

Position paper 2023/149

CO2 standards and Euro 7: automotive workers need to be on board

The EU has recently completed the revision of the Regulation setting CO2 emission standards for cars and vans as well as the revision of its legislation aiming at boosting its charging infrastructure. The European Commission has also launched two other important legislative processes, one tackling CO2 emissions of Heavy Duty Vehicles and the other one establishing new rules to reduce pollution from road transport (i.e. Euro 7). These pieces of legislation, part of the European Green Deal agenda, will accelerate the ongoing transformation of the automotive sector in Europe. Workers and jobs are, to a large extent, missing from the policy proposals, whereas they must be at the centre.

The aim of this document is to share industriAll Europe's views on these European policy debates, using existing positions as a basis. The core of the text comprises industriAll Europe's general reaction to these policy developments, whereas the annexes contain a more detailed and specific analysis of the CO2 standards for heavy-duty vehicles and of the Euro 7 proposal.

IndustriAll Europe's general comments

IndustriAll Europe supports the objective of reaching climate neutrality by 2050 through policies that will secure a Just Transition for all workers¹. When it comes to the revised 2030 targets and the subsequent revision of the EU climate policies, industriAll Europe in November 2020 called for an EU climate policy that would build a credible pathway towards the revised 2030 Emission Reduction Target and avoid disruptive changes for industrial value chains and the related jobs in Europe². IndustriAll Europe has also adopted a strong position in favour of a Fit for 55 package backed by an industrial strategy and a Just Transition framework for all workers, ensuring that no one will be left behind.

The automotive industry and its 13 million workers are at the forefront of the twin transitions, with consequences that are already visible. On the one hand, new investments are taking place to transform the assembly lines, to develop new products and to build new supply chains in Europe, such as for battery manufacturing. The flip side is that this unprecedented transformation is becoming a reality on shopfloors across Europe. Manufacturers are rationalising their fleets, which has an impact on many sites as well as

¹ See Position Paper 2019/INDUSTRIALL 103, <https://news.industrialall-europe.eu/p/position-papers>

² https://news.industrialall-europe.eu/content/documents/upload/2020/11/637418363805326269_EN%20-%20Green%20Deal%20-%20Europe's%20Green%20Deal%20mapping%20the%20route%20to%202030.pdf

on workers, with job losses and cost-cutting plans that have a detrimental impact on working conditions. Constant pressure on costs to increase productivity entails extreme flexibility and poor working conditions for many workers in the European industry. Suppliers are also announcing job losses that they ascribe to the consequences of electrification. All of this is happening in a context of supply disruptions, logistical problems related to transport, high energy prices and fierce competition with third countries to attract investments and capture global market shares. Sales volumes have been shrinking, but without hampering OEMs' profits.

The overall objective to make road transport more sustainable is incontestable. However, from a trade union perspective, the proposed legislation must at the very least fulfil three prerequisites:

- First, it must fit into a coherent industrial strategy enabling the transformation of the automotive sector through investment and innovation.
- Secondly, it must be backed by a strong and effective Just Transition framework to support anticipation of change through negotiated solutions and to secure job-to-job transitions for workers.
- Thirdly, it must be rooted into a broader strategy to make the transport system sustainable and inclusive, including by ensuring the affordability of individual mobility adapted to the needs of workers and their families.

1. A coherent industrial strategy

We have a **fragmented EU policy framework for road transport**: CO2 standards for cars and vans, CO2 standards for heavy duty vehicles, Euro 7 standards³, a Regulation on alternative fuels infrastructures, a new Emissions Trading System covering road transport (and domestic heating), End of Life Vehicles Directive, batteries regulations. In addition to EU rules, Member States and local authorities (cities and regions) have adopted legislation setting local emission standards. While this is entangled with local democracy and the share of competences between the EU and Member States, this fragmentation of rules and standards is a challenge for the industry that has to manufacture products that comply with a complex set of rules set by different authorities. The policy jigsaw must be rooted in a comprehensive industrial strategy for road transport, which does not currently exist in Europe despite specific initiatives on batteries or semi-conductors.

