



Green Deal and Sustainability

Working together towards a climate-neutral economy

Automotive suppliers fully support the Paris Agreement and the even more challenging objective of climate neutrality in 2050. The industry is delivering technology that contributes to the protection of the environment along the whole value chain.

The Green Deal continues to dominate the legislative agenda, as policymakers search for the majorities needed to turn the European Commission's proposals into law. The transition to a more sustainable future of mobility are touching the automotive sector in different ways, from vehicle emission limits defining the future of advanced drivetrain technologies, to the use of lightweight or recycled and bio-based materials in the transition to a circular economy, just to name a few.

The transition towards climate-neutral mobility is well under way, and the European Commission's 'Fit for 55' package published in July 2021 aims to set the course for how we achieve these objectives. Among the proposals in this package, the regulation on CO₂ emission standards for cars and vans is in the spotlight. While carbon and pollutant emissions require very different rules and policies, a common proposal for Euro 7/VII pollutant emission standards, expected in mid-2022, is seen as closely linked. Two aspects are critical: the transition needs to happen at a reasonable and realistic pace and a comprehensive regulatory framework needs to be adopted. The latter should embrace ingenuity and incentivise the use of technology for an efficient and effective reduction of pollutants and carbon emissions, including direct electrification, hybrid solutions, but also the use of low and zero carbon fuels. A technology-open regulatory environment is an important factor to sustain employment and competitiveness in Europe in the automotive suppliers' industry and beyond.

Green Deal? Let's make it work!



Supportive & reliable regulatory framework



Transformation, not disruption



Focus on innovation, investment & employment



Holistic approach

CO₂ emission standards for cars and vans: Working towards a technology-open regulation

Opinions vary on whether the EU should ban the internal combustion engine in favour of direct electrification, or embrace a technology-open future where different powertrains fit different use cases. The European Commission proposal on the CO₂ standards for cars and vans calls for a 100% CO₂ reduction by 2035, leading to a de facto ban on the internal combustion engine (ICE).

The most contentious issue is whether an electric vehicle (EV)-only approach is the best way forward, with worries focusing on affordability, employment impact, grid capacity, availability of renewable energy and the supply of critical minerals.

There is a lot at stake: a study on the impact of electrification, carried out by PwC Strategy&, found that 500 thousand jobs (a third of supplier jobs in Europe) are at risk from an electric-only regulatory approach, whereas a mixed-technology approach mitigates the impact. Furthermore, shifting reliance from oil to critical materials, risks creating new unwanted dependencies.

CLEPA advocates a more holistic approach, which includes all advanced technology options as well as emissions reduction in energy and fuel production (known as well-to-wheel). In fact, any vehicle is climate neutral when running on green electricity or fuelled with renewable fuels.

A diverse approach creates safety nets, securing sustainable mobility and a competitive industry in Europe, without compromising on climate goals.



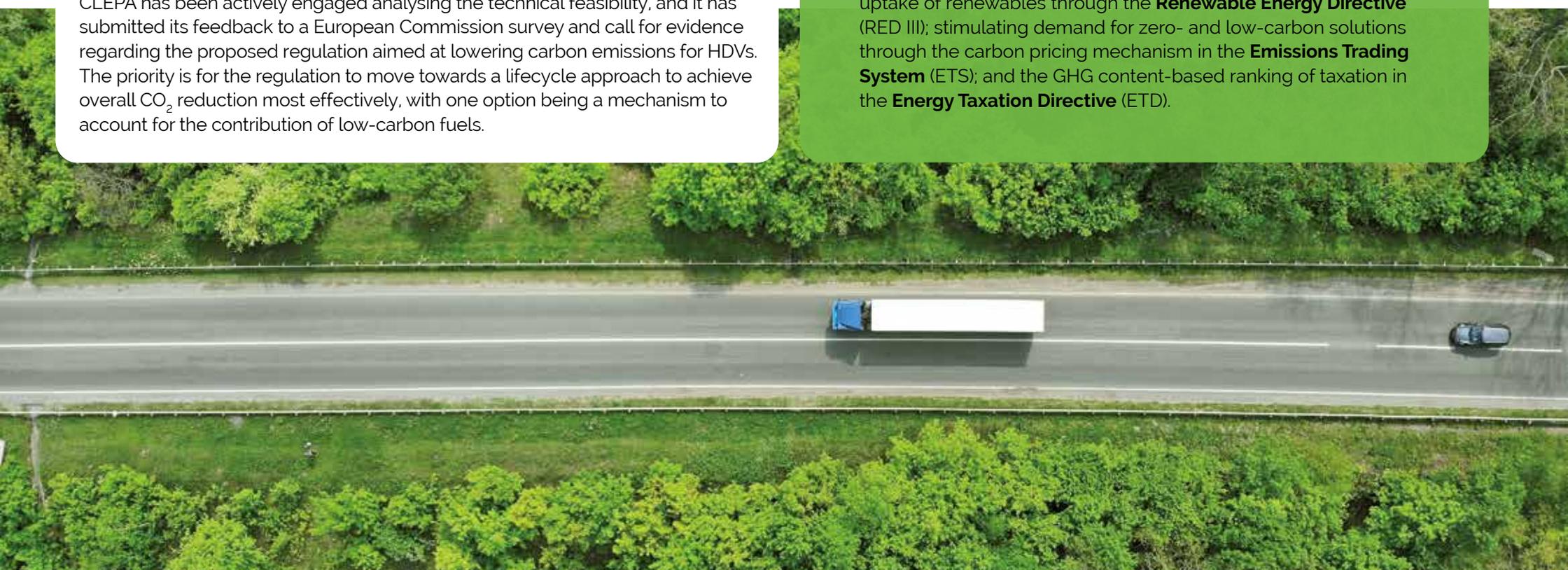
CO₂ regulations for heavy-duty vehicles: CLEPA favours life-cycle approach

The European Commission plans to propose a review of the current CO₂ emission standards for heavy-duty vehicles (HDVs) by the end of 2022. The current standards require most new trucks to reduce their emissions by 15% in 2025, and 30% in 2030. The initiative is meant to support the Commission's goal to reduce greenhouse gas (GHG) emissions by at least 55% by 2030 and achieve climate neutrality by 2050.

CLEPA has been actively engaged analysing the technical feasibility, and it has submitted its feedback to a European Commission survey and call for evidence regarding the proposed regulation aimed at lowering carbon emissions for HDVs. The priority is for the regulation to move towards a lifecycle approach to achieve overall CO₂ reduction most effectively, with one option being a mechanism to account for the contribution of low-carbon fuels.



In both cases, the CO₂ regulation is closely linked with other regulations that are also under discussion: Recharging and refuelling infrastructure through the **Alternative Fuels Infrastructure Regulation (AFIR)**; the **Energy Performance of Buildings Directive (EPBD)**; supporting the decarbonisation of transport, in particular by incentivising the uptake of renewables through the **Renewable Energy Directive (RED III)**; stimulating demand for zero- and low-carbon solutions through the carbon pricing mechanism in the **Emissions Trading System (ETS)**; and the GHG content-based ranking of taxation in the **Energy Taxation Directive (ETD)**.





ACTIVITIES



Intelligence

- December 2021 - CLEPA's Electric Vehicle Transition Impact Assessment
- June 2021 - CLEPA's Employment Footprint Portal



Joint initiatives

- Active engagement with supportive associations from the mobility, road-user, energy and engineering sectors to jointly act in the political debate
- Several open letters to political decision makers, supported by broad coalition of stakeholders
- Involvement in Green NCAP's 'Well-to-Wheel and LCA Task Force'



Events

- Participation in more than 35 external events organised by key stakeholders and media
- January 2022 - CLEPA Policy Event: 'The Sustainable Mobility Transformation – Green AND Just?'
- June 2021 - Panel debate for members 'Accelerating the transition to sustainable and smart mobility'



Advocacy

- Position paper on climate-neutral transport and CO₂ emission standards
- Active engagement with policy makers with more than 40 meetings organised
 - Briefings to members of the European Parliament and advisors, attachés and officials of governments
 - European Commission: Commissioner Valean, Cabinets of Commissioners Timmermans, Breton, Simson, Commission Think Tank IDEA and DG MOVE, DG ENER, DG CLIMA and DG GROW
 - Council: Several workshops on crediting scheme with Member States' representatives, meetings with Perm Reps, including a workshop for Ambassadors and attachés





Euro 6/VI & Euro 7/VII: An optimum balance is needed to address a range of challenges

The upcoming proposal for the Euro 7/VII regulation on vehicle emission standards is expected to be adopted by the Commission in July 2022 and, depending on stringency and timing, will have a significant impact on future vehicle manufacturer portfolios. Meanwhile, the Commission has made publicly available the updated Euro 6 version 'e' for light duty vehicles which will be implemented in three different steps, after the endorsement by the Technical Committee on Motor Vehicles (TCMV), expected later in the year.

The first analysis by CLEPA (ENER CT technical group) identified changes to Euro 6 that indicate a significant impact on the certification cost of plug-in hybrid electric vehicles (PHEVs) and the status of zero- and low- emission vehicle (ZLEV) currently given to PHEVs. In addition to this, other technical points in the new version of Euro 6 will see the conformity factor adjusted, introduction of alternative emissions strategy (AES) signalling, expansion of the boundaries of real-driving emissions (RDE) and references to an alignment with United Nations Regulation 154 - Worldwide Harmonised Light Vehicles Test Procedure (WLTP).

For Euro 7, CLEPA has been engaging in technical exchanges with a variety of stakeholders to provide input from the automotive suppliers' industry to the upcoming regulation. The technical analysis identifies all the possible scenarios with varying stringency that could be adopted in Euro 7 and the impact that the new proposal for Euro 6e, split into three stages, may have on the timeline of Euro 7. CLEPA experts have been advocating to the European Commission (DG GROW) that the regulatory scenario must find an optimum balance between contributing to improved air quality, encouraging innovative technology and affordability and the need to keep things simple whenever possible.



Both files will have a long-lasting impact on the supplier industry and the automotive sector as a whole. The pace of the transition, the flexibility of the regulatory framework and the degree to which policies will foster and embrace innovation, advanced combustion technology, renewable fuels and e-mobility will directly affect our competitiveness in the global market and the livelihood of all Europeans.

ACTIVITIES



Advocacy

- Position paper on the Euro 7/VII: For science-based standards that improve air quality
- Active engagement with technical groups organised by the European Commission



Sustainability policies

Sustainability is at the forefront of suppliers' priorities, aspiring to a minimal environmental impact from design to production. The year 2022 marks an important step for sustainability regulation at the EU level, with three legislative files reaching important milestones:



Taxonomy

Defines which economic activities can be considered **environmentally sustainable**. It applies to suppliers listed on the stock exchange since January 2022 and to most EU headquartered suppliers.



Corporate Sustainability Reporting Directive (CSRD)

It would legally require certain companies to report on a broad range of sustainability issues in a legally standardised manner under assurance from auditors. The file is currently in the final stage of the legislative process.



Corporate Sustainability Due Diligence (CSDD)

It would impose a corporate due diligence duty on in-scope large companies operating in Europe to avoid adverse impacts on the environment or human rights in their value chains. Companies will be furthermore obliged to adopt a business strategy that is compatible with a 1.5 degree global warming target. The proposal from the European Commission is currently being review by co-legislators.

Automotive suppliers prioritise the acceleration of sustainability across the value chain

Together, these files will make sustainability an integral part of running a business. The proposed due diligence directive would impose legal responsibilities on companies deep into their supply chains. In addition to dedicated supervisory authorities, companies would bear civil liability if they do not comply with their due diligence duties. The CSRD and Taxonomy will deliver standardised and audited sustainability KPIs according to which a company will be measured by markets. Sustainability will co-determine competitiveness and CLEPA's voice is crucial to ensure workable outcomes for our industry.

CLEPA has warned policy makers to avoid that the taxonomy distorts the level playing field between vehicle manufacturers and suppliers by making it easier for the assembly of zero-emission vehicles to qualify as sustainable compared to zero-emission component production. As a concrete result, automotive suppliers now have two experts on the independent advising body for taxonomy legislation, the Platform for Sustainable Investment.

CLEPA is warning Member States against European Parliament amendments that would make the CSRD ineffective, such as a proposed requirement to report sustainability information at subsidiary rather than consolidated group level. Furthermore, CLEPA is assessing the proposed accounting standards that would define how companies have to report on sustainability and will provide input into the consultation where appropriate.

CLEPA will advocate significant amendments of the corporate sustainability due diligence directive to improve harmonisation, to legally embed a risk-based approach and to avoid legal requirements that go beyond what companies can influence. CLEPA plays an active role in forging cross-sector consensus in the Joint Association Roundtable on Corporate Sustainability Due Diligence.



End-of-Life Vehicles Directive: Rethinking circularity across the automotive supply chain

Since its adoption in 2020, the new Circular Economy Action Plan (CEAP) has identified vehicles as key products for circularity. One of the key actions for vehicles under the CEAP is the revision of the End-of-Life Vehicle Directive (ELVD), with a view "to promoting more circular business models by linking design issues to end-of-life treatment".

The ELVD, under revision since 2021, is a key piece of regulation for the automotive sector. It provides guidelines and standards for how to handle a vehicle at disposal stage, including targets for reuse, recycling and recovery at EU level. CLEPA has been actively contributing to the revision process, and endorses many of the identified priorities and challenges of the ELV revision. Notably, CLEPA supports specific provisions to ensure that circularity is not hampered by regulatory bottlenecks. Firstly, by having in place a standardised definition of remanufacturing as the restoration of the product performance and not a new bringing on the market. Beyond that, CLEPA supports that, while new substance restrictions should be included in REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals legislation), existing substance restrictions should remain in the ELVD. The risk-based approach should also be followed for regulated substances in End-of-Life vehicles. Important as well that target-conflicts between circularities and material compliance are avoided to the extent

possible: the "repair as produced" principle shall prevail for the sake of extended lifetime and durability of vehicles regardless of new restrictions on substances. There is the risk that actors in the value chain take business decision which block remanufacturing, refurbishment, repair and reuse businesses because of the high change-over burden related to substance bans—or that supply chains are disrupted for essential components for these spare parts.

The European Commission has announced its intention to consider rules on mandatory recycled content for certain materials used in automotive components and to improve recycling efficiency in the context of the ELVD revision. CLEPA has long supported the Commission's vision for a safe and sustainable environment, for example, by having signed the pledge from the Circular Plastics Alliance supporting an EU market for recycled plastics. In that sense, CLEPA members consider design for sustainability as a best practice, to ensure the right flexibility of choices for the industry (e.g. when trade-offs are needed on durability and resistance vs recyclability). In general, CLEPA would favour market-driven incentives for the industry, instead of defining strict quotas which do not reflect the challenges of having sufficient market availability of recycled material with the needed quality (considering e.g. the safety relevance of automotive products).



Batteries: A level-playing field is needed for a competitive European supply chain

The European Commission's Battery Regulation proposal covers the whole lifecycle of batteries with specific provisions for different types of batteries: portable, industrial, automotive and electric vehicles. CLEPA has underlined that the proposed regulation and its ambition for sustainability over the whole battery lifecycle is in line with automotive suppliers' continuous efforts to minimise the environmental impact of their products. However, CLEPA also highlighted the risks of adverse effects such as double regulation, barriers to innovation, unrealistic targets or uncertainty on duties within the supply chain.

In January CLEPA, together with other major industry stakeholders, published a joint position paper addressing the above-mentioned concerns.

CLEPA is also contributing to the Technical Secretariat of the Product Environmental Footprint Category Rules for batteries, which is performing a review of the category rules. The review should be done ahead of the Carbon Footprint declaration proposed in the Battery Regulation, which shall be compliant with the relevant category rules.





Chemicals Strategy: Intensive action plan heralds new era of chemical regulations management

The Chemical Strategy for Sustainability (CSS) is one of the European Green Deal milestones, setting new requirements for materials compliance through 56 legislative actions that directly or indirectly affect major regulations and tools for the automotive industry, including REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals), ELV (End-of-Life Vehicles), and SCIP (Substances of Concern In articles). Beyond that, the CSS brings in new concepts such as the 'essential use' criteria and will set the framework for development of product passports, a Sustainable Product Policy Initiative, and PFAS restrictions. One of the actions of the CSS is the revision of the REACH Regulation. Since REACH came into force, the automotive industry has put considerable effort into implementing the strict requirements for the use of chemicals throughout its complex supply chain, as well as alignment between suppliers and manufacturers, in the EU and abroad. CLEPA has for years acknowledged the importance of REACH for the industry and has been an active stakeholder in the ongoing REACH revision process. Notably for REACH-relevant topics such as the reform of the authorisation and restriction process, and 'essential use' concept, CLEPA has invested in alignment initiatives with other automotive industry associations, from Europe and abroad.

Similarly, on other key topics such as the safe- and sustainable-by-design concept, and the proposal on PFAS restrictions, CLEPA is working together with ACEA, the European association of the automotive manufacturers, to monitor and understand the potential impacts across the value chain.

Remanufacturing sector's contribution to circular economy targets

With a total value of €4.7 billion of remanufactured spare parts sold by suppliers in 2020, the European automotive aftermarket, the world's second-largest after the US, is already substantially contributing to the circular economy targets proposed by the European Commission's Green Deal. CLEPA, together with the consultancy Oakdene Hollins, published a study in October 2021 on the remanufacturing sector where results estimate that more than 800 kt of CO₂ were avoided in 2020, an amount equal to the annual carbon emissions of 120,000 EU citizens. The study included a sector-wide approach for qualifying the CO₂ impact. It calculated the emissions avoided by considering the material retained during the remanufacturing process.





ACTIVITIES



Intelligence

- February 2022 - Zoom-in: Dedicated communication on sustainability policy files
- January 2022 - New CLEPA groups dedicated to sustainability policy files (Corporate Sustainable Policy TF)
- November 2021 - European remanufacturing market study 2021 by Oakdene Hollins
- January 2021 - CLEPA Sector Paper: Keys to a successful implementation of the EU's sustainable financial taxonomy



Events

- June 2022 - CLEPA Sustainability Workshop with Heads of Sustainability within the membership
- May 2022 - 14th edition of the CLEPA Materials Regulations Event, including "Sustainability Day"
- November 2021 - 12th edition of the CLEPA Aftermarket Conference, dedicated to sustainability aspects in the aftermarket value chain



Joint initiatives

- November 2021 - Materials Global Automotive Stakeholders Group (GASG)
- November 2021 - Joined the Technical Secretariat for the Product Environmental Footprint Category Rules (PEFCR) for batteries, currently reviewing the category rules
- September 2021 - CLEPA joins the Advisory Board of supplier's platform Drive+
- October 2021 - CLEPA joins the Responsible Supply Chain Initiative (RSCI)
- Participation in the Circular Plastics Alliance (CPA) Steering Committee



Advocacy

- May 2022 - Letter together with ACEA to request recognition of the automotive sector in the Commission roundtable on the Chemicals Strategy for Sustainability (CSS) to the EC
- April 2022 - Participation in the REACH revision public consultation
- February 2022 - CLEPA Position Paper on Supply Chain Due Diligence
- October 2021 - Participation in the ELV revision public consultation
- July 2021 - Position paper on Batteries Regulation