Joint press statement | Strategic Dialogue on the Future of the European Automotive Industry

The European automotive industry is in danger – how can it get back on track?

- **Urgent measures are needed to lower energy costs, cut red tape and end technology discrimination**
- **Ahead of the EU Automotive Action Plan, Europe's automotive associations call on the European Commission to embrace a holistic approach to address the current crisis**

The European automotive industry — home to 13 million jobs and generator of 7.5% of Europe's GDP — is under threat. Over the past decade, demand for cars/vans has dropped 20%, global competition has intensified, and restrictive regulations are stifling competitiveness. Ahead of the EU Automotive Action Plan, industry leaders urge the European Commission to adopt a holistic strategy to tackle mounting challenges.

The European industry is struggling to remain competitive in the current environment. Electric vehicles (EVs) require more energy in their manufacturing than petrol or diesel cars exacerbating the energy cost gap between Europe, the US and China. Average energy prices in the first half of 2024 in the EU are around twice those of US and China; coupled with higher labour costs, Europe struggles to be competitive on cost. Measures must be taken to reduce drastically energy costs and to support production costs through targeted relief on professional charges linked to EV production.

Over the past twenty years, Europe has become the world leader in producing legislation that governs the manufacture and use of vehicles. From imposing stricter emissions regulations, requiring the fitment of ever more sophisticated safety systems to demanding extensive reporting on sustainability or Corporate Due Diligence, Europe has overtaken the United States and China in regulatory requirements. Reporting requirements have become a huge barrier to entry: an enormous stumbling block not only for international competitors but also for emerging European start-ups.

ZEV take-up rate is falling far short of the mandated requirements: in 2024, 13% of passenger cars sold in Europe were EVs – well below the 22% for each manufacturer to avoid fines in 2025. For light commercial vehicles, the gap is even higher (6% market share in 2024 with a target of 17% in 2025) and the barriers for fleets to switch to EV even higher. The situation for heavy-duty vehicles, such as trucks and buses, is even more challenging where a steep ZEV market adoption is needed to move from 2.3% (2024) to at least 35% (2030) will be needed to comply with the agreed CO2 reduction targets.

Non-compliance costs and fines for the European car industry in 2025 could reach €15 billion – funds that would be better spent on developing even better, more affordable EVs. There can't be many industries which are penalised for the forces of a free market failing to bend to the regulators' will!

Global competitors are taking a more pragmatic approach. The leading country on EV technology has no plans to mandate an Internal Combustion Engine ban – China promotes NEVs (New Energy Vehicles) which are either Battery Electric Vehicles (BEVs) or Plug-in-Hybrids (PHEVs) through registration limitation, and through this policy has not only enabled a mastery of BEV but also PHEV technology.

PHEVs are popular with customers, because of the usage flexibility they allow, but in Europe, because of the ICE ban in 2035, they have become a dead-end technology, with few fiscal or usage advantages compared to traditional petrol-engined vehicles. The Chinese example, where 20% of sales were PHEV in 2024 (compared to 28% BEV) shows that this technology which allows zero emission city driving and range extension outside urban areas could be a useful solution in the race to drive down greenhouse gas emissions.

Europe has seen other industries emerge, dominate globally and then disappear – mobile telecommunications and renewable energy, for example. The factor which makes the automotive industry particularly important is the level of employment involved: 13 million people work in the industry, representing 10% of all manufacturing jobs. 7,5% of European GDP in generated by the automotive sector and automotive industry spend on R&D represents 33% of European total at €72 billion[1].

We appreciate the European Commission's swift engagement in this dialogue. However, to ensure a meaningful final discussion, we urgently need clarity on the action plan's status to ensure its content focuses on the most impactful measures for the industry, not just 'nice-to-haves.'

We believe that the following European measures are needed urgently:

- Urgent action to address the **CO_2 2025 compliance issue for cars/ vans**, avoiding fines and strengthening European industry competitiveness. Regarding multi-annual average compliance, 5 years is the optimal duration for this option to deliver tangible benefits for manufactures, anything less than that will not help industry.
- **Lower energy costs and increase R&D incentives** to maintain a level playing field in vehicle production
- **Long-term technology-neutral and market-driven policies to accelerate decarbonisation**, fostering innovation while recognising the potential of PHEVs.
- **Restore the technology-neutral approach into the CO_2 regulation** by the introduction of flexibilities to enhance the value of carbon neutral fuels
- **Reduce excessive regulatory burden** which hobbles the European industry with huge costs for product compliance and reporting with little benefit to consumers
- **Accelerate the review of the medium-term CO_2 Regulation for heavy duty vehicles, cars and vans, to 2025** based on an urgent assessment of the sector's enabling conditions

Decline is not inevitable, but we are at a tipping point: supporting or hobbling the automotive industry will make the difference between a prosperous, clean future and sustained economic self-harm which will impact the European way of life for generations to come. The choices have never been so stark, and the urgency never so apparent. The Strategic Dialogue is a great opportunity – let's not squander it.

[1] Source : ACEA