Improving the Revision of the Regulation on CO2 Emission Standards for Light Duty Vehicles by Ensuring Technological Neutrality and Recognising the Role of CO_2-Neutral Fuels

UPEI Position Paper

Brussels, 16 March 2026.

Executive Summary.

- The revision of the CO_2 standards for cars and vans offers a strategic opportunity to ensure a technology-neutral pathway to climate-neutral mobility.
- While electrification will play a key role, renewable and CO_2-neutral fuels must also be recognised as credible decarbonisation solutions for cars and vans.
- However, the current revision proposal relies primarily on tailpipe emissions accounting, which does not reflect the real climate benefits of sustainable fuels.
- The revised Regulation must contain
    - A harmonised EU definition of CO_2-neutral fuels, aligned with the Renewable Energy Directive (RED) III sustainability criteria, is essential to ensure regulatory consistency and market confidence.
    - A dedicated vehicle category for vehicles running exclusively on certified CO_2-neutral fuels, ensuring regulatory certainty and investment incentives.
    - A strengthened fuel credit mechanism to effectively support the deployment of CO_2-neutral fuels.

UPEI calls upon the European Parliament and the EU Council to seize this opportunity of the starting legislative discussion to ensure that the revised Regulation provides a technology-neutral framework that will both accelerate emissions reductions and safeguard Europe's industrial competitiveness and innovation capacity.

1. Introduction.

The revision of the CO_2 emission standards for passenger cars and light commercial vehicles (Regulation (EU) 2019/631), proposed by the European Commission in December 2025 as part of the "Automotive Package", can be a decisive step in addressing both EU climate ambitions and the competitiveness of the European automotive sector.

However, UPEI considers that the current proposal, despite openings in earlier drafts and in the Impact Assessment, falls short of guaranteeing true technological neutrality and of fully recognising the contribution that CO_2-neutral fuels and renewable fuels can make to decarbonising road transport.

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A balanced approach should ensure that all technologies capable of delivering verifiable greenhouse gas (GHG) emission reductions are allowed to contribute to the EU's climate objectives while safeguarding industrial competitiveness, innovation and consumer choice.

This paper outlines UPEI's recommendations to the European Parliament and the EU Council to amend and strengthen the proposed revision.

2. Extend the definition of renewable fuels under article 5a of the revised Regulation to all sustainable fuels compliant with the Renewable Energy Directive.

The current proposal omits defining CO_2 neutral fuel, despite it being requested by recital 11 of the current Regulation - (EU) 2023/851. The lack of an inclusive definition of sustainable renewable fuels causes the exclusion of sustainable biomass fuels, recycled carbon fuels as well as sustainable crop-based biofuels, therefore severely restricting the pool of eligible supply compared to actual availability and actual GHG savings potential.

We call for the inclusion of all sustainable RED-compliant fuels in the scope of article 5a, provided that they fulfil the sustainability criteria set out in Article 29 and 29a of that Directive and associated delegated acts. In this respect, UPEI supports the definition provided by the Working Group on Monitoring Methodologies (WGMM) as follows:

> *"CO_2-neutral fuel' means all fuels defined by the Renewable Energy Directive (EU) 2018/2001, provided that they meet the sustainability criteria of that Directive and its delegated acts, where the same amount of CO_2 from biomass, ambient air or recycled carbon sources is bound in fuel production as is released during combustion in the use phase. These fuels include renewable and/or synthetic fuels such as biofuel, biogas, biomass fuel, renewable liquid and gaseous transport fuels of non-biological origin (RFNBOs), and recycled carbon fuels (RCFs)."*

3. Establish a dedicated Zero Emission Vehicles status for vehicles running exclusively on CO_2-neutral fuels.

A new category of vehicles running exclusively on "CO_2-neutral fuels" has not been included in the proposal, despite the Commission's commitment to introduce it (Recital 11 of Regulation (EU) 2023/851).

The revised Regulation should define the essential elements of the approval framework for these vehicles, including their classification as zero-emission for the purpose of this Regulation and the establishment of rigorous monitoring methodologies.

To do so, it is proposed to create a new category for vehicles exclusively supplied with RED-compliant fuels by means of a delegated act in EURO 7 (Regulation (EU) 2024/1257)

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and an implementing act in Certification of Conformity (Regulation (EU) 2020/683). Such a new category should be immediately applicable, with binding conditions:

- A set of different monitoring methodologies which can verify the exclusive use of carbon-neutral fuels should be accepted: the WGMM has identified eleven of them. We favour a competition among technologies rather than a single hand-picked solution.
- A pragmatic and effective inducement system should be required if fossil fuels are consumed to ensure customer acceptance.
- Rules for travelling outside of the EU must be defined.

4. **Enhance the renewable fuel credits and remove both the 3% cap for renewable fuels and the specific 1% cap for the use of biofuels produced from feedstock listed in Annex IX part B of the RED.**

Technology neutrality cannot be reinstated through a restrictive 3% cap or a limited role for sustainable fuels produced from feedstocks listed in Annex IX part B of RED: in fact, it is disconnected from the growing share and proven climate performance of RED-compliant fuels already used on the EU market.

Caps on fuel credits prevent manufacturers from fully accounting real upstream emission reductions, even though these reductions are certified and verified under the RED framework. Removing the cap would enhance compliance flexibility, support a more diversified decarbonisation pathway that does not rely on a single technology option and ensure that all verified emission reductions are treated equally within the CO_2 compliance framework.

Sustainable renewable fuels should be credited based on their RED III life-cycle greenhouse gas emission reductions, enabling their full contribution to manufacturers' compliance with CO_2 emission targets. No new threshold should be introduced into the revised Regulation. Therefore, the existing caps limiting the contribution of fuel credits to compliance with CO_2 emission standards to 3.3 g CO_2/km (and 1.1 g CO_2/km for Annex IX part B) must be removed.

5. **Bring forward the application of article 5a to the entry into force of the revised Regulation.**

To better reflect the contribution of renewable fuels in the decarbonisation of transport, an early application of the provisions under article 5a is necessary, and this should be the calendar year following the entry into force of the Regulation.

6. **Update the fuel credits formula.**

We acknowledge the values used in the formula for calculating renewable fuel credits and the reference to the Union Database for Biofuels (UDB), under article 31a of the RED, for

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accounting and monitoring renewable and recycled carbon fuels, which strives to enhance supply-chain traceability, mitigate the risk of fraud and prevent double counting.

However, given the implementation challenges faced by the UDB so far, this reference should be carefully assessed. If the UDB was not fully functional by the entry into force of the revised Regulation, the Commission should, as an interim solution, refer to the SHARES database[1] to ensure continuity and the effective application of fuel credits until the Union Database becomes fully operative.

Moreover, as regards fuel credits, the values of cars and vans average milage should be aligned to existing Regulation, notably the Type-Approval Regulation (Euro 7), where the value used is 200.000 kms.

7. Conclusion.

The revision of the Regulation on CO_2 emission standards for light duty vehicles provides a decisive opportunity to the EU institutions to shape the future of climate-neutral mobility in Europe. A technology-neutral approach that recognises the contribution of CO_2-neutral fuels alongside electrification will accelerate emissions reductions while preserving Europe's industrial competitiveness and innovation capacity. By enabling multiple pathways to decarbonisation, the EU will build a more resilient, sustainable and competitive mobility ecosystem.

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UPEI, the voice of Europe's independent energy and mobility suppliers, represents nearly 2,000 European importers and wholesale/retail distributors of energy for the transport and heating sectors, supplying Europe's customers independently of the major energy producers. They are the interface between producers and consumers, using their own infrastructure and flexibility to supply existing demand for conventional and renewable liquid fuels, as well as non-liquid alternatives as part of the energy transition. They cover more than a third of Europe's current demand.

The organisation brings together national associations and suppliers across Europe. Independent fuel suppliers bring competition to Europe's energy market and are able to respond rapidly to changes affecting supply, contributing to security on a local, national, and regional level. They have developed and maintain a comprehensive infrastructure for the sourcing, storage and distribution of transport and heating fuels, with a commitment to delivering a high-quality service to all consumers, including those in remote areas.

[1] The SHARES database is accessible at: https://ec.europa.eu/eurostat/web/energy/database/additional-data

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