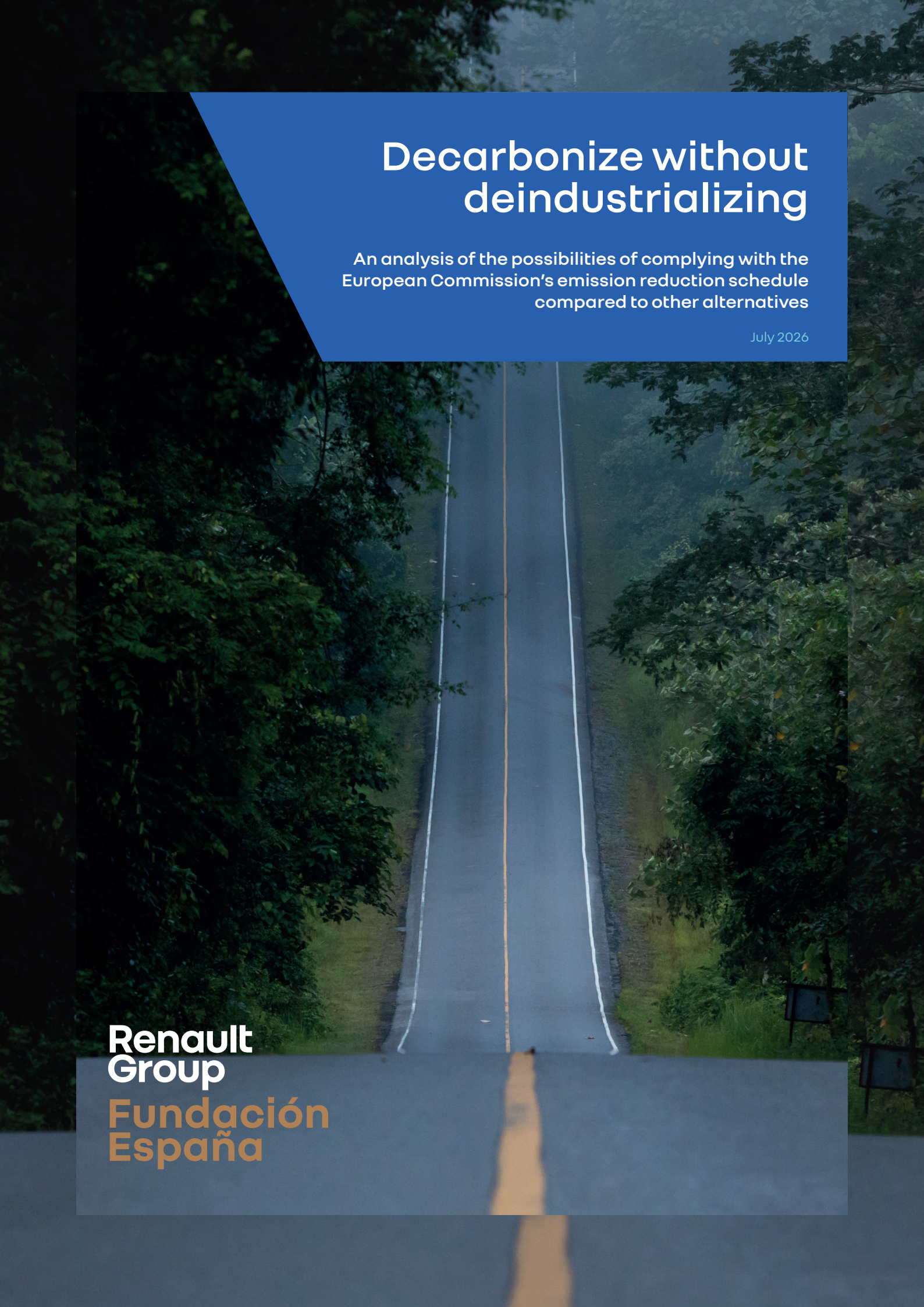




Decarbonize without deindustrializing

An analysis of the possibilities of complying with the
European Commission's emission reduction schedule
compared to other alternatives

July 2026

**Renault
Group**

**Fundación
España**

1.

BACKGROUND

What is being debated in Europe about new car emissions

The European Union set in 2019, and revised in 2023, the timetable for new cars to pollute less and less: 15% less CO₂ in 2025-2029 and 55% less in 2030 compared to 2021 levels, until reaching zero tailpipe emissions by 2035.

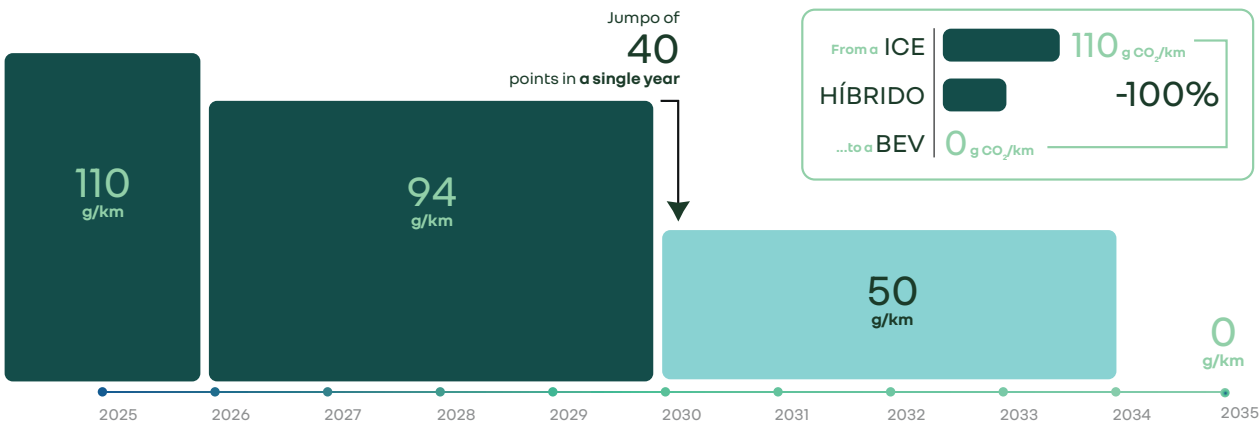
The objectives are not in dispute. What I know

debate is how to measure whether the industry complies with them. The European Commission presented its Automotive Package with an evaluation schedule in December 2025. ACEA, the European manufacturers' association, responded in March 2026 with another. The two proposals share a goal and reach 2034 in very different ways.

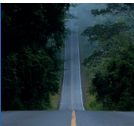
European car CO₂ regulation, in brief

			
Starting Point (2021)	Objectives	Non-compliance	Regulations
115.1 grams of CO ₂ per kilometre in the average new car.	15% less CO ₂ by 2025-2029, 55% less in 2030 and zero tailpipe emissions in 2035.	Fine of 95 euros for each gram of CO ₂ per kilometre that the manufacturer exceeds in the exhaust pipe, multiplied by each car registered.	Regulations 2019/631, 2023/851 and 2025/1214, plus the Automotive Package of December 2025.

The European Automotive CO₂ Regime 2025-2034



Tailpipe emissions. * Linked to EU votes
ICE: Internal Combustion Engine, BEV: Battery Electric Vehicle



2.

THE CRUX OF THE DEBATE Two different ways to tell the same thing

The Commission proposes to assess compliance in short periods: three years (2025-2027), then year by year (2028 and 2029), then another three years (2030-2032) and again year by year (2033 and 2034). Each period is evaluated separately and what a manufacturer saves more in one tranche is not enough to compensate for the next.

ACEA proposes something else: **to group the five years between 2028 and 2032 into a single period and evaluate them together.**

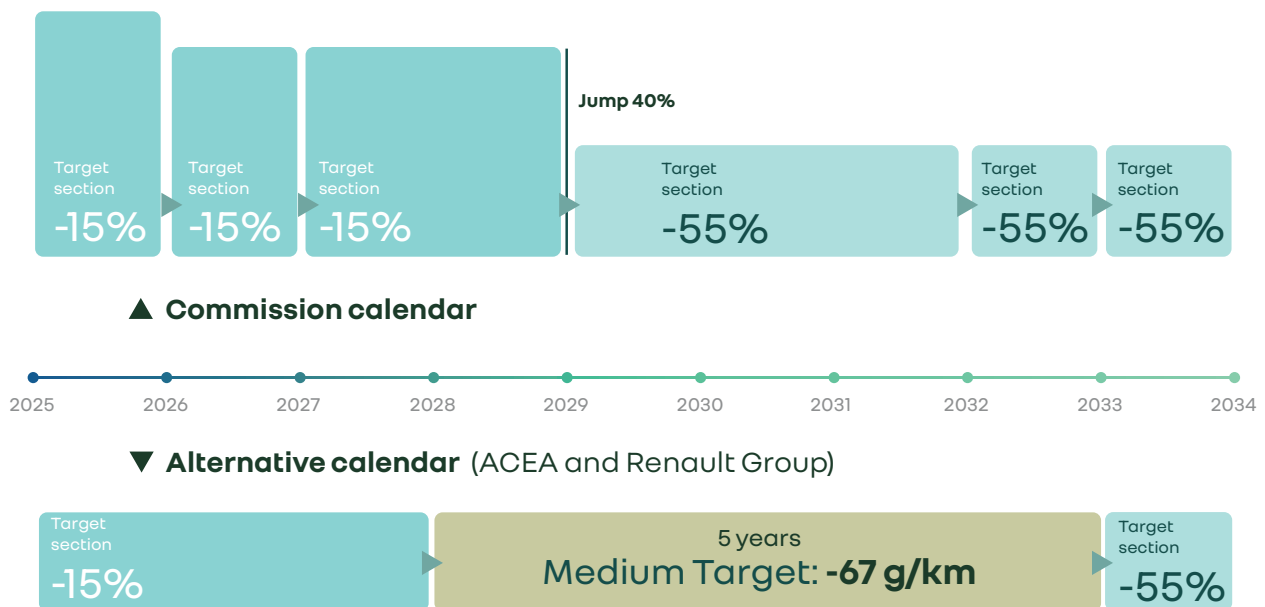


It's the difference between winning every stage and winning the Tour. This approach assesses overall performance rather than measuring just a single moment in time. The reduction percentages remain unchanged. Only the way in which compliance is measured changes.



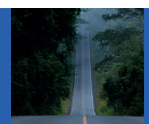
Architecture of the compliance windows under each proposal

The 2028-2032 window covers the border of the jump



Recently, the three major European manufacturers (Stellantis, Volkswagen and Renault) have expressed a common position: **70-70**.*

*See annex



3.

Why the Commission's proposal is not enough

The wall of 2030: Regulation asks for more than the industry can deliver

The Commission's proposal runs into a well-identified challenge: the jump between 2029 and 2030. In 2029, an average manufacturer may emit 93.6 grams of CO₂ per kilometer. By 2030, that figure falls to just 49.5 grams. That represents a reduction of **44 grams in a single year, with no intermediate step**.

Currently, although the EV market is growing, it is not growing fast enough to be able to assume this reality. To meet this, the share of pure electric cars in new registrations would have to go from **17% at the end of 2025 to 47-57% in 2030**: practically tripling in four years. And the capacity of European battery factories in 2030 is projected to be between 800 and 1,100 gigawatt-hours, **well below the 1,700 announced** (Fraunhofer ISI). Regulation calls for more electric cars than markets assume today.

From 93.6 to 49.5 grams
of CO₂ per kilometre in a
single year.

No intermediate step



4.

The Estimation Exercise

What does the quantitative model applied to the debate say?

The starting point of this document is an exercise of probabilistic estimation that compares the two calendars in their complete journey (2025-2034). The exercise simulates the evolution of the share of electric cars,

the emissions trajectory and the regulatory flexibility mechanisms of each regime to quantify two things: the probability that European industry will comply and the resulting industrial cost.

The Commission's timetable works in less than one in four simulations for passenger cars (range 4-25%) and in less than 5% for vans. The alternative calendar with the 2028-2032 window meets between 90% and 95% of the simulations in both segments. The alternative regime is no less ambitious, it is more deliverable.

