Views on the scenarios for a mobility transition pathway:

10-point action plan towards a resilient, innovative, sustainable, and digital ecosystem

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The voice of European vehicle dealers and repairers

CLEPA
European Association of Automotive Suppliers

ETRMA
EUROPEAN TYRE & RUBBER manufacturers' association

10-point action plan to be taken by policymakers within the transition pathway implementation

1. **Monitor the impact on supply chains** to identify issues which require political support, e.g., energy prices. This concerns not only energy, but also raw materials, technology, transport of goods/logistics. This is especially valid for the current Russian/Ukraine crisis.
2. **Create a government-automotive stakeholders forum** for exchange of information on supply chain resilience.
3. Support **better regulation principles** in order to boost industry competitiveness, including sufficient lead times for implementation. Ensure **EU competition policy** in sync with national support measures for industry.
4. Ensure pragmatic and realistic **energy policy**. Reduction of fossil fuel consumption is already under way. The EU should endorse a new approach built on a combination of energy carriers for transition and green solutions for the long term.
5. Guarantee **security of supply** and a realistic pathway for transition.
6. Keep **technology openness** approach. No technologies that can bring CO2 reductions should be banned. EU should focus on diversifying energy sources in the short term, defossilisation in the mid- to long-term. Policy-makers should consider new dependencies created by electrification.
7. Further support the measures for **stimulating vehicle demand, including tyre renewal** (e.g., through tax reductions, purchase incentives or scrappage schemes as well as with stimulus through public procurement). This will also make a positive and faster contribution towards carbon neutrality, road safety and digitalisation. This effects positively structural change across the value chain, from OEMs to suppliers to dealers and repair shops.
8. Speed up the regulatory work on **Digitalisation of Transport**, facilitate investment in next-generation digital infrastructure and enable new and multiple digitalised services.
9. Update the transition policies in light of the current crisis, including the Skills Agenda. Support a **sectoral Skills Pact for the automotive sector**, support up- and re-skilling of the labour force with concrete measure and financing mechanisms.
10. Ensure an ambitious Horizon Europe budget to support climate-neutral road transport system, as well as **enhance innovation-focussed** public procurement in transport and mobility through ESIF, including the EIB funding mobility initiatives.

Automotive sector as a backbone of European economy

Automotive sector and the whole value chain is a backbone of the European economy. It represents:

- 12,7 million Europeans working in the sector
- 11,5% of all manufacturing jobs in the EU
- €398,4 billion in tax revenue for European governments
- €76,3 billion trade surplus for the European Union
- 8,2% of EU GDP generated by the auto industry
- €58,8 billion in R&D spending annually, 32% of EU total

Current context

Since the publication of the Staff Working Document on 1 January 2022, the world has drastically changed. Russia's invasion of Ukraine has violated the fundamental principles of democracy, and the automotive sector fully recognises and supports the need for firm action in the way of EU sanctions as a unified response to this unprovoked and unjustified attack. The war has triggered further disruption to the already stressed global supply chain. Visibility and resilience into the extended network are essential to tackling both the immediate and long-term associated challenges and risks.

- The mobility ecosystem and automotive sector will continue to play an important role in the EU economy and in the free movement of people and goods. Long-standing principles of technology openness, EU competitiveness, and affordable mobility are now more important than ever.
- The green and digital transition supporting the Green Deal objectives will be confronted by structural changes. Further, current geopolitical and economic factors are converging to impact the mobility ecosystem, and consequently, how to adapt to changing market dynamics.
- In this regard, global supply chains must remain resilient. COVID-19 and now the war in Ukraine have exposed vulnerabilities caused by import disruptions. A focus on diversification of materials, energy and fuels is key, with a vigilant eye on critical dependencies, and how this relates to target setting.
- The technologies enabling emissions reductions (e.g., semiconductors, batteries) depend on raw materials insufficiently present on the European market, reinforcing the need for a realistic assessment of vulnerabilities and possibilities to increase flexibility and resilience. EU policy should embrace all alternative fuels to help manage the transition towards climate-neutral mobility.

