

Leaseurope Position Paper
EU consultation on Greening Corporate Fleets

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1 Executive Summary

Leaseurope, the European Federation of Leasing and Rental Company Associations, is an umbrella body bringing together 46 national associations throughout Europe representing bank-owned, captives and independent lessors as well as long and short-term automotive rental companies.

In 2023, approximately 54% of all vehicles registered in the European Union were purchased by Leaseurope members. As the leading buyers of Low and Zero Emissions Vehicles (LEV/ZEVs) European leasing and rental companies are already working hard and investing substantially to make adoption of ZEVs attractive to their customers including consumers, SMEs, large corporates and public authorities. Already our members are outperforming the rest of the new vehicle market in purchasing LEV/ZEVs.

The leasing and rental industries play a crucial role in meeting the European Commission's policy objective of increasing the use of low and zero emitting vehicles on Europe's roads, as part of the Green Deal:

- **Lowering the average age of the European car parc:** The average age of the leased and rented fleets is just two years' old. Moreover, the sale of more affordable ex-fleet and ex-rental vehicles is the primary driver of take-up of lower emissions vehicles by consumers.
- **Supporting European businesses on their transitions to sustainability:** Leasing and rental companies support businesses to renew the vehicles they use to cleaner and more efficient models, by making them available at affordable rates and carrying residual value risk on behalf of their clients. In addition, the rental fleet is a key enabler of the everyday movement of people, goods and services for consumers, businesses and public authorities through the provision of access to on-demand and flexible short-term vehicle hire.
- **Offering attractive and innovative LEV/ZEV charging solutions:** Where feasible, for their corporate customers with long-term contracts, leasing companies arrange installation, maintenance and financing of charging points, and facilitate access to fast public chargers, thereby promoting take-up of LEV and ZEV vehicles.

Any new policy under the Greening of Corporate Fleets Initiative to expedite the take-up of ZEVs, must address the following **key enabling conditions**:

- **Vehicle availability and cost:** The availability and cost of ZEVs, ensuring the rental and leasing industry can continue to meet customer needs at an affordable cost of usage, referred to as the Total Cost of Ownership, and taking account of wider issues including vehicle manufacturer competition and tariffs.
- **Charging availability and cost:** The availability of charging infrastructure, including both home-based and public charging, as well as the availability and affordability of sustainable energy via a grid that allows for efficient and consistent distribution.
- **Residual value risk:** The regulatory framework has a direct impact on supply and demand of ZEVs. If a consistent long-term regulatory approach is lacking, this can create a mismatch between offer and demand, leading to significant residual value losses for Leaseurope members. The ability of bank and non-bank owned leasing and rental companies to absorb highly variable Residual Value risk, which can result in profits in one year turning to losses the next year, has its limits, whereas prudential regulatory requirements still need to be met.
- **Customer demand:** Neither leasing companies nor rental companies can force their customers to take ZEVs. The experience of the leasing industry shows that fiscal incentives, such as benefit-in-kind allowances, are a key driver for ZEV uptake amongst their customers. For rental, these are less effective as the customer is usually seeking a short-term arrangement for which these incentives do not apply. However, there are a range of alternative policy measures that deserve consideration, some of which are now being deployed by Member States.

Mandate issues: One policy instrument frequently advocated to the European Commission are purchase mandates, accompanied by stock targets. A ZEV purchase mandate on corporate fleet operators does nothing to address the key enabling conditions enumerated just above. Rather, it risks materially delaying - not expediting – the transition.

- For companies leasing their fleets, as long as purchasing or financing ZEVs comes with too high costs or inefficiencies, companies may rather opt to extend their existing fleet or provide cash allowances to their employees.
- For customers of rental companies, customers will only use ZEVs if they are convinced they can travel with them comparably hassle-free, as they are used to with ICEVs.

Therefore, mandates would undermine the policy objective of promoting take-up as the average age of the European car parc could increase. It would cause irreparable economic harm to the leasing and rental industry, as well as to consumers, businesses and public authorities that rely on leased and rented vehicles, resulting in reduced mobility options. In fact, it would damage the very fleet segments that have been key to propelling the transition to ZEVs up until now, depressing vehicle acquisition demand with negative consequences for the wider European automotive supply chain.

