

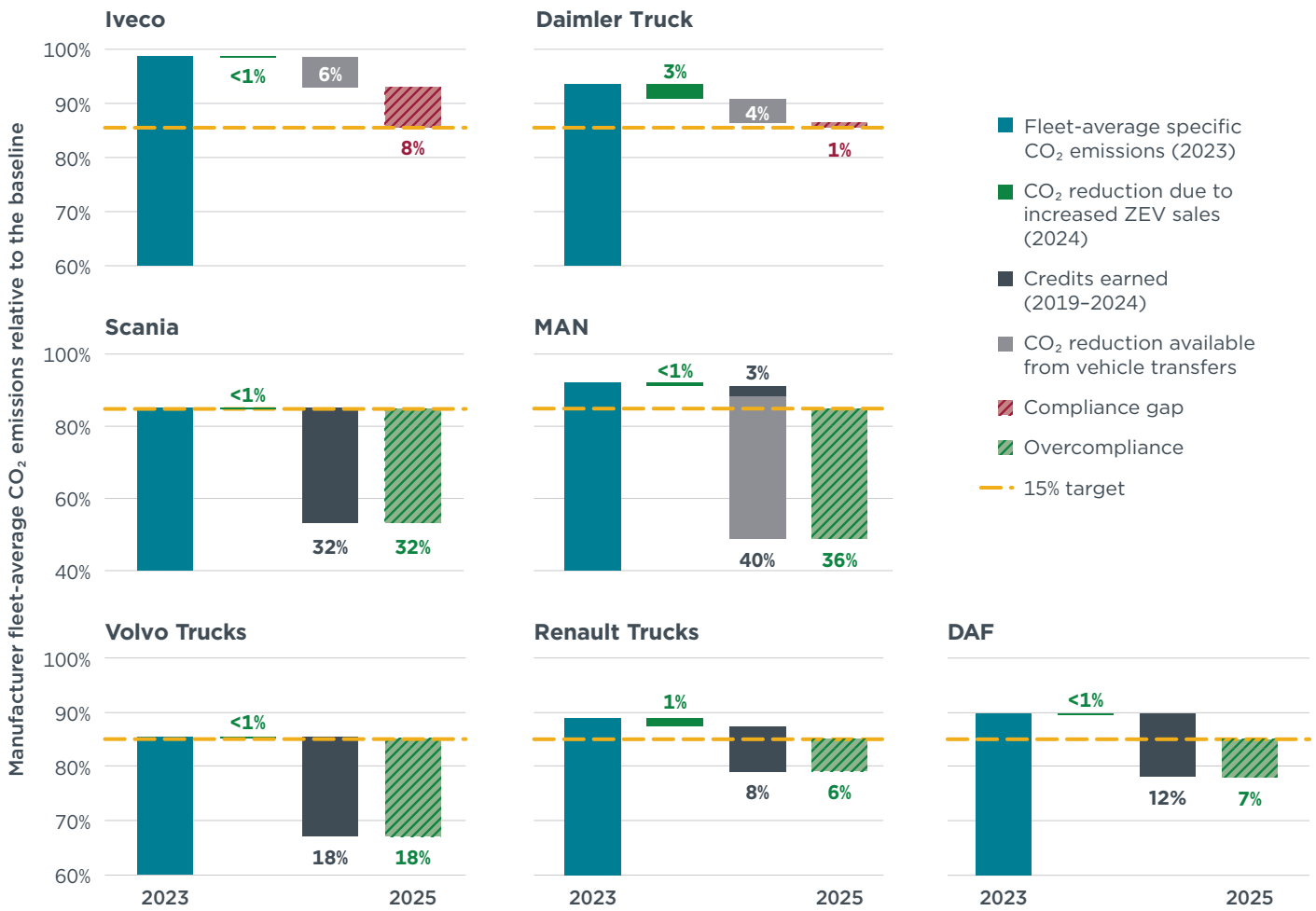
Within Reach: The 2025 CO₂ targets for new heavy-duty vehicles in Europe

Manufacturers of heavy-duty vehicles (HDVs) in the European Union face a CO₂ target for the first time in 2025. The average CO₂ emissions of most of their HDVs first registered in the 2025 reporting period (i.e., between July 1, 2025, and June 30, 2026), must be 15% less than the average emissions of all HDVs first registered in the 2019 reporting period (i.e., between 1 July 2019 and 30 June 2020). A new ICCT report assesses progress manufacturers have made toward this 15% target to date by considering the status quo of HDV manufacturers.

Based on the status quo and including the flexibilities available in the CO₂ standards, the analysis of the 2023 reporting period finds that **five out of the seven main manufacturers in the European Union are already compliant with their 2025 target of a 15% reduction in CO₂ emissions without making any further improvements to their fleet compared with 2023**. Only Daimler Truck and Iveco have yet to close their compliance gap with the 15% target in 2025 but can make use of compliance flexibilities and future credits to meet the target or avoid penalties.

Figure 1

Fleet-average specific CO₂ emissions for HDV manufacturers and the gap to compliance for their 2025 targets



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ALREADY COMPLIANT MANUFACTURERS

Scania and Volvo Trucks are expected to comfortably meet the 2025 target. Both of these manufacturers have already reduced their fleet average CO₂ emissions by 15% in the 2023 reporting period. By selling the same vehicle technologies sold up to then, they will be compliant with the 2025 targets.

Renault Trucks and DAF are also expected to meet the 2025 target due to early credit accumulation. Both manufacturers have amassed a significant number of early credits in the 2019–2023 period due to the low CO₂ emissions of their vehicles sold during this time. These manufacturers could rely on the accumulated credits to meet the 15% target without making any further improvements to their vehicles between 2023 and 2025.

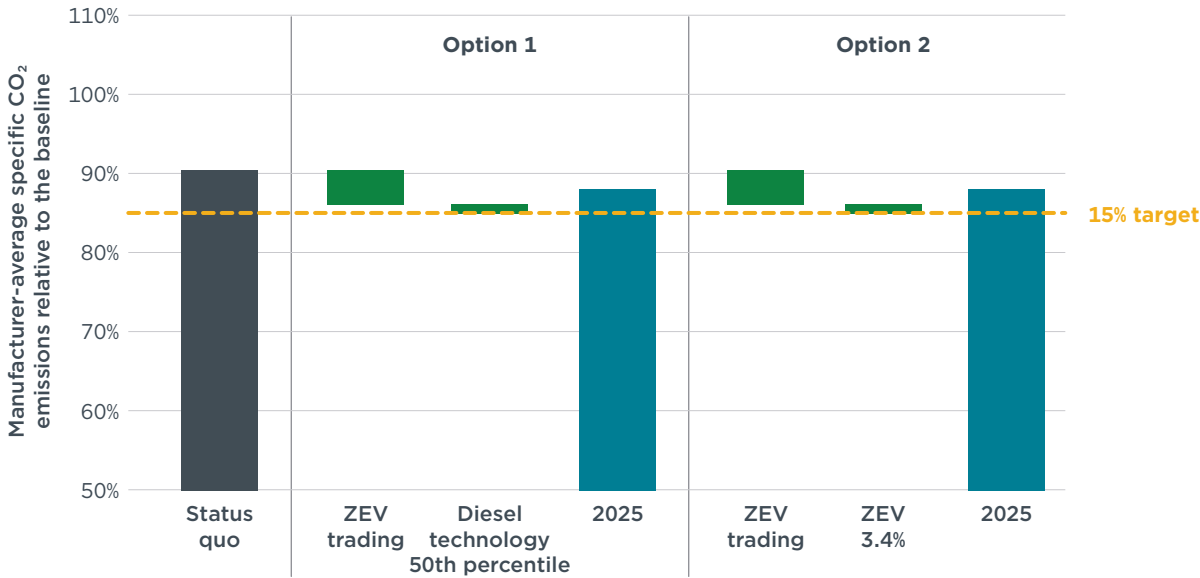
MAN can be expected to meet the 2025 target by relying on compliance flexibilities.

The CO₂ standards allow for manufacturers with the same parent company to transfer HDVs as a compliance flexibility. This allows MAN and Scania to freely transfer vehicles amongst each other. Scania has accumulated the largest share of credits of all manufacturers. If MAN were to transfer all their vehicles to Scania (effectively pooling their emissions), the credits already earned by Scania would be enough for MAN to also meet the 2025 target.