- Further deepening of the internal market, smart regulation, and measures supporting EU competitiveness must be at the forefront of policymaking. Political intervention in supply chains should only occur where there is a risk of market failure.
- Striking the right balance between the unquestioned necessity to address climate change and maintaining economic stability is increasingly difficult given the risks to supply chain security and the emerging energy crisis. Navigating a successful course for both requires timely analysis, partnership, and action.

General remarks on transition pathways

- All associations welcome that the automotive sector and mobility ecosystem is one of the first ecosystems analysed by the Commission and is seen as a critical contributor to the competitiveness of the EU economy.
- The staff working document of the Commission rightly touches key issues and transition challenges associated with the green and digital transformation and indicates key areas of future policy interventions.
- However, there is no concrete action plan associated with the transition pathway, nor a clear link to the industrial policy as presented by the Commission in March 2020, or its COVID-19 updates as of May 2021.
- Most of the "output scenarios" are vague and quite general. Having in mind the speed of the transformation proposed in the Fit for 55 package, the pathway should be much more tangible and provide concrete scenarios on how to manage the transition.
- Further, although the pathway is correctly in line with the Fit for 55 package, it does not consider that the proposals are still undergoing inter-institutional negotiations, and therefore may differ significantly from what was proposed by the Commission (e.g., proposals of the EP on CO2 standards), adding another layer of complexity to the transformation.
- The transition pathway lacks coherence to the new regulatory framework shaping the environment in which businesses will operate (i.e., need for green procurement, taxation, digital agenda, energy and resource efficiency, etc.), which will have a critical impact on EU competitiveness, irrespective of size. Although there is a correct focus on SMEs, larger companies will also play a strategic role in a European industrial base.
- More focus should be given to supportive measures to accelerate investment at the manufacturing level. Industry 4.0, as well as the digital transformation, will further stimulate the need for investments into manufacturing facilities. Supportive measures for companies of all sizes need to be reconsidered – in principle IPCEIs are the only instrument currently supporting industrial investment – which is not sufficient to achieve the green and digital transition. Supportive measure should go beyond R&D activities (e.g., new plants needed for semiconductors and carbon black, battery value chain development, scale-up of sustainable renewable fuels, etc.)

- The transition pathway represents the entire mobility ecosystem, which might lead to policy recommendations that are too high-level and do not address the specific needs and business models of individual transport sectors. While finding synergies is supported, specific measures for the automotive sector are highly recommended.

Specific remarks from the automotive sector perspective

- The transition pathways will likely differ for passenger cars, vans, and the heavy-duty segment (as well as for non-road machinery applications). Commercial applications and personal mobility are based on different business models, including the speed of electrification and use of sustainable renewable fuels. This will impact the speed of the transition and the industries involved.
- As previously mentioned, the scenarios for a transition pathway combine a high-level perspective of the mobility ecosystem needs but lack concrete measures for individual transport segments. Having in mind, in particular, the CO2 standards for cars and vans, the priority should be to define a pathway for the automotive sector specifically, and as it pertains to the following:
    - Managing the technological transition to zero and carbon-neutral mobility.
    - Keeping mobility affordable, especially in light of growing energy and fuel costs, as well as growing cost of materials.
    - Managing the structural change in automotive regions (See for example latest Committee of Regions report: https://cor.europa.eu/en/engage/studies/Documents/TIAZeroEmissionsCars.pdf.)
    - Providing a specific pathway for the transformation of the labour force.
- With respect to the overall needs of the mobility ecosystem, special attention should be given to the battery value chain and grid management in the EU – this is valid both to support the transition towards e-mobility, as well as second/re-use of batteries for the energy sector transformation. The EU should clearly focus on:
    - Ensuring resilience throughout the battery value chain, through diversifying domestic and international raw material supply sources and recycling (including supportive measures for investments in domestic supply).
    - This resilience is needed also for key components and raw materials used in the battery value chain. The fact that most of the raw materials are insufficiently present on the European market reinforces the need of a trade and industrial policy on the basis of both openness and strategic autonomy.
    - The establishment of a deep battery supply chain in Europe, including the production of battery chemicals, is critical. Nevertheless, not all components can be produced in the European market on competitive terms, imports help industry focus on activities with highest value add and remain globally competitive.