Probability of complying with the 2025-2034 regime

Commission calendar

15%

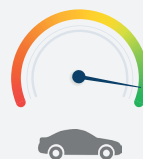


3%



Alternative calendar

93%



93%



Decarbonize without deindustrializing

Decomposition of the industrial cost of the calendar Commission (range)

Industrial cost of the Commission 2025-2034 calendar

20.000 - 25.000 M€

Fines to the European Commission
10.000 - 15.000 M€

Purchase of credits to others fabricants

9.000 - 10.000 M€

It is kept off the EU balance sheet
8.000 - 10.000 M€

Intra - EU
1.500 M€

On the axis of industrial cost, the Commission's calendar generates a bill of 20,000 to 25,000 million euros during the decade that is divided between fines for non-compliance (10,000-15,000 million) and purchase of credits from competing manufacturers (9,000-10,000 million). Between 8,000 and 10,000 million of these credits leave the European balance sheet for non-EU manufacturers: lost investment capacity in European industry without associated purchase of additional emission reductions. The alternative calendar with the 2028-2032 window avoids practically all of that bill in the central scenario of the year.



The probabilities of compliance with this simulation have been calculated using **The Forecasting Machine**, Europe's leading synthetic forecasting platform.

5.

Industrial consequences

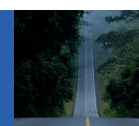
A regulation that cannot be complied with does not reduce emissions: it only generates a bill

When a regulation is impossible to comply with, what happens is not that emissions go down, but that the industry ends up paying a bill without buying a single extra ton of reduction.

With the Commission's calendar, European manufacturers will bear **around 20,000 million euros** during the decade 2025-2034 between fines and payments to competing manufacturers that comply with margins.

This figure is equivalent to **7% of the annual value added** of the European motor vehicle manufacturing industry and translates into **190,000 equivalent direct employment people** in the European auxiliary chain: in comparable terms, all car manufacturing in Spain.

190,000 European jobs at stake in the automotive auxiliary chain



6.

The alternative of ACEA and Renault Group A five-year window: the goal is to win the Tour, not its stages

The proposal of ACEA and Renault Group consists of grouping the five years between 2028 and 2032 into a single evaluation period. It is the same idea as winning the Tour de France without the need to win in each stage: if in 2028 and 2029 the manufacturers meet with a margin (when the bar is -15%), that surplus **compensates for the deficit of the following three years, when the bar jumps to -55%**. The weighted average target for the period stands at 67 grams of CO₂ per kilometre and the projected average emissions at 64: the regulation is met without touching the 2030 target, the 2021 baseline or the 2035 date. Only the period in which the balance sheet is made changes.

Three levers that add up



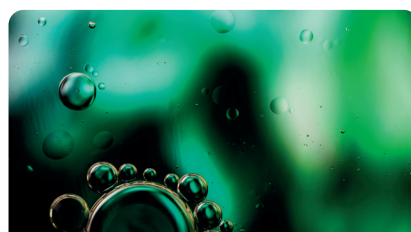
01. The 2028-2032 window

The timeframe in which compliance is measured changes: the five-year cycle is approved instead of stage by stage.



02. The Made in Europe super-credit

It rewards electric cars manufactured in European plants and links environmental objective and community production.



03. Compensatory Pathways

Renewable and synthetic fuels with their caps, plus obligations for corporate fleets to electrify at the pace of European supply.



Made in Europe: the european car incentive

What is this

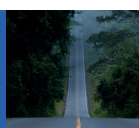
The EU is shaping a "made in the EU" seal that recognises electric cars produced in European plants with a compliance multiplier: an electric car assembled in Valladolid or Saarlouis counts more than an imported one.

What the industry is asking for

A realistic definition: that the complete added value of the car (assembly, engineering, R+D, skilled labour) is taken into account and not just the origin of each part, and that the seal covers all electrics manufactured in the Union, with an additional bonus for small and affordable models.

The battery

Postpone to 2030, instead of 2028, the obligation to incorporate European cells, to allow time for gigafactories to reach real capacity.



7.

Conclusion

Change how you measure,
not how far you go

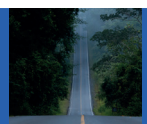
What is at stake is not environmental ambition: the percentages, the baseline, and the 2035 date remain untouched. At stake is whether the European regulation **will be able to deliver what it set out to do**, or whether it will instead produce an industrial bill without buying a single extra ton of avoided emissions. The proposal of ACEA and Renault Group is not a discount: **it makes the same objective achievable**.



European industry does not want to change the objective: his intention is to win the Tour.



The quantitative data cited in this document come from the study on the impact of the European Commission's Banking & Borrowing proposal prepared by Renault Group (June 2026).



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Annex:

