An amendment to the CO_2 standards for new passenger cars and vans in the European Union

European Union (EU) regulation requires vehicle manufacturers to reduce the carbon dioxide (CO_2) emissions of their newly registered passenger cars and light commercial vehicles (vans) by 15% by 2025, 55% by 2030 (50% for vans), and 100% by 2035, with all target values respective to a 2021 baseline. A detailed review of these emission standards is contained in an ICCT Policy Update published in May 2023.[1] This paper highlights the impact of an amendment to the regulation that was officially approved in May 2025.

CONTEXT AND AMENDMENT STRUCTURE

The 2025 target corresponds to an average CO_2 value of about 94 g/km for passenger cars and 154 g/km for vans. At the end of 2024, analysis demonstrated that vehicle manufacturers were on track to meet their 2025 target values and illustrated a number of compliance pathways for the industry.[2] In January 2025,[3] passenger car manufacturers, on average, were about 10 g/km away from their targets, with some (including BMW) already over-complying with their targets 12 months in advance.

On April 1, 2025, in response to lobbying efforts from the industry, the European Commission proposed a "focused amendment" to ease compliance for manufacturers in 2025. According to the averaging provision introduced by the amendment, which was officially approved late last month, compliance is no longer determined based on the manufacturer's 2025 CO_2 performance but instead on the average emissions level over the 3-year period from 2025 to 2027. This means that manufacturers are allowed to exceed their CO_2 target in one or more years as long as any exceedances are balanced out by over-compliance in another year or years. Only the average CO_2 emissions over the 3-year period must be below the 2025 target value for a manufacturer to be compliant.

1 Jan Dornoff, *CO_2 Emission Standards for New Passenger Cars and Vans in the European Union* (International Council on Clean Transportation, 2023), https://theicct.org/publication/eu-co2-standards-cars-vans-may23/.

2 Jan Dornoff, *Within Reach: The 2025 CO_2 Targets for New Passenger Cars in the European Union* (International Council on Clean Transportation, 2024), https://theicct.org/publication/2025-co2-manufacturers-targets-oct24/.

3 Michelle Monteforte et al., *European Market Monitor: Cars and Vans (January 2025)* (International Council on Clean Transportation, 2025), https://theicct.org/publication/european-market-monitor-cars-vans-jan-2025-feb25/.

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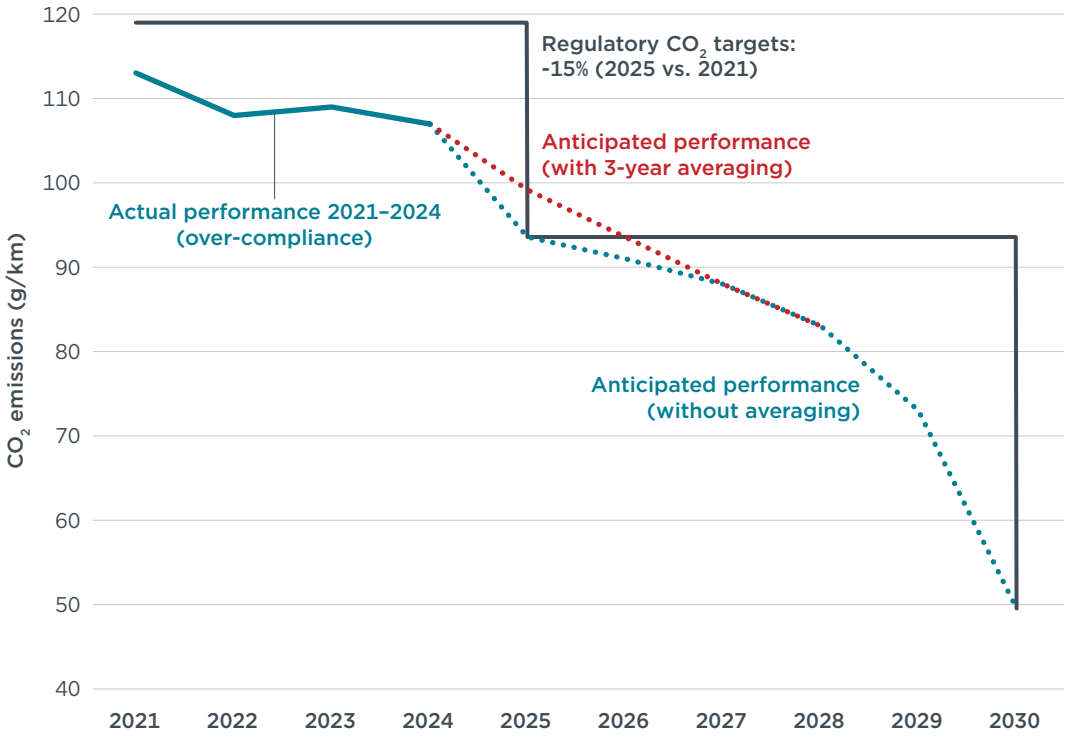
To provide a sense of the impact of this change, Figure 1 illustrates the primary effect of the 3-year averaging provision on the anticipated performance of passenger car manufacturers. Because it is expected that manufacturers will exceed their 2025 CO_2 targets and compensate for that in 2026 and/or 2027, averaging results in a delay of the 2025 CO_2 target. While this delay offers manufacturers greater flexibility, it also results in more combustion engine vehicles and fewer electric vehicles registered, and thereby substantial excess emissions.

Figure 1

Illustration of the principal effect of 3-year averaging (2025 to 2027) on the anticipated performance of EU manufacturers



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We calculate that the 3-year averaging provision will result in **additional lifetime CO_2 emissions of 26–51 megatons** for newly registered passenger cars in 2025 until 2029.[4] This is approximately equivalent to the total annual CO_2 emissions of a country of the size of Denmark or Greece. The exact impacts will depend on the compliance strategy manufacturers decide on, but in what is considered a realistic pathway, average new vehicle emission levels would be about 5.6 g/km higher in 2025 and 2.6 g/km higher in 2026 than they would have been without a change in the regulation. As the level of CO_2 emissions of a vehicle and the amount of fuel consumed are directly linked, the delay of the 2025 target will also lead to increased fuel consumption and thereby increased fuel expenditures for consumers. We estimate that consumers will spend about €10–€20 billion more, even if excluding taxes and only considering the value of the underlying crude oil and the cost of refining, transporting, and distributing it.

4 International Council on Clean Transportation, *ICCT Comments on the European Commission Proposal to Introduce a 3-Year "Averaging" Provision for the CO_2 Standards Regulation for New Cars and Vans*, March 24, 2025, https://theicct.org/icct-comments-on-the-european-commission-proposal-to-introduce-a-3-year-averaging-provision-for-the-co2-standards-regulation-for-new-cars-and-vans/.

FINAL RULE AND OUTLOOK

The European Commission proposal was adopted without any changes by the European Parliament on May 8 and by the European Council (representing the EU Member States) on May 27.[5] The revised regulation is expected to take effect from summer 2025 onward. All other aspects of the EU vehicle CO_2 regulation remain unchanged, including the 100% CO_2 reduction target for new cars and vans for 2035.

By April 2025, the average market share of battery electric vehicles among new passenger car registrations in Europe had increased to 17%, and an additional 9% of sales were plug-in hybrid vehicles.[6] Manufacturers such as the Volkswagen Group[7] have announced several new, more affordable electric vehicle models for the 2026 to 2029 period. This is evidence of preparing for the required increase in electric vehicle market shares by 2030.

5 European Parliament, "Additional Flexibility as Regards the Calculation of Manufacturers' Compliance with CO_2 Emission Performance Standards for New Passenger Cars and New Light Commercial Vehicles for the Calendar Years 2025 to 2027," Legislative Observatory, May 8, 2025, https://oeil.secure.europarl.europa.eu/oeil/en/document-summary?id=1813283; Council of the European Union, "CO_2 Emissions in Cars: Council Gives Final Approval to Additional Flexibility for Carmakers," press release, May 27, 2025, https://www.consilium.europa.eu/en/press/press-releases/2025/05/27/co2-emissions-in-cars-council-gives-final-approval-to-additional-flexibility-for-carmakers/.

6 Michelle Monteforte and Sonsoles Diaz, *European Market Monitor: Cars and Vans (April 2025)* (International Council on Clean Transportation, 2025), https://theicct.org/publication/european-market-monitor-cars-vans-april-2025-may25/.

7 Christoph M. Schwarzer, "Volkswagen Will's Wissen: Das Sind die Bezahlbaren Elektroautos bis 2028," *electrive.net*, May 30, 2025, https://www.electrive.net/2025/05/30/volkswagen-im-angriffsmodus-das-sind-die-bezahlbaren-elektroautos-bis-2028/.

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