  - Coordination on EU and national level with respect to the switch and management to renewable energy and fuel sources. Greening of the transport sector makes little sense without renewable power generation and distribution in parallel.

- Ensuring coherence within Fit for 55 package:
  - There are already visible gaps with respect to the proposals tabled by the Commission and inter-institutional negotiations.
  - The final outcome of the negotiations will likely not reflect the Commission's proposals. For example, there is a clear push by some members of Parliament for higher CO2 standards for cars and vans, but lower ambition on the roll-out of charging infrastructure.
  - Certain targets (e.g., 40GW of renewable electrolysers producing 10mil tonnes of renewable hydrogen by 2030) seems to be questionable from the perspective of the current procedures (permitting, linear networks investment procedures, public procurement) etc.
  - Particular attention needs to be given to the real need of the alternative infrastructure for low and zero emission vehicles (see latest charging masterplan initiative details at: https://www.acea.auto/publication/european-electric-vehicle-charging-infrastructure-masterplan/). It is also obvious that for certain remote areas there will be no business model for the infrastructure and the need for public investment cannot be overlooked.
  - Availability of renewable and clean energy for the production and supply of new alternative fuels such as hydrogen, synthetic fuels, and advanced biofuels, etc. (including possible scenarios for different market uptake).
- The issue of a just and fair transition and the skills agenda should be front and centre in every legislative proposal in the Fit for 55 package. The social dimension of the mobility transformation is critical to achieving Green Deal objectives. The partnerships created under the Pact for Skills (Automotive Skills Alliance is a flagship in this area - https://automotive-skills-alliance.eu/) - must receive more support in order to effectively coordinate the reskilling and upskilling for the ecosystems between industry, education providers and regions. It should be underscored that the current education and upskilling/reskilling systems are insufficiently established for a transformation of this magnitude. Talent acquisition remains a major challenge, and there is a clear need for a more efficient and effective education process that leads to occupations that are required by industry. Transformation of the skills assets of the European labour force is a pre-requisite for any technological transformation.
- The measures taken or foreseen to support decarbonisation and digitalisation focus mostly on the supply side, but not enough on stimulating demand side measures for low-carbon solutions. Particularly in the freight segment, additional measures are needed to support the business case (e.g., carbon pricing, toll systems, etc.). Policymakers should create a policy framework and public-private partnerships that support the automotive sector in launching innovative business models and new mobility technologies. This

should be facilitated by common guidelines with rules that provide private companies with a level-playing field.

This is also valid for supportive schemes for viable business models for better combined mobility. For that, they should enable and frame the new mobility services, they should aim at understanding and develop new business modes and identify critical challenges in the mobility ecosystem, namely: high costs and low margins (i.e., shared mobility); broad set of partners (i.e., in cities); level playing field (i.e., competition with subsidised public transport).

- With respect to the KPIs, indicators should be made specifically for the individual sub-sectors or segments of the mobility ecosystem, fully respecting their specificities and concrete needs.

About the signatories

ACEA, the European Automobie Manufacturers' Association, represents the 16 major Europe-based car, van, truck and bus manufacturers: BMW Group, DAF Trucks, Daimler, Ferrari, Ford of Europe, Honda Motor Europe, Hyundai Motor Europe, Iveco Motor Group, Jaguar Land Rover, Mercedes-Benz, Renault Group, Stellantis, Toyota Motor Europe, Volkswagen Group, Volvo Cars, and Volvo Group.

CECRA is the European federation bringing together 24 national professional associations representing the interests of the motor trade and repair businesses and 15 European Dealer Councils on behalf of vehicle dealers for specific makes. CECRA represents on a European scale 380.000 motor trade and repair businesses. Together they employ 2.9 million people.

CLEPA, the European Association of Automotive Suppliers, represents over 3,000 companies supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over €30 billion yearly in research and development. Automotive suppliers in Europe directly and employ nearly 1.7 million people across the continent.

ETRMA, the European Tyre & Rubber Manufacturers Association represent nearly 4.400 companies in the EU, directly employing about 345.000 people. The global sales of ETRMA's corporate members represent 70% of total global sales, have a strong manufacturing and research presence within the EU and candidate countries, with 93 tyre-producing plants and 17 R&D centres.