEVs, disregarding the latest technological developments, including utilising more efficient batteries with increased electric range for new PHEV models.

Recommendations:

- a) **Stabilize the Utility Factor Methodology:**
 - Maintain the **EU 6 EB parameter of 2,200 km** instead of increasing it to **4,260 km (Euro 7 standard)**, ensuring consistency and avoiding disproportionate regulatory burdens.
 - Prevent unnecessary distortions in the PHEV market by ensuring that **updated assumptions reflect the of-the-art PHEV technology** rather than theoretical worst-case scenarios.

1.3. "Euro 7 TEMP" – Type-Approval Flexibility

Current challenge: Delays in implementing Euro 7 regulations create uncertainty, disrupting production schedules and new model introductions. Without secondary legislation finalized, OEMs lack clarity on compliance, impacting investment decisions and hindering the introduction of new models.

Recommendation:

- a) **Implement "Euro 7 TEMP":**
 - Introduce a **temporary type-approval mechanism** to certify new vehicle types under flexible conditions, allowing sufficient lead time for adaptation.
 - Ensure that transition deadlines **align with industry capabilities** to prevent supply chain bottlenecks and prevent a **homologation crisis** similar to the 2018 NEDC-to-WLTP transition, ensuring a smoother regulatory shift and maintaining market stability.

1.4. New Regulatory Playbook

Current challenge: Overlapping and inconsistent regulations create unnecessary burdens for manufacturers, increasing compliance costs and complexity. The **lack of synchronization between EU rules and global standards** further disadvantages EU manufacturers. The homologation catalogue for the automotive industry consists of ~ 20.000 pages – there is an urgent need to reduce and simplify.

Recommendations:

- a) **Regulatory moratorium:**
 - A **temporary moratorium on new regulations** should be enacted for the next five years, providing the industry with the necessary time to adapt to the extensive legislative changes introduced in the previous term. This pause would allow for a comprehensive assessment of the real-world impacts of the recent regulatory surge and ensure stability for stakeholders to implement and comply effectively.
- b) **Simplify and Harmonise Legislation:**
 - Align EU rules with **UNECE standards** and group new regulations into coherent batches to avoid excessive regulatory fragmentation.
- c) **Ensure Adequate Timelines:**
 - Adopt a **minimum three-year lead-time for implementation** counting from the adoption of the main act and equally for secondary legislation (i.e. do not use fixed dates in the main act, where implementing regulation is foreseen), ensuring adequate time for manufacturers and public authorities to adequately prepare and adjust (see the Euro 7 example).
- d) **Keep secondary acts to minimum:**
 - Every regulation or directive includes multiple delegated and implementing acts, which often grant the European Commission the authority to **substantially modify already adopted legislation** at a later stage, especially when highly technical aspects are being discussed.
 - This practice negatively impacts **the transparency of the legislative process** and the clarity of the proposals themselves and thus should be kept to minimum.
- e) **Enhance Impact Assessment procedure:**
 - Ensure that **impact assessments are shared and discussed with Member States and relevant stakeholders** prior to the adoption of proposals by the European Commission.

- Expand impact assessments to include **global competitiveness benchmarking** (China, Japan, U.S.) and evaluate **cumulative regulatory costs** before adopting new legislative proposals.
- f) **Introduce a Policy Stability Framework:**
 - Establish a **Regulatory Observatory** to assess the coherence of new regulations before implementation and prevent unintended market distortions.
- g) **Adopt an ambitious Omnibus legislation tailored for the automotive industry:**
 - Reduce **unnecessary regulatory and administrative burden and prevent overlapping or contradictory** legislation.

2. Innovation and leadership in future technologies and capabilities

2.1. Supporting Technology Diversity & Innovation

Current Challenge: The EU's **narrow focus on certain technological solutions** (i.e. BEVs only) **and not respecting the technology neutral principal risks losing competitiveness** to countries investing in a **diversified mix of technologies**, particularly powertrains.

Recommendations:

- a) Designate **battery vehicle production as a critical component under the NZIA** to prioritize its development and investment within the EU.
 - Introduce **flexible support schemes** tailored to strengthen the BEV value chain, encouraging increased production and competitiveness across Member States.
- b) **Support for Hydrogen and CO2 Neutral Fuels** (both synthetic and bio based) **along with wide range of electrified propulsions** (REX, PHEV...): Promote the investments in and utilisation of **hydrogen production, fuel cell vehicle technology** and CO2 neutral fuels, ensuring EU automakers benefit from future combustion-based decarbonisation pathways.
- c) Create a **comprehensive Masterplan for R&D** to maintain its global leadership in future automotive technologies and capabilities.
 - Establish an **EU Automotive Innovation Council** under the European Commission to coordinate and streamline R&D efforts across Member States. This body would act as a central authority for identifying strategic areas of research, avoiding duplication, and maximizing impact.
 - The European Commission should act as a facilitator and support the **creation of innovation hubs and clusters for emerging technologies** in the automotive sector. These hubs should connect startups, SMEs, and established manufacturers to accelerate innovation cycles and offer co-financing opportunities and grants for members of these hubs.
- d) **Foster the development of AI & Autonomous Mobility:**
 - Expand **public-private partnerships for autonomous vehicle pilots**, accelerating regulatory clarity and deployment of autonomous vehicles.
 - Develop a **comprehensive EU-harmonised regulatory framework, providing clear legal parameters and deployment and utilisation conditions of autonomous driving systems** (level 4 and level 5 systems).
 - Ensure the **framework harmonises standards** across Member States, fostering cross-border consistency in regulations and infrastructure readiness.

3. Clean Transition and Decarbonisation

3.1. Provide Affordable Energy and Modernise grids

Current Challenge: Rising energy costs make European industrial production non-competitive. We need to rethink current framework for energy sources and open up new ones asap. It should be further assessed whether current state of grid capacity and EU power network reflects 2035 phase-out of ICE and significant increase of electric vehicles on the EU market.

Recommendations:

- a) Evaluate the current state and readiness of the EU power network and its capacity.
- b) **Upgrade the Grid:** Allocate significant investments into modernising grid capacity, address charging congestion and advance the Energy Market Union integration.
- c) Accelerate the administrative approval process for renewable and net zero energy installations and advance the Energy Market Union integration.
- d) Reduce production costs for EV manufacturers and supply chain as well as **industrial electricity cost** to keep investments within the EU.
- e) Establish **regulated caps on electricity prices** for charging battery electric vehicles (BEVs) to ensure affordability for consumers and encourage broader adoption.
 - o Design these caps to reflect market conditions while providing predictable and fair pricing, addressing concerns over rising energy costs and reducing operational expenses for EV users.

3.2. Accelerating Charging and refuelling Infrastructure

Current Challenge: The current charging infrastructure network is insufficient to support zero-emission vehicle adoption, causing **range anxiety and limiting consumer confidence**. For HDVs and buses, the charging infrastructure challenge is even more severe. Meeting the HDV CO₂ fleet targets requires building approximately **400 charging stations per month until 2030**. Additionally, unlike trucks, coaches rely heavily on catering infrastructure and sanitary facilities, making their charging needs more complex. They also require charging beyond main routes, such as at Points of Interest (POIs)—a factor not currently addressed in the AFIR. These gaps must be resolved to enable CO₂ target compliance for this vehicle class. The EU's current infrastructure roll-out lags behind the ambitious plans for clean mobility. It should be ensured that charging and refuelling network is reliable and functional providing green energy to supply BEVs throughout Europe.

Recommendations:

- a) **Expand AFIR Power Targets:** Increase the ambition of the AFIR targets and mandated distance and power output per newly registered BEVs clearly differentiating between the specific needs for cars (at least 3 kW) and HDVs and buses (at least 350 kW).
- b) **Deploy Hydrogen Refuelling Infrastructure** in every Member State, in line with the AFIR HRS targets.
- c) **Design and implement derisking strategies** to provide targeted support for Hydrogen Refuelling Station and Recharging stations where there is not yet enough demand initially to sustain operations.
- d) **Accelerate EPBD implementation and enable bi-directional charging:** Private charging plays a crucial role in enhancing grid flexibility and addressing rising energy demand at the distribution level.
- e) **Streamline Permitting Processes:** Simplify and speed up approvals and permitting processes for charging stations and hydrogen refuelling sites.

- f) **Deploy Megawatt Chargers:** Focus on high-power chargers for heavy-duty vehicles to meet logistics industry needs.
- g) **Develop EU-wide guidelines to improve charging infrastructure accessibility for HDVs and vehicles with trailers:**
 - o Guidelines should focus on enhancing manoeuvrability, parking space dimensions, and station layouts, ensuring seamless access and efficient use of charging infrastructure for all vehicle types.
 - o Promote the deployment of dedicated charging zones for HDVs and trailers at high-traffic locations.
- h) **Elevate HDV charging hubs to strategic projects of European interest:** The Automotive Action Plan presents a key opportunity to establish a **Clean Logistics Corridor Initiative**, enabling **fast-track permits, prioritized grid connections, and dedicated public funding** for infrastructure deployment—ensuring a **resilient and cleaner European transport network**.
- i) **Depot charging is the backbone of electric truck operations:** To overcome the **high upfront investment barrier**, targeted **subsidies for depot infrastructure** are essential to accelerate fleet electrification and support a viable transition for logistics operators.

3.3. EU market and clean mobility demand

Current Challenge: The adoption of clean mobility solutions, including battery electric vehicles (BEVs), remains uneven across the EU due to high upfront costs, inconsistent incentives, and insufficient recognition of EU-made products' sustainability advantages. The fragmented incentive schemes among Member States further complicate consumer decision-making, leading to slow market uptake and disadvantaging European manufacturers who are investing heavily in sustainable production.

Recommendations:

- a) **Support the market uptake of sustainable vehicles:**
 - o Introduce a **system to support and promote manufacturers and vehicles** - meeting the **EU's production, sustainability, and social / labour standards**.
 - o **Carefully assess proposals for EU-wide social leasing support** to households reflecting different market condition and economic situation in Member States.
- b) **Guidelines for EU-wide (non-financial) customer incentives:**
 - o Establish **harmonized rules across Member States** to offer **consistent incentives for zero- and low-emission adoption**, including but not limited to free parking or reduced-cost parking in EU cities for BEVs, toll-free or discounted highways for electric vehicles, exemption or reduced vehicles registration fees, recommendations for VAT and tax benefits for BEVs.
- c) **Evaluate Corporate Fleet policies without adding additional burden:**
 - o Carefully assess the role of **corporate fleets** in the clean mobility transition, recognising their potential to drive demand for BEVs.
 - o **Avoid introducing mandatory targets or additional regulatory burdens** that could be counterproductive. Instead, focus on **incentives and support measures** to encourage voluntary fleet electrification.

4. Competitiveness and resilience

4.1. Increase investments in industrial transformation

Current Challenge: High production costs, regulatory complexities, and potential trade conflicts with the US and China push European automakers to relocate manufacturing outside the EU. Furthermore, European manufacturers have undertaken unparalleled efforts to decarbonize their production processes, enhance social standards, and improve labour

conditions. Despite these significant advancements, their efforts have received little recognition, unfortunately placing them at a competitive disadvantage compared to international competitors who are not held to the same rigorous standards.

Recommendations:

- a) **Support local vehicle production:**
 - Prioritise supporting manufacturers (and their products) adhering to the **EU's production, sustainability, and social / labour standards**.
 - Provide **economic incentives for manufacturers adopting green technologies in their production processes**, such as using renewable energy sources (RES), improving energy efficiency, and incorporating circular economy principles.
 - **Expand investment in production hardware to help manufacturers modernise and achieve sustainable production goals**, furthering the transition to low-carbon mobility.
 - **Incentivise renewable energy use**, supporting the modernisation of energy systems and the improvement of energy efficiency of manufacturers in lower-income EU Member States.
 - Create a **localised battery value chain**, which is currently heavily disadvantaged due to high energy prices and complicated permitting process.
- b) **Mobilise financing and streamline approval procedures**
 - **Expand State Aid flexibilities** by adjusting the **State Aid framework**, which would allow support for key transformation projects regardless location or size of the company.
 - **Create a permanent European Strategic Investment Fund** under the European Central Bank, supported by a reallocation of resources from the Multiannual Financial Framework.
 - **Leverage EU ETS revenues** to expand clean technology manufacturing capacity.
 - **Accelerate permitting processes and** streamline the approval procedures for establishing new R&D and production facilities (outside of the NZIA scope), reducing bureaucratic delays and associated costs.
- c) **Strengthen European Supply Chains:**
 - **Introduce incentives for local content, supporting the integration of European suppliers into OEM value chains**, thereby supporting the sustainability and resilience of the EU automotive ecosystem.
 - Ensure these measures respect free market principles, contractual agreements and do not add additional regulatory and administrative burden.
 - **Implement a mandatory requirement for new entrants establishing production in the EU to integrate EU-based suppliers in their value chains**.
 - This measure aims to ensure that new investments actively contribute to the development of European supply chains and do not rely exclusively on pre-existing external networks.

4.2. Strengthening Circular Economy and Access to Critical Raw materials

Current Challenge: The EU automotive industry relies heavily on imported raw materials for battery production, while recycling rates for EV components remain low. Without a circular economy strategy, Europe will remain dependent on non-EU supply chains, particularly from China, which dominates global battery material processing. Therefore, we welcome the Commission's proposal to advance vehicle circularity through the approval of the **End-of-Life Vehicle (ELV) Regulation**, a cornerstone policy for enhancing sustainability and waste management in the automotive sector.

Recommendations:

- a) **Enhance Recycling Programs:** Expand financial incentives for **battery second-life uses** and invest in **local refining facilities for critical raw materials**.
- b) Implement the **Critical Raw Materials Act and Net Zero Industry Act through a clear action plan**.
- c) Strengthen **industrial and raw material diplomacy** to access new markets via free trade agreements and partnerships as well as special Critical raw materials access agreements.
- d) Facilitate **collective raw material purchases with sufficient resources** for execution and industry consultations.
- e) **Assess the availability of high-performance plastics and recyclates** to set realistic recycling targets and quotas, ensuring supply chain resilience and reducing dependence on third countries.

5. Skills and Social

5.1. Addressing the Automotive Skills Gap

Current Challenge: The transition to EVs and increased demands for technological innovations **require a skilled workforce**, but the current EU labour market is **not equipped to meet industry needs**. Key areas like **battery technology, cybersecurity, and software engineering** lack qualified workers, while **bureaucratic restrictions on skilled labour migration** hinder recruitment.

Recommendations:

- a) **Launch an EU Automotive Skills Academy:** Establish specialised reskilling and training programs, under the Net Zero Industry Act, modelled after the Automotive Skills Alliance.
 - o Focus on **zero-emission technologies, battery & hydrogen engineering, software development, cybersecurity, and zero-emission vehicles maintenance** to equip workers for future mobility jobs.
 - o **Link EU funding to workforce training in zero-emission technologies.** Similar to the IRA wage and apprenticeship provisions, the EU could require companies to launch training programs in parallel with funding applications for zero-emission technologies. Priority should be given to companies actively investing in apprenticeships and educational programs, ensuring a skilled workforce to support the transition.
- b) **Ease Hiring of Skilled Workers from Outside the EU:**
 - o Create **fast-track migration rules** for skilled labour in **battery, software, and AI sectors**.
- c) **Create conditions to attract global scientific talent back to Europe:**
 - o Introduce a **relocation package program** to incentivise top global scientists, researchers, and innovators—particularly those who have relocated to other regions—to return and contribute to Europe’s scientific and industrial progress.
 - o Focus on **offering competitive conditions**, for priority fields (clean mobility, AI, battery innovation, hydrogen, etc.):
 - Financial incentives, including grants, tax benefits, and research funding.
 - Comprehensive relocation support, covering housing, family integration, and language training.
 - Collaborative networks, connecting returning scientists with leading European universities, research institutions, and industries.
- d) **Enhance demand for STEM education at secondary and tertiary levels:**

- Under the Erasmus+ programme, prioritize funding and support for students pursuing STEM (Science, Technology, Engineering, and Mathematics) fields, with the aim of addressing future skills shortages in critical industries such as automotive and mobility.
- Expand dual education models across the EU, integrating practical on-the-job training with STEM academic studies to better prepare students for the workforce and foster stronger industry-academic partnerships.

6. Trade Relations and International "Level Playing Field"

6.1. Focus on well-functioning international partnerships and ensure access to new markets

Current Challenge: EU producers face barriers accessing key global markets, while unfair competition from **subsidised foreign automakers** undermines the EU's industrial base.

Recommendations:

- **Facilitate New Trade Agreements with India, Australia and ASEAN**, and address the **EU-UK rules of origin** framework to ensure mutually beneficial conditions and avoid unnecessary tariffs on EU exports.
- **Swift ratification of MERCOSUR and Mexico agreements** to ensure access for industry to the largest free trade area globally and hereby support economic growth for these regions.
- **New Clean Trade & investment partnerships** for the next five years (suggested by Competitiveness compass) are fully supported and shall be paired with smooth flexible and transparent negotiation procedures aimed to boost efficiency and gain result.
- **The level playing field with China** should be maintained without disrupting long-established and well-functioning supply chains. A mutually beneficial approach is essential, particularly in resolving issues such as the EU anti-subsidy case.
- **Ensure a win-win approach to EU-US trade relations.** A prudent stance is necessary **to avoid tariff tensions** or triggering a trade defence escalation in order to guarantee the **long-term stability for the automotive sector and broader industry.**
- **A thorough study must be conducted before extending the CBAM mechanism** downstream, considering product complexity, technical feasibility, and the risk of carbon leakage to ensure informed and balanced decision-making. Furthermore, the system is **already overburdened, with significant technical challenges complicating the required data reporting.** Before any expansion, these operational inefficiencies must be addressed to ensure a functional and fair system.