IndustriAll Europe takes note of the 2035 phase-out date on sales of new passenger cars and vans with internal combustion engines in the EU 27. Clear targets make it easier to plan investments and anticipate change in a socially acceptable way. Nevertheless, industriAll Europe reiterates the scale of the challenge that this unprecedented, rapid industrial transformation poses to the workforce. A target without effective and specific means of implementation is not a policy. IndustriAll Europe insists that EU policy makers deliver on the key enabling factors. If the transition is not effectively based on a sound industrial plan backed by a strong social agenda, transition will become disruption and trust will become fear and resistance.

The first key enabling factor is a comprehensive **industrial strategy** to decarbonise road transport that provides solutions for the whole supply chain: raw materials, clean and affordable energy, components (semi-conductors and batteries), basic metals and basic materials. This strategy must be part of the wider decarbonisation of the entire transport chain: maritime, river, rail, road and last mile. Whereas the announced EU Green Deal Industrial Plan and its Net Zero Industry Act and Critical Raw Materials Act will

³ The proposed Euro 7 establishes technical requirements for the emission-type approval and market surveillance of motor vehicles, systems, components and separate technical units, with regard to their CO2 and pollutant emissions, fuel and energy consumption and battery durability.

aim at developing in Europe supply chains that are instrumental to decarbonise road transport (i.e. batteries, hydrogen, grid technologies, extraction or processing of critical raw materials), more must be done to ensure that the pieces of the jigsaw will fit together at the right times. Moreover, effective social conditionalities are missing from the current proposals⁴.

Infrastructure development: The current number of charging stations is inadequate to reach the emissions reduction targets, while their geographical spread indicates a huge risk of mobility polarisation in Europe at the expense of the poorest European regions⁵. Member States and public authorities in general cannot be the only stakeholders responsible for the development of charging infrastructure. Private companies, and OEMs in particular, also have a role to play in bridging the gap between the needed infrastructures and the current reality. The extraordinary profits made by many OEMs should contribute to invest in the infrastructure they need to sell zero-emission vehicles. A yearly monitoring of the infrastructure roll-out must be undertaken, not to dilute OEMs' responsibilities to reach the emission reduction targets, but to identify the main investment gaps and find solutions to bridge them.

Measures to support demand: Electric vehicles, and new vehicles in general, are unaffordable for many households (see below) and this is undermining the fleet renewal. Tax incentives and premiums for zero-emission vehicles must be put in place where they do not exist and extended where they are in place already, with a focus on those most in need of state subsidies⁶. In the same way, it is also important to take into account specificities of all the transport system segments.

Cleaner trucks will only be economically viable if there are transport operators to buy them. But road transport is a sector which is exposed to a fierce competition that too often leads to a race to the bottom in terms of environmental and social standards. To be sure that there is a market for clean trucks and that additional costs do not lead to additional pressures to reduce labour costs in the transport sector, the EU must propose extra measures to support the demand for these new products, such as contracts for difference. These measures must be exclusively reserved to companies having their headquarters and their workforce in the EU jurisdiction.

Member States should also use the possibilities of the EU state aid rules to provide financial support to the private companies that invest in zero-emission vehicles that otherwise would not be competitive⁷. The new Emissions Trading System for road transport, as well as the Eurovignette and Energy Taxation Directives, must internalise the cost of CO2 and make zero-emission vehicles competitive from a total cost of ownership perspective. The European Commission should also propose a legislation forcing the ordering companies to contribute to the efforts made by companies supplying transport services to decarbonise their fleets. In the same way, urban buses depend on public transport operators that will need to get enough resources to purchase zero-emission vehicles that will be the standard by 2030. Without additional budget support for public transport operators, these ambitious emission standards for new vehicles might delay the fleet renewal, especially in regions and Member States with limited budgetary capacities. This push for zero-emission urban buses must go hand in hand with a push to strengthen social criteria in public procurements to purchase new vehicles.

