

Brussels, 27 August 2025

The EU risks missing the turn on its automotive transition – September’s Strategic Dialogue is the chance to correct course

Dear President of the European Commission,

As automotive manufacturers and suppliers, we are committed to helping the EU achieve the net zero goal in 2050. Together, we have launched hundreds of new electric vehicle models and committed to invest more than €250 billion towards the green transition by 2030.

We want to make this transition work—but we’re frustrated by the lack of a holistic and pragmatic policy plan for the automotive industry’s transformation.

The EU currently regulates manufacturers on the supply of new vehicles yet fails to provide the conditions to enable the transition. Europe faces near-total dependency on Asia for the battery value chain, an uneven distribution of charging infrastructure, higher manufacturing costs—including electricity prices—and burdening tariffs from key trade partners, such as the 15% duty on EU vehicle exports to the US. We are being asked to transform with our hands tied behind our backs.

As a result, the battery-electric vehicle market share is still far from where it needs to be—around 15% for cars, roughly 9% for vans, and 3.5% for trucks. Some EU markets are showing signs of progress, but a large chunk of customers remain wary of switching to alternative powertrains.

To make switching an obvious choice for a critical mass of European consumers and businesses, much more ambitious, long-term, and consistent demand-side incentives are needed—including lower energy costs for charging, purchase subsidies, tax reductions, and favourable access to urban space. Multiple drivetrain technologies, too, accelerate market acceptance and achieve decarbonisation targets in real-world conditions. Other markets are successfully using this approach already.

Europe's transformation plan for the auto industry must move beyond idealism to acknowledge current industrial and geopolitical realities. Meeting the rigid car and van CO2 targets for 2030 and 2035 is, in today's world, simply no longer feasible. Instead, the current CO2 reduction path in road transport must be recalibrated to ensure it delivers on EU climate goals whilst also safeguarding Europe's industrial competitiveness, social cohesion, and the strategic resilience of its supply chains.

Successful decarbonisation means going beyond new-vehicle targets—it requires tackling emissions from the existing fleet (e.g. by accelerating fleet renewal), expanding fiscal and purchase incentives (including for company cars and vans), and introducing targeted measures for trucks and buses to level the total cost of ownership.

Successful economics means keeping manufacturers and suppliers profitable and competitive to fuel future investments and strengthen the automotive ecosystem. It also calls for simpler, more streamlined EU regulations to cut red tape.

Successful resilience means fostering conditions to invest smartly along the battery, semiconductor, and critical raw materials value chains. It also means developing long-term, strategic partnerships with reliable global allies to reduce dependencies.

If one of these dimensions fails, the whole transition breaks down.

The upcoming revision of the CO2 standards for cars and vans is an opportunity to correct the course and anchor in law much-needed flexibility, industrial perspective, and a market-driven approach. It is clear by now that penalties and legal mandates alone will not drive the transition.

Technology neutrality should be the core regulatory principle, which safeguards that all technologies can contribute to decarbonisation. EVs will lead the charge, but there must also be space for (plug-in) hybrids, range extenders, highly efficient internal-combustion-engine (ICE) vehicles, hydrogen and decarbonised fuels.

Better leverage of key transition technologies, such as plug-in hybrid vehicles, will be critical in meeting decarbonisation goals, engaging consumers in the green transformation and serving export markets where demand for this technology will remain high. But if the EU tightens existing rules that account for the driving distance plug-in hybrids (PHEVs) cover using electric power—the so-called 'utility factor', this could counterproductively give an advantage to our competitors. Dropping the potential utility factor restriction is the logical option, opening the industrial perspective for manufacturing technologies in Europe.

Beyond tailpipe emissions, manufacturers and suppliers have also made sizeable investments in driving down emissions from the manufacturing of vehicles and components. It's worth considering if and how these efforts could be recognised as part of a more flexible decarbonisation approach. Incentivising innovation typically

creates stronger and broader value-chain contributions, strengthening the ecosystem. Options could include long-term solutions such as carbon storage and removal as well.

The CO2 regulation for heavy-duty trucks and buses must be reviewed as soon as possible, too. This distinct segment of the market needs robust business cases for all stakeholders in the commercial road transport sector to set the transformation off. This cannot wait until 2027.

Finally, the Commission must ensure that Europe retains its vital production capacity and technological know-how. Without policies that enhance European competitiveness to maintain manufacturing, the transition risks hollowing out our industrial base, putting innovation, quality employment, and supply chain resilience at risk.

The world has changed drastically since the current direction has been set—and the EU's strategy for the automotive sector must change with it. We must move beyond the narrow assumption that this transition hinges solely on CO2 targets for new vehicles.

That's why the upcoming Strategic Dialogue on the future of the automotive industry on 12 September is the moment for a change of tack. This is the EU's last-chance saloon to adjust its policies for today's market, geopolitical, and economic realities—or risk jeopardising one of its most successful and globally competitive industries.

We share a common destination, yet the journey requires more pragmatism and flexibility to keep the motor of Europe's automotive sector running.

Yours sincerely,

Ola Källenius, President of the European Automobile Manufacturers' Association (ACEA), CEO of Mercedes-Benz



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