NOT-YET-COMPLIANT MANUFACTURERS

Daimler Truck will likely have to moderately improve their conventional vehicles or increase their zero-emission HDV share to reach the 2025 target. Exercising a flexibility which allows manufacturers to transfer a limited number of zero-emission HDVs to a non-related company, Daimler Truck is projected to achieve a 14% reduction relative to 2019. To reach the 15% reduction target, Daimler Truck would either have to increase their zero-emission HDV share to 3.4% in 2025 (up from 2% in 2024) or slightly improve their diesel technology.

Figure 2
Daimler Truck's CO₂ emissions reduction compliance pathways

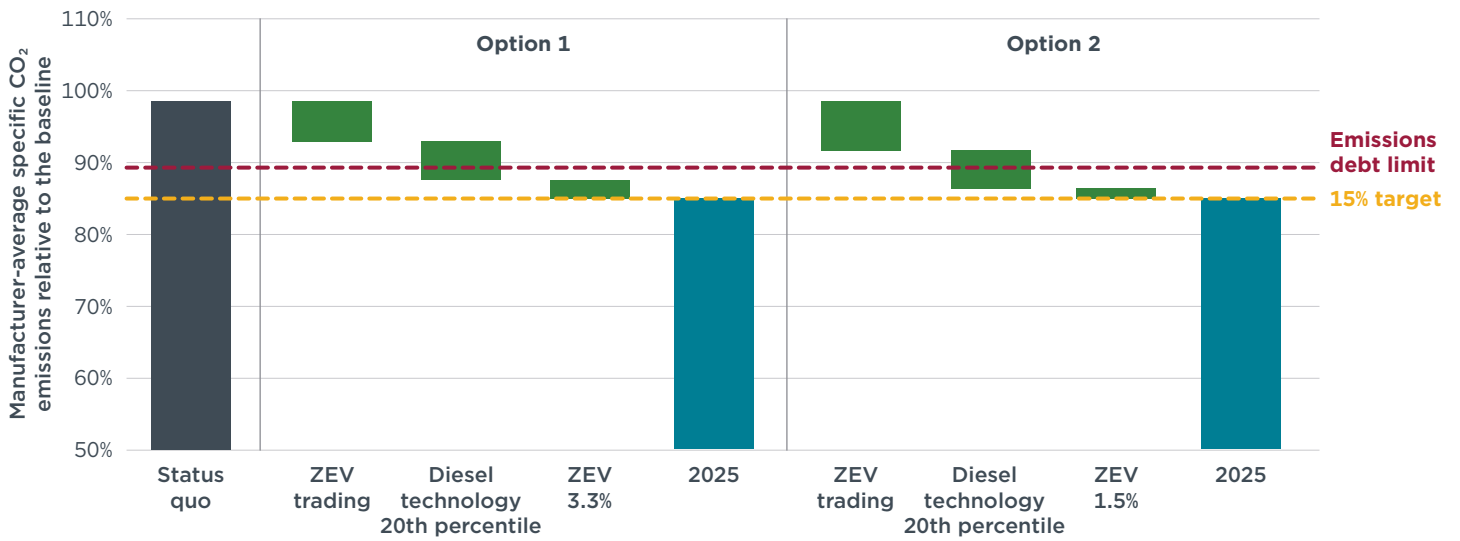


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Iveco is estimated to have one of the more challenging paths to compliance among manufacturers. To avoid penalties in 2025, Iveco could maximize the zero-emission HDV transfer flexibility. Adding this flexibility to Iveco's status quo is estimated to result in a 6% reduction relative to the reference emissions. To reach the 15% reduction, Iveco would have to improve the average performance of its conventional trucks to the 20th percentile registered in 2023 and increase its zero-emission HDV sales share (of vehicles covered under the scope of the CO₂ standards) to around 1.5%. However, an additional flexibility in the CO₂ standards allows for manufacturers to miss their target by up to 5% and not pay an excess CO₂ premium, so long as they can later earn credits to offset this non-compliance.

Figure 3

Iveco's CO₂ emissions reduction compliance pathways



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