⁴ See iAE position on GDIP https://news.industrialall-europe.eu/documents/upload/2023/6/638216431986183151_Adopted_-_Green_Deal_Industrial_Plan_-_EN.pdf

⁵ See ACEA's position on AFIR <https://www.acea.auto/press-release/afir-infrastructure-gap-will-limit-co2-reductions-from-road-transport/>

⁶ For an overview, see <https://www.acea.auto/files/Electric-Vehicles-Tax-Benefits-Purchase-Incentives-2022.pdf>

⁷ See for instance the 2023 amendment to the General Block Exemption Regulation https://competition-policy.ec.europa.eu/system/files/2023-03/GBER_amendment_2023_EC_communication_0.pdf

Technology neutrality: Given the complexity of the transport system and the wide variety of contexts across Europe, industriAll Europe believes that technology neutrality should apply to the part of the transport system where at this stage there is no obvious leading technology. When it comes to heavy-duty vehicles, EU rules must allow all technologies in line with the net-zero objective and fulfilling sustainable development goals criteria. The social and environmental externalities of all technology options must be carefully assessed to avoid – or at least limit – any adverse impact. In particular, the use of low-carbon and renewable fuels should not lead to indirect land use change in Europe or in the global South. Europe cannot fulfil its transport needs at the expense of human rights or food security. In the same way, due to their low efficiency, synthetic fuels and power2x technologies will be expensive to produce and will require significant volumes of clean electricity as well as of water. They must be kept in priority for usages that are economically or socially strategic and for which there are no or few alternatives.

Global dimension: Automotive companies and suppliers operate on intensively competitive global markets. In a context of expensive energy, supply disruptions and the cost of meeting our climate commitments (e.g. the reform of the EU Emissions Trading System and the phasedown of free allowances will increase the cost of basic products, such as steel, aluminium, glass, etc.), it is urgent that the EU comes with a global trade strategy to cope with these challenges.

2. Just Transition framework urgently needed

IndustriAll Europe has consistently called for a Just Transition framework for automotive workers. This is becoming ever more urgent – our Just Transition Manifesto sets out what is needed in such a framework: rights, resources and respect⁸. All automotive-related climate legislation (Euro 7, CO2 standards) should contain a provision imposing a close monitoring of labour and employment developments. Progress reports and the assessments of further policy and financial needs included in the context of the CO2 standards for cars and vans Regulation (Art. 14) must be duplicated for heavy-duty vehicles and Euro 7.

There is an urgent need for greater transparency and coherence between existing EU funds available to support Just Transition in the automotive industry and its supply chain, as recognised by the Council Recommendation on Just Transitions (2022). The EU Just Transition Fund has not been designed for automotive regions, so its limited resources cannot provide the necessary resources to support most automotive regions in their efforts to diversify their economies. Meanwhile, other existing structural funds are there to support regional development and cohesion objectives, but the rapid and deep decarbonisation that the Fit for 55 package entails for the sector represents an additional and unprecedented challenge. Hence the need to provide new and additional financial resources to those regions. Nevertheless, companies should not be absolved of responsibility here. To avoid to socialise cost while profits are being privatised, OEMs must have a role to play in funding Just Transition measures given the amount of public support they get and the profits they have made.

3. A sustainable and inclusive mobility strategy

The European Commission must propose a strategy to create a sustainable and inclusive mobility system in Europe. Instead of mainly focusing its transport policy on a technological shift towards electrification and digitalisation, the EU should rethink its transport system in a way that will place people and workers at the centre while taking as a baseline the urgent need to make it compatible with environmental limits.

Access to mobility is essential for social inclusion. Yet, an important number of Europeans are in a situation of transport poverty which happens within communities that are under-served by public transport and

⁸ <https://justtransition.industriall-europe.eu/>

deprived of essential services, forcing households to use private transportation for their daily mobility⁹. When this lack of public transport is combined with low income and constrained mobility (working time, workplace location), the dependence on individual mobility becomes an expensive trap. Using a car captures a growing share of the disposable income, whereas buying a more efficient vehicle or moving closer to city centres is particularly challenging. The EU should break this perverse cycle by establishing a right to mobility that would be the starting point of a series of specific proposals to ensure that no one is left out of the transport system. To that end, the EU should strengthen the obligations for employers to entirely finance and/or organise commuting to and from work.

The EU and all Member States must also massively invest in local public transport without neglecting any region, while using public service obligations to ensure that basic services are available in rural and remote areas. Greater use of social public procurement criteria would support local production of buses or rolling stock.

Individual cars represent almost 88% of the inland passenger transport in the current modal split. Cars will continue to play a central role in the European mobility system for the foreseeable future¹⁰. The recently created Social Climate Fund must also be used to support households dependent on individual mobility but lacking the resources to acquire a zero-emission vehicle. In addition, the EU should explore ways to force OEMs benefitting from public funds to produce affordable models, even though these cars do not generate the higher margins that car manufacturers are targeting.

As to heavy-duty vehicles, electrification and other alternative technologies for trucks cannot be the only solution to decarbonise freight transport. Modal shift from road to rail and waterborne, and inter-modality, must be part of the answer. But, here again, the dominance of road transport in the current modal split (almost 80%) shows that trucks will be at the core of freight transport for a long time¹¹. Modal shift and inter-modality, even though necessary, are therefore a complement to the decarbonisation of heavy-duty vehicles through technological shift.

A European, sustainable and inclusive Mobility Strategy should not only focus on decarbonization, but look at sustainability with a more global perspective. Externalities of technology shifts, in Europe and globally, must be taken into account. We cannot tolerate practices abroad that would be unacceptable at home. For instance, the promotion of low-carbon and renewable fuels should not lead to land-grabbing or induced land change in Europe and abroad. In the same way, the supply of raw materials necessary to electrify road transport must comply with the highest social and sustainability standards (see industriAll Europe's political position on the EU Critical Raw Materials Act).

⁹ See notably <https://op.europa.eu/en/publication-detail/-/publication/0422e50e-6a35-11ed-b14f-01aa75ed71a1/language-en>

¹⁰ « In 2020, 87.2% of inland passenger transport in the EU was by passenger car. Coaches, buses and trolley-buses accounted for 7.4% and trains 5.4% » see <https://ec.europa.eu/eurostat/documents/15216629/15589759/KS-07-22-523-EN-N.pdf>

¹¹ « Just over three quarters (77.4%) of inland freight transport, based on tonne-km, in the EU in 2020 was performed by road. Most of the remainder (16.8% of the total) was performed by rail and a smaller share (5.8%) along inland waterways. » <https://ec.europa.eu/eurostat/documents/15216629/15589759/KS-07-22-523-EN-N.pdf>

ANNEX 1: CO2 Standards for HDVs

The Commission proposes	IAE preliminary analysis
<p>Scope</p> <ul style="list-style-type: none"> • The Proposal covers trucks (over 5 tonnes), city buses and long-distance buses (over 7.5 tonnes), as well as trailers (an unpowered vehicle towed by a motor vehicle). • N.B.: trucks between 3.5 and 5 tonnes remain out of CO2 standards regulation (Regulatory gap) <p>Emission Reductions</p> <ul style="list-style-type: none"> • Strengthened CO2 emission targets for new heavy-duty vehicles (vs 2019): <ul style="list-style-type: none"> - 45% from 1 January 2030; - 65% from 1 January 2035; - 90% from 1 January 2040. • city buses: 100% share of zero-emission vehicles as of 2030 <p>Exemptions</p> <ul style="list-style-type: none"> • Small-volume manufacturers (up to 100 vehicles); • Vehicles used for mining, forestry and agricultural purposes; • Vehicles designed and constructed for use by armed forces and track-laying vehicles; • Vehicles designed and constructed or adapted for use by civil protection services, fire services, and forces responsible for maintaining public order or urgent medical care; • Vocational vehicles, such as refuse trucks <p>Technology</p> <ul style="list-style-type: none"> • Battery electric vehicles, fuel cells and hydrogen used in ICE are considered as zero-emission technologies for HD vehicles • “Tank to wheel” approach (or tailpipe) 	<p>Things we positively assess:</p> <ul style="list-style-type: none"> • Heavy-Duty Vehicles must be part of the efforts to decarbonise road transport. Hence the need to also revise the CO2 standards for HDVs as part of the Fit for 55 package. <p>Things requiring further clarification:</p> <ul style="list-style-type: none"> • The Just Transition agenda is missing from the Proposal. Art. 15 on the 2028 review must also cover the impact on employment and labour. In the same way, provisions reinforcing monitoring and reporting obligations for Member States and companies should integrate employment and labour dimensions. • Emission reduction timeline is necessary and ambitious. Close monitoring of the enabling elements implementation is needed, in particular when it comes to charging and refilling infrastructure. • The link with other pieces of legislation – mainly AFIR and Euro 7 – is not clear. • The link with the EU Green Deal Industrial Plan and relevant EU IPCEIs (batteries and semi-conductors) is missing, whereas it will determine the feasibility of the proposed emission reduction targets. • Demand-side measures are missing. Policy makers must ensure that there will be a market for the zero-emission vehicles, keeping in mind that truck operators are private companies exposed to competition. Similarly, public transport operators must get the necessary resources to renew their bus fleets with zero-emission vehicles. • Justifications of exemptions are not clear and could become loopholes while hampering innovation for some applications.

IndustriAll Europe's key demands for CO2 standards for HDVs

- The proposed legislation will dramatically impact the industry and its workforce. A detailed social impact assessment must urgently map the possible consequences on workers to identify the challenges. In addition to the general demands already identified in industriAll Europe's Just Transition Manifesto, the proposed legislation must include a monitoring mechanism similar to the "progress report" of the Regulation setting CO2 standards for cars and vans (Art. 14). Early and frequent progress reports must track the impact on employment, skills needs, as well as the development of negotiated plans to anticipate change at sectoral, regional and company level. The aim here is for the EU to get a precise picture (and regular updates) of the social impact of the revised CO2 standards in order to propose policy adjustment, if needed, including new funds.
- The proposed legislation must be more strongly and more closely related to an industrial strategy to strengthen the EU's industrial leadership in the production of heavy-duty vehicles and related equipment. The aim must be to transform the HDV industry and accelerate the fleet renewal with zero-emission vehicles, not to disrupt it.
- CO2 emission reduction trajectory must be in line with the capacity of the manufacturing sector to transform production facilities or build new ones. It must also be compatible with transport operators' investment capacity. Moreover, fulfilling this emission reduction pathway will require the rolling out of charging infrastructure, securing the supply of key components and raw materials, the creation of lead markets and reskilling or upskilling of the workforce.
- A well-functioning transport and logistics system is essential for the whole European industry and its complex supply chains. The proposed legislation should not impede the operation of transport systems.
- Public transport is an important user of HDVs and is essential to social cohesion and workers' well-being. Proposed legislation must lead to the renewal and expansion of the fleet.

ANNEX 2: Euro 7

The Commission proposes	IndustriAll Europe’s Preliminary Analysis
<p>Scope</p> <ul style="list-style-type: none"> • Stricter emission limits will apply to both diesel and petrol cars and lorries (although the NO_x limits for cars remain at the same level); • The test conditions for real-driving emissions will be expanded, while the conformity factors will be removed; • Greater emphasis will be placed on shorter journeys: the distance used as a basis for calculating the cold start emissions budget will be reduced from 16 km to 10 km; • The non-exhaust emissions of brake particles and microplastics from tyres will be measured and regulated; • Durability requirements will be increased: 200 000 km or 10 years for cars/commercial vehicles and 875 000 km with no time limit for lorries/buses; • Continuous emissions control will be introduced through on-board monitoring: sensors will measure real emissions throughout the life of a vehicle; • The longevity of batteries will be assessed by checking the change in their capacity as mileage increases; • Stricter rules will ensure that vehicles are not tampered with; • Emission limits will be set for previously unregulated pollutants: ammonia for cars, formaldehyde for lorries. For the first time, limits will regulate the emissions caused by evaporation when filling up with fuel. • Proposed dates for entry into force is <ul style="list-style-type: none"> ○ July 2025 for cars and vans ○ July 2027 for heavy-duty vehicles 	<p>Things we positively assess:</p> <ul style="list-style-type: none"> • In general, the Commission has opted for a "realistic" approach to establishing the new rules; • Euro 7 is an important revision that tackles a number of shortcomings of the Euro 6 standard, such as the risk of manipulation, the complexity of rules, vehicle ageing and real-world emissions. It also takes a much broader approach by including electric vehicles and non-exhaust emissions. <p>Things requiring further clarification:</p> <ul style="list-style-type: none"> • Compliance cost and impact on vehicle sale price is highly debated. Additional cost must be proportionate and related to genuine environmental and health benefits; • Euro 7 would be counterproductive if it delays fleet renewal by making new vehicles too expensive for consumers who will have to keep old polluting vehicles on the road; • If significant extra costs would be necessary and unavoidable, additional measures such as tax incentives or contracts for difference, would be necessary to create lead markets; • Euro 7 provisions setting stricter targets for engine emissions might not make sense if internal combustion powertrains become outdated technology. The budgetary resources and the skilled workforce (notably engineers) needed to meet the new standards will no longer be available to be invested directly into clean powertrains.

- The proposed time frame for implementing the new targets looks too tight for industry to adapt. Two to three years for vehicle producers and their suppliers to translate the new standards in their production would be necessary.

IndustriAll Europe's key demands for Euro 7

- Air pollution coming from road transport is responsible for more than 70 000 premature deaths per year in the EU 27. Setting stricter emission limits for vehicles is urgent and necessary to protect health, keeping in mind the importance to also regulate other sources of pollutants.
- A new Euro 7 legislation must be based on proportionality and must only establish additional limits where there is evidence that this is the most cost-effective option to deliver a significant added value for air quality. Industry denounces high regulatory costs and advocates that fleet renewal might deliver better results than new standards¹².
- The legislation must set up a realistic implementation timetable that will leave enough time to industry to adapt while providing clarity to guide R&D investments.
- Euro 7 legislation must be closely coordinated with legislation setting CO2 standards for vehicles to avoid overlaps and inconsistency across legislation.
- The availability of a skilled workforce to develop in parallel new combustion engines and zero-emission technologies must be better assessed.
- Additional measures will be needed to fight “mobility poverty”, as well as to create lead markets for cleaner products if they are more expensive.

¹² According to a study commissioned by ACEA, replacing older, more polluting vehicles on EU roads with the latest Euro 6/VI vehicles – alongside the electrification of new vehicles – would deliver an 80% reduction in road transport NOx emissions by 2035 (compared to 2020). Over the same period, the most stringent Euro 7 scenarios (ie limits for NOx and particles set at zero) would reduce road transport NOx emissions by up to a further 4% for cars and vans and 2% for trucks, compared to Euro 6/VI. The Euro 7 proposal on pollutant emissions would lead to direct cost increases that are 4 to 10 times higher than those cited by the European Commission. In addition to direct costs, the Euro 7 proposal would trigger indirect costs, such as higher fuel consumption <https://www.acea.auto/press-release/euro-7-direct-costs-4-to-10-times-higher-than-european-commission-estimates-new-study-reveals>