Exploring the policy toolbox: By seeking the right balance between environmental aspirations and economic prudence, policymakers can safeguard the interests of consumers while steering the economy towards a sustainable and prosperous future. There are a range of existing policy options and potentially new ones for promoting take-up of ZEVs that need to be explored and deployed more consistently across the EU, including national tax incentives or subsidies, promotion of alternative mobility solutions, as well as the evolution of other alternative powertrain technologies in line with a technology neutral approach. While the EU has limited competence in some of these, it has long facilitated the exchange of best practices between Member States and helped build consensus in policy thinking or concerted action through funding instruments. We believe the European Commission should play a similar role, drawing on what has and has not worked to help drive joined-up approaches to accelerating ZEV uptake in corporate fleets.

To accelerate the shift to zero-emission vehicles in corporate fleets, Leaseurope recommends that the greatest attention is focused on addressing the enabling conditions to ZEV take-up, including promoting the availability of suitable and affordable vehicles, developing the charging infrastructure including grid capacities, and supporting the market for second-user ZEVs with measures including fiscal incentives over multiple years.

Additionally, there must be a consistent and stable regulatory and fiscal framework that promotes investment in ZEVs by all players: businesses using vehicles, leasing and rental companies, and all parts of the automotive supply chain. The framework needs to reflect the fact that every business user is different, with different mobility needs, in different financial situations, and at different stages in their transitions to becoming more sustainable.

Given the clear risks that a mandate policy would entail, we strongly recommend that instead attention is focused on addressing the enabling conditions to ZEV take-up, spanning the regulatory framework, fiscal measures and incentive-demand measures.

Forcing corporates to switch fully to ZEVs faster than enabling conditions allow will significantly damage the companies that have led the transition to ZEVs to date. It will impair their ability to accelerate uptake going forward. Conversely, accelerating the enabling conditions across the EU27 will enable Leaseurope member companies to increase their ZEV uptake rates, especially as the entire corporate and rental car fleet are renewed frequently, and provide zero-emissions mobility to a growing number of their customers across the consumer, business and public authority segments.

This joined-up, sequenced and holistic approach will deliver on the stated goals of the Greening of Corporate Fleets Initiative, but more importantly still, deliver on the decarbonisation targets.

2. The role of the European leasing and rental industries

Playing an important role in rejuvenating Europe's vehicle fleet, the average age of rental fleets is under one year, and the average age of leased fleets is around two years, compared to the average age of the European car parc of 12 years.

Furthermore, approximately 54% of all vehicles registered in the European Union are purchased by firms that are part of Leaseurope member associations, which makes leasing and rental companies the primary acquirers and providers of safe, reliable and innovative mobility solutions across Europe. Moreover, leasing and rental companies are the **largest acquirers of Battery Electric Vehicles and Plugin hybrids,** with a market up-take across Europe that is outpacing private registrations.

European businesses, small and large, as well as consumers and public authorities rely on vehicle rental and leasing to support a wide variety of mobility needs and use cases that themselves span a large range of vehicle classes. Leasing and rental companies play a vital role in helping their clients navigate this journey – helping them to choose the most appropriate vehicles and managing the finance and operational costs associated with using them. Where possible and relevant, our members actively encourage the uptake of zero emission vehicles. This being said, we cannot ignore the fact that various fleet segments and use cases will face a variety of challenges as they try to decarbonize, with a focus on vehicles, associated infrastructure and demand.

Over 40% of SMEs in Europe rely on leasing to fund their business investments, research by Oxford Economics¹ has found. This also includes a substantial share of self-employed and micro-SMEs. Vehicles leased and rented are typically vital assets for carrying out core business activities. To support their customers, the rental and leasing industries must provide vehicles that meet their customers' diverse needs at an affordable price.

¹ Oxford Economics, the use of leasing amongst European SMEs, 2015

2.1 Corporate car fleets

European companies choose to lease LEVs/ZEVs rather than purchase them outright for many reasons:

- Cashflow benefits, as the cost is spread over the period of usage
- Lower vehicle cost due to the stronger negotiating power of the lessor with manufacturers
- Convenience of linked in-use services including maintenance
- Flexibility, with options to move vehicles in and out of the fleet
- Avoiding residual value risk
- Avoiding administration involved in selling the vehicle

The **key driver of ZEV uptake remains demand, and this is as true for business users as consumers**. A recent study released by the ANWB² in the Netherlands, the country in the EU which has experienced the highest EV uptake this far lists in April 2024 the following issues:

- High cost of electricity, especially at public charging points
- Vehicle price: the gap between the average price of a ZEV (€ 45.850) and the average price for the ICE equivalent (€ 31.699) remains very high
- Lack of access to home-charging
- Insufficient vehicle range
- High maintenance/repair costs
- Uncertainty about vehicle taxation regime

Across Europe, corporate fleets are showing an increased preference for low- emission vehicles driven by ESG policies. It is important to recognize that the current transition toward ZEVs has materialised thanks to **voluntary actions (supported by incentives) rather than regulatory compulsion**. This approach balances environmental benefits with the need to maintain the availability and affordability of the mobility solutions on which the European economy depends.

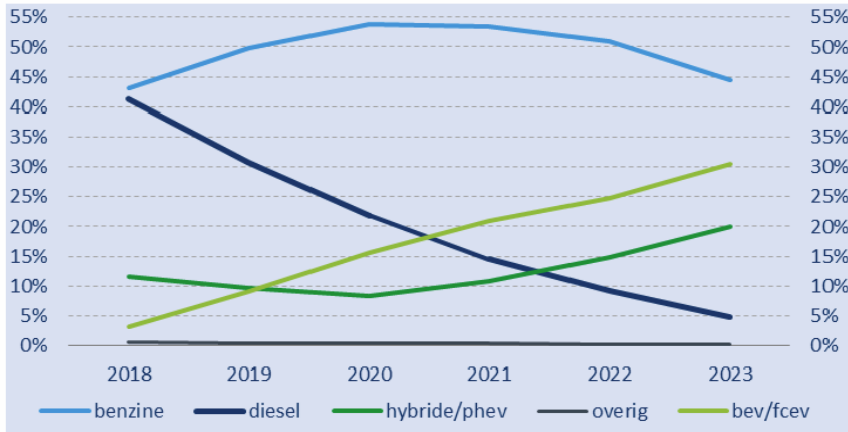
In many countries the transition has been supported by a variety of fiscal and other incentives. This has proven to be a very important element in the take-up of ZEVs in corporate fleets. Other important conditions are:

- Availability of charging infrastructure
- Average fleet age
- Disposable income
- Aftermarket capacity

Nonetheless registrations of ZEVs in leased fleets have been experiencing exponential growth year on year, reflecting the strong aspirations of corporate customers in particular to shift to ZEVs. The evolution in the Dutch leasing market is quite illustrative of this development.³

² Electrisch rijden publieksmonitor ANWB

³ <https://www.vna-lease.nl/feiten-en-cijfers/autoleasemarkt-in-cijfers>



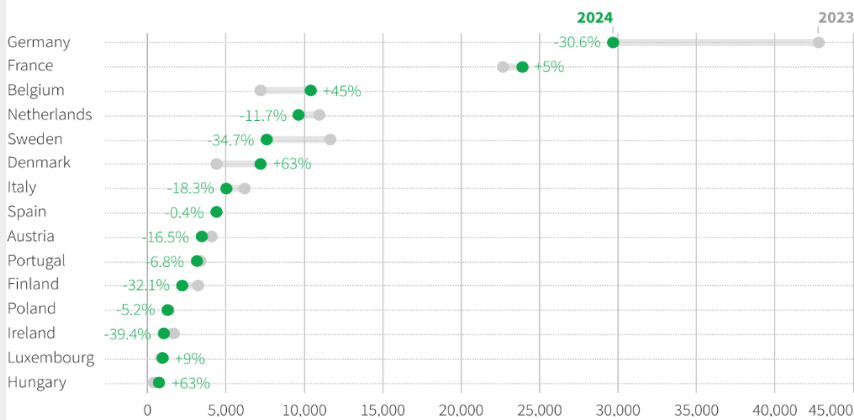
bron: RDC, bewerking VNA

Many incentives have been scaled back in the EU over the last year, which has had an immediate impact on demand. For example, in December 2023 the German government brought an early end to subsidies for buying EVs as part of a last-minute 2024 budget deal, triggering a 30% plunge in Germany year on year, ACEA data shows.⁴

BEV registrations drop sharply in Germany

The number of battery-electric vehicle (BEV) registrations in several European countries including Germany, The Netherlands and Sweden fell in May 2024 compared to May 2023.

BEV REGISTRATIONS IN MAY (The percentage change figures from May 2023 are highlighted)



Source: ACEA | Reuters, June 20, 2024 | By Sumanta Sen

In France, the Government cancelled a fleet EV grant overnight in January 2024. Fleet operators that had already committed to buying vehicles at prices that accounted for the grant were left to foot the bill for the difference, undermining financial and investment planning.

⁴ <https://www.reuters.com/business/autos-transportation/eu-electric-car-sales-drop-may-german-demand-slumps-industry-says-2024-06-20/>

2.2 Light Commercial Vehicle Fleets

Where ZEV passenger car uptake comes with its fair share of challenges, the practicalities of incorporating all-electric Light Commercial Vehicles (LCVs) comes with even more challenges, including:

- A limited model lineup and ongoing uncertainty of supply
- Prices significantly above ICE and hybrid counterparts
- ZEV range and charging times having a direct impact on business operations

As LCVs are only used for business purposes, their compatibility with the customers' business model is extremely important, **Total Cost of Ownership (TCO) is a vital factor relative to the ICE equivalent as it has an important impact on a company's operating costs and thus competitiveness.** Access to the charging infrastructure, Repair and Maintenance Services and charging times are critical for efficient operations.

2.3 Rental operators

In general, the customers of short-term rental operators decide alone which technology choices they are prepared to make when renting a vehicle. The experience to date shows us that demand for ZEVs is low. This leaves many operators with ZEVs in their fleet that they haven't been able to rent out, even at a loss. This lack of demand is not surprising given that car rental customers, whether for business or leisure purposes, are typically renting in a different city or country to home, reliant on unfamiliar and often patchy charging infrastructure, such that it may seem more convenient to take an ICE vehicle.

Explanatory factors are a lack of vehicle range, insufficient utility of the vehicle relative to many use cases, the price point and most importantly, seamless public fast-charging infrastructure.

Ultimately, rental operators cannot force their customers to rent ZEVs. In fact, EU consumer law expressly forbids it. Mandates would therefore create the perverse situation of forcing rental fleets to take expensive assets for which there is little organic demand and for which it cannot obligate its customers to rent. The core of the rental business model is to take an expensive asset and mutualise its use to multiple customers at an affordable price. To make it to break even on each vehicle requires a high rate of utilisation, to reach profitability an even higher rate. Vehicles idling in parking lots breaks the fundamental economics of the rental model.

3 Enabling Factors for greening corporate fleets

3.1 Technology neutrality

It is important not to lose track of the overall objectives built into the Green Deal, which primarily focuses on a continued reduction of total GHG emissions in all sectors.

At this point in time, the ZEV vehicle line-up available in Europe has quite some way to go in terms of meeting leasing and rental requirements for pricing and general utility of the vehicle, bearing in mind a wide variety of driving profiles and use cases.

Given the current challenges regarding enabling conditions when evaluating ZEV uptake, the Commission and European industry would be amiss in not tackling all the factors in parallel. This is essential to finding optimal solutions that mean all current uses cases are catered for in a ZEV world. This should also consider the role of other powertrain technologies to meet all users' needs. We note that even if ZEVs are not used in fleets, the latest non-ZEV alternatives will be used, and it is important that any assessment of environmental impact of ZEV-take up accurately reflects this.

3.2 Second-Hand market and Residual Values

A key factor in the **Total Cost of Ownership (TCO)** calculation of a vehicle is its depreciation over time, which is the difference between its purchase and sale price at the end of the usage period. The selling price is determined by market demand. If supply exceeds demand, prices will fall.

Depending on the business model, new vehicles are kept in fleets anywhere from 6 months to 2 years for short term rental, and typically 3 to 4 years for leases of passenger cars.

Calculated accounting profits are based on assumed resale values, so where the resale values are difficult to predict, profits can vary considerably from year-to-year and must be considered in the medium to long-term. Under accounting rules, estimates of the vehicle's anticipated residual value (the sales proceeds when sold into the second-used market) must be continuously reviewed and updated. Some Leaseurope members have recently publicly announced significant losses on resale values (comparing the accounting book value of the car with the sale proceeds).

Current trends⁵ show that the market for second-hand electric vehicles is under immense pressure. This pressure is driven by various factors. When OEMs reduce prices for their new vehicles or are regulatory pressured to push more ZEVs into the primary market to reach their CAFE goals and avoid paying fines, this immediately impact the resale value of these vehicles.

One important factor is uncertainty around the health of the battery at the time of selling the second-hand vehicle. The rapid evolution of battery technology, paired with recent price cuts, can lead to strange market conditions where a new ZEV with bigger range could be sold cheaper than a second-hand ZEV, fundamentally weakening its value further.

⁵ Autovista group, residual value intelligence (RVI), used-passenger car price index, 25 Feb 2024 vs 1 Jan 2023

Development of the ZEV Used Car Price Index /vs market, Jan 2023 - Feb. 2024

#	Country	BEV	Market Ø	#	Country	BEV	Market Ø
01		-34,1%	-12,9%	07		-16,6%	-4,6%
02		-20,5%	-4,3%	08		-16,5%	-7,4%
03		-19,5%	-6,3%	09		-15,1%	-5,5%
04		-19,4%	-6,4%	10		-13,9%	-6,1%
05		-18,8%	-8,7%	11		-13,8%	-7,2%
06		-18,4%	-2,7%	12		-12,9%	-6,6%

Source: Autovista Group, Residual Value Intelligence (RVI), used-passenger car price index, 25 Feb 2024 vs. 1 Jan 2023
 Note: Actual used car values, aggregated & volume-weighted averages (weighted by used-car market observations); 36m/60.000km total

The table above compares the value deterioration of used BEVs compared to the wider Market, clearly showing the effects on the second-hand market of the enabling conditions for purchase of used BEV/ZEVs not yet being sufficiently addressed.

This also underlines the need to focus on **ways to incentivize the second-hand market and bring confidence to second-hand buyers** that these vehicles can be operated at a cost, utility and range that makes sense for consumers and businesses alike, considering the available charging infrastructure.

3.3 Charging

EV users of both new and second-hand vehicles want the confidence that they will be able to charge their vehicles conveniently and reliably, and will inevitably compare EV charging with refuelling an ICEV. Each additional EV driver creates increased demand for access to public charging points. Adoption of ZEVs can only evolve with availability of charging infrastructure.

This message is also amplified by the IEA in its recent Global EV Outlook stating that: *“The build-out of charging in workplaces and publicly accessible areas will be key for increasing adoption among groups without access to home charging. Charging speed – slow or fast – is also an important consideration for consumers looking to switch to electric, especially when considering a vehicle for long journeys. Charging services should also be easy to use, reliable and transparently priced.”*⁶ **As such it is worth reiterating that an adequate charging infrastructure is pre-condition to generate EV demand** as too often the interdependency of charging infrastructure and ZEV take-up is mistakenly portrayed as a ‘chicken-and-egg’ problem.

AFIR targets

The proposed Alternative Fuels Infrastructure Regulation (AFIR) in Article 3.1 sets out specific targets for electric recharging infrastructure dedicated to light-duty vehicles. AFIR prescribes that Member States must ensure that publicly accessible recharging stations for light-duty vehicles are deployed commensurate to the uptake of light-duty electric vehicles and that in their territory, publicly accessible recharging stations dedicated to light-duty vehicles are deployed that provide sufficient poweroutput for those vehicles.

⁶ <https://www.iea.org/reports/global-ev-outlook-2024/outlook-for-electric-vehicle-charging-infrastructure>

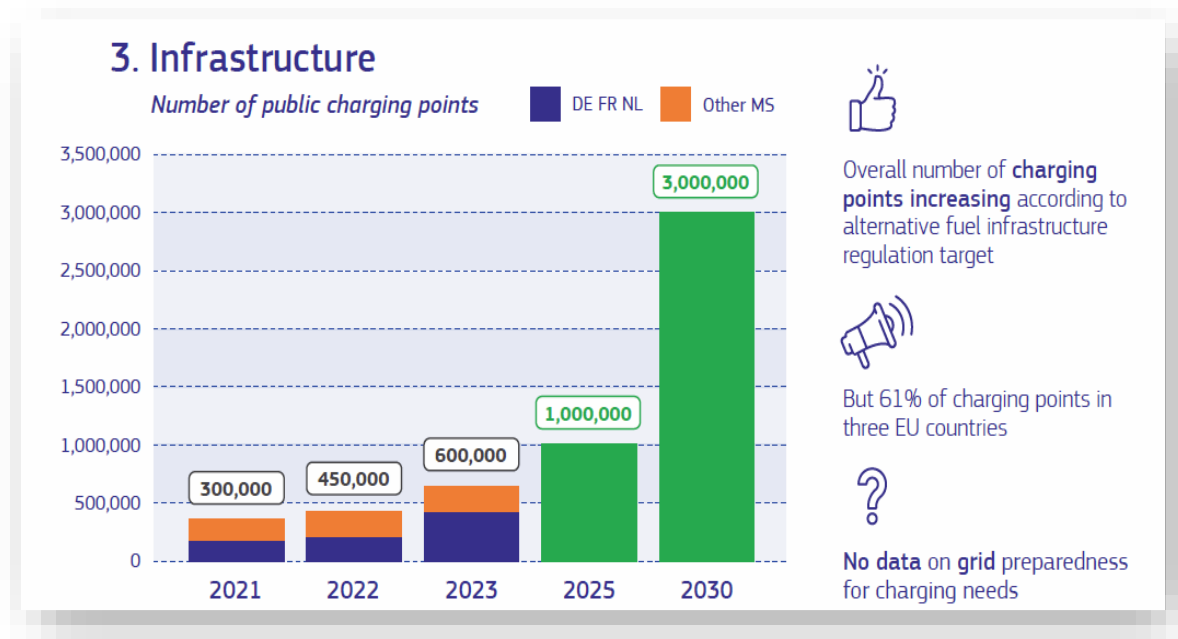
To that end Member States shall ensure that, at the end of each year, starting from the entry into force of the Regulation, the following power output targets are met cumulatively:

- for each battery-electric light-duty vehicle registered in their territory, a total power output of at least 1.3 kW is provided through publicly accessible recharging stations; and
- for each plug-in hybrid light-duty vehicle registered in their territory, a total power output of at least 0.8 kW is provided through publicly accessible recharging stations.

Moreover, AFIR mandates separate targets for the installation of recharging points for heavy-duty vehicles.

As of today, Q1 2024, there are 577 427 AC and 88 924 DC charging stations in operation through EU27. However, **more than 60% of those can be found in only three EU Member States**⁷. Moreover, AFIR does not ensure that public recharging infrastructure is set up at all relevant locations such as urban centres and **mobility hubs** including **train stations and airports**, which are key locations for many car rental companies. Instead, next to the output targets referred to above AFIR only stipulates regular coverage across the major EU road network, the TEN-Ts. The Commission's own dashboard towards zero-emission vehicles clearly illustrates this.

European Commission Dashboard Towards Zero Emissions Vehicles



The dashboard provides no information on the grid preparedness. However, there is plenty of evidence available from local grid operators to suggest that **the grid is in need of massive investments that will require years to come to fruition**. For example, in the Netherlands, of Q1 2024 over 10.000 companies are waiting to receive a connection to the grid as the existing infrastructure struggles to handle current demand.

A McKinsey⁸ study on the requirements for Europe's future charging infrastructure suggests that - in even the most conservative scenario - the EU-27 will need at least 3.4 million operational public charging points by 2030. McKinsey found:

- Too few charging stations are being installed.
- Extensive utility grid upgrades will be required to distribute electricity to these new charging

⁷ https://single-market-economy.ec.europa.eu/publications/dashboard-towards-zero-emission-vehicles_en

⁸ <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/europes-ev-opportunity-and-the-charging-infrastructure-needed-to-meet-it>

- stations
- Increased energy demand for EV charging will need to be serviced using increased renewable energy generation
 - Taken together, the cost of developing the EV-charging infrastructure would be €240 billion by 2030

These findings have important implications for a variety of stakeholders. Charging-equipment manufacturers will need to scale up production. Charge-point operators might wish to coordinate with electric utilities to address the predicted power demands.

Public charging

The insufficient public charging infrastructure poses the greatest obstacle to ZEV acceptance with car rental customers. It is also a significant constraint on take-up by leasing customers, particularly where corporate employees do not own a house with parking.

As indicated, the vast majority of chargers across Europe are in fact concentrated in three countries only. Even in those three countries, the geographic distribution of the charging station networks is not consistent throughout. **Moreover, based on experience from rental customers, existing charging stations are often busy, allowing only slow charging at expensive rates⁹ or don't function reliably.**

In addition, a significant proportion of rental fleets are based on airport and/or railway locations, where rental companies are present on the basis of concessions granted by the airport/railways station operator. They are entirely dependent on those operators to install charging infrastructure that meets the needs of the rental companies on-site. The Commission needs to review the arrangements under the Airport Charging Directive, notably the consultative mechanisms for investments in order to provide an improved framework to determine charging arrangements, including over the medium-term. This needs to form part of an overall policy strategy to ensure charging capacity at airports and railways stations is commensurate with increased in-fleeting of ZEVs.

The availability of affordable public charging infrastructure is also a key requirement for supporting the market for sale of ex-fleet vehicles. Even if employees of corporates may have home-charging points available to them, in the second-hand market there is likely to be a greater need for public charging points.

Private charging

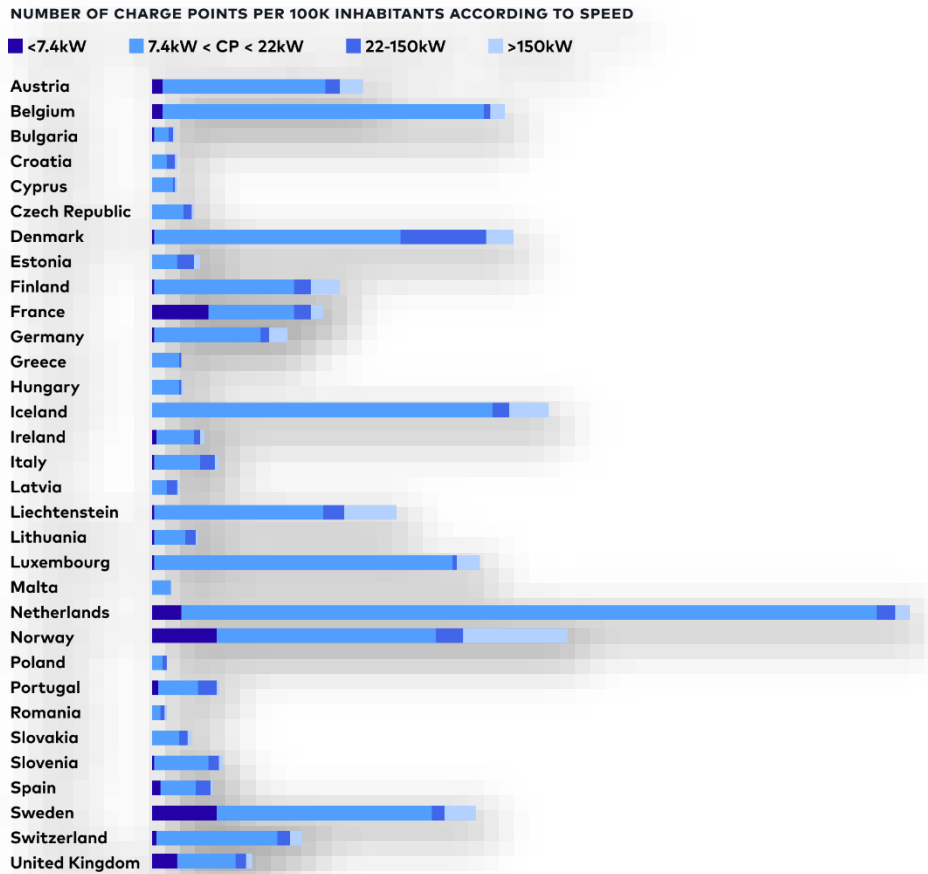
With regards to leases, public charging stations are not the biggest problem when it comes to charging infrastructure. Only 10% to 15% of charging is performed on the public charging network, reflecting the limitations of the current infrastructure. The remaining 85% to 90% is done on a private network, the vast majority on home charging points and to a lesser extent at work locations.

Today, most leasing fleet users of ZEVs have access to a home charging point. The installation of such a charging point is in most cases possible when living in a privately owned house with off-street parking, but much more challenging or even impossible in multi-household or rented residencies. **Considering that a large majority of people cannot afford to own a private house with parking, the number of people owning or renting an apartment is increasing rapidly.** This a huge challenge for the energy transition as it limits access to private charging points and therefore increases the need for public charging facilities closeby.

⁹ <https://euroweeklynews.com/2023/09/23/spain-tops-europe-in-electric-car-charging-costs/>

Distribution differences across Europe

The distribution of EV charging points across Europe varies significantly by country, influenced by factors such as government policies, market demand, and infrastructure development. In turn, within each Member State, there tend to be significant differences between urban and rural areas, with rural areas having a significantly less developed infrastructure. Finally, there are notable differences in the speed of the available chargers. The graph below from GridX¹⁰ provides a clear illustration on this point:



¹⁰ <https://www.gridx.ai/resources/european-ev-charging-report-2024>

3.4 Supply-side automotive industry issues

Neither the European leasing and rental industry, nor policy makers, can create demand for ZEVs if they are uneconomic for European companies as lessees or renters to use. Clearly, there is a need for larger numbers of lower cost ZEVs than currently available.

The European Commission has confirmed a series of tariffs on Chinese EVs in some cases ranging as high as 48.1 percent. EU Commission Vice-President Margaritis Schinas stated that the value chain of Chinese electric vehicles “*benefits from unfair subsidisation, which is causing a threat of economic injury to EU battery electric vehicles producers.*”

Strong competition between OEMs, based on a level playing field, is needed to make ZEVs affordable. The European automotive sector, a critical pillar supporting over 13 million jobs, confronts immense pressure. The constraints added by a possible energy transition mandates risks increasing this pressure. Increased competition from international manufacturers, notably from China, could jeopardize the integrity and competitiveness of established European brands and, by extension, the broader economy.

Leaseurope acknowledges that the European Commission aims to create a level playing field for all actors, protecting the European economies from unfair competition. At the same time, these measures seem likely in the short and medium-term to restrict availability and affordability for key ZEV segments that are not currently well-served for vehicle choice, notably small and mid-sized passenger cars and LCVs.

4 ZEV mandate option

The EU has decided to end new car sales of ICE powertrains by 2035. Leaseurope has welcomed the fact that this provides a clear goal for the sector to work towards, both for industry as well as for Member States, on condition that the necessary enabling conditions are in place.

We note the Greening Corporate Fleets consultation¹¹ is a reflection of the European Commission's efforts to investigate ways to further reduce vehicle emissions by focusing on corporate fleets – vehicