

📅 20 JULY 2021

Impact of EU proposal for revised 2030 new car average CO₂ emissions and 2035 zero CO₂ emission targets

(OXFORD, UK): Although signposted for some time and not entirely unexpected by the industry, or by LMC Automotive, last week's proposal for new targets designed to ensure that the EU remains on track to meet the net-zero carbon target clearly has profound implications for Europe's Light Vehicle sector.

The key points of the proposals for new Passenger Car sales in the region (EU + UK, Iceland and Norway) are:

- **2030 new car average CO₂ emissions target is 55% lower than the 2021 level, rather than the 37.5% that is currently in force.**
- **CO₂ target for 2035 to be 100% lower than the 2021 level, implying that gasoline and diesel combustion cars will no longer be able to be sold by that time.**

The driving force for these proposals is that the current roadmap, if taken by car producers as a minimum to be achieved, carries a significant risk of not resulting in a fully zero-emission fleet by 2050, thereby contravening the EU's legal determination to achieve net-zero CO₂ emissions by 2050 from all sectors.

Will the proposal succeed?

As soon as the content of the proposal became clear, several stakeholders, including ACEA, the European car industry association, expressed concern that the transition to zero emission vehicle (ZEV) was too fast. EU countries with large automotive sectors may also take issue with the 2035 combustion engine ban proposal, fearing job losses.

The LMC Automotive view, however, is that the proposals will be adopted, with significant parts of the car making sector (and some countries) already saying that they intend to sell 100% ZEVs by the time of the proposed 2035 ban. As a possible concession to those who believe that the roadmap is too severe, we could imagine a phase-in period, as seen in the current Passenger Car EU CO₂ targets.

And in a tragic coincidence, the day that the proposal was introduced was the day that large parts of central Europe were devastated by flooding, after the most intense rainfall on record.

LMC Automotive has noted on several occasions that an increased incidence of events associated with climate change, as the floods were labelled by several politicians, may play a part in an accelerated transition to electrification. Last week's events strengthen the argument for a more rapid shift away from a road-transport sector based on carbon-emitting fuels.

Impact on forecasts

1. New 2030 CO₂ target

The first thing to say is that our European Passenger Car electrification forecast, as provided in the LMC Global Hybrid & Electric Vehicle Forecast, has, since the beginning of 2021, been based on an assumption of a 50% cut in the 2021 CO₂ figure by 2030.

As such, there is no need for a dramatic forecast revision at this time.

However, the likely 55% target will require a somewhat different powertrain mix than we currently show, and we will be amending our forecast to align with the new EU ambition.

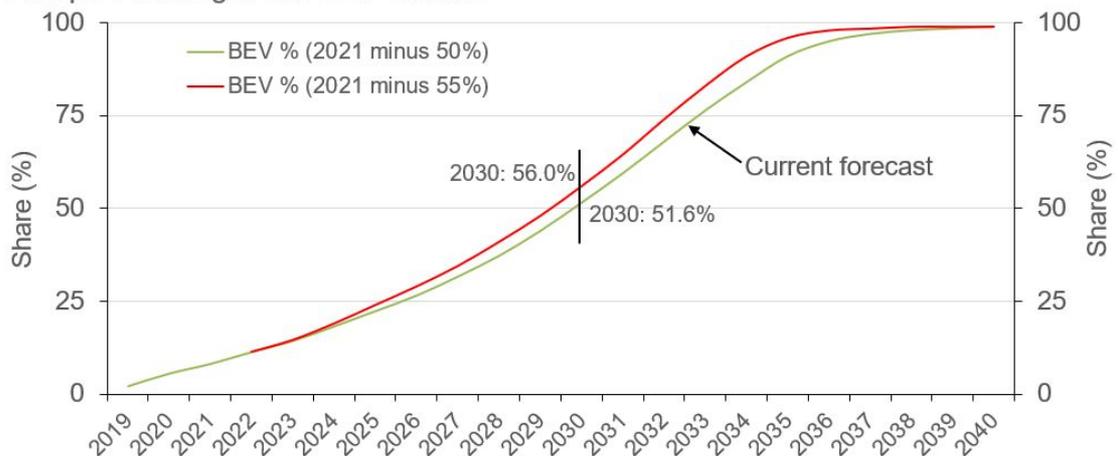
The table below shows likely forecast revisions by electrification type:

2030 Europe Passenger Car Powertrain Mix Forecast (%)		
Electrification Type	CO ₂ Target	
	Current forecast: 2021 minus 50%	EU Proposal: 2021 minus 55%
BEV (battery electric)	51.6	56.0
PHEV (plug-in hybrid)	7.1	8.0
FHEV (full hybrid)	9.7	9.7
MHEV (mild hybrid including 48V)	24.5	23.2
FCEV (fuel cell)	0.1	0.1
IC Only	7.0	3.0

2. 2035 100% reduction in new car CO₂ emissions

For several years, LMC Automotive's forecasting methodology has incorporated the assumption that an EU-wide end-of-sale of combustion engines was necessary to give clarity to all stakeholders involved in the shift away from fossil fuels, not least those investing in the charging infrastructure.

Europe Passenger Car BEV market



With this in mind, our electrification forecasts have, for many months, tended towards a mid-next decade point of achieving ZEV status.



The chart above indicates the likely impact on our European BEV forecast as a result of a 55% reduction in CO₂ being imposed by 2030, plus a 2035 100% reduction in CO₂. The forecast presented here covers European markets outside the EU, and we assume a phase-in period for the 2035 goal, such that BEV share is not quite 100% by 2035.

3. Impact on regional battery demand

Analysis from LMC's forthcoming **Global Light Vehicle Battery Forecast** indicates that these new revisions to BEV demand will result in a requirement for an additional 40 GWh of battery capacity for European-built Passenger BEVs, taking the total required to 571 GWh.

On top of that, the battery requirements for BEVs imported into Europe will rise by 11 GWh.

Under the CO₂ reduction target for LCVs (a 50% cut in CO₂ by 2030, rather than a 31% cut), battery demand for LCV assembly in the region will rise from 66 GWh to 80 GWh.

Summing Passenger Car and LCV battery requirements gives a total 2030 LV battery requirement of 651 GWh under the new proposals. Observation of investment plans indicates that, assuming they come to fruition, Europe will be self-sufficient in battery supply, even under the new proposals.

ENDS

About LMC Automotive: For over 30 years, LMC's mission has been to provide the most comprehensive, timely and actionable services to all sectors of the auto industry. Focusing exclusively on this sector, while being highly responsive to our large and growing client base of car and truck makers, component manufacturers and suppliers, and financial and government institutions, has fostered our rapid growth. Today, from offices in all the major automotive markets, LMC provides insights and forecasts for both the Light Vehicle and Commercial Vehicle sectors, with specific emphasis on vehicle sales, production and propulsion systems. Our experts examine global industry dynamics from every angle – be they macroeconomic trends, market and production developments or regulatory and technological changes. These insights are shaped into a comprehensive suite of services that can be tailored to an individual client's needs and are delivered in a range of flexible and sophisticated formats.

As a company, we pride ourselves on the quality of our products, as well as our commitment to customer service. Our team, and our carefully selected partner companies, are dedicated to what they do – bringing the most accurate information to market and helping our clients to gain maximum benefit from our insights.

For more information about LMC Automotive, visit www.lmc-auto.com, email us at media@lmc-auto.com or follow @LMCAutomotive on Twitter and LinkedIn.

Media Contact:

Volker Krueger: vkrueger@lmc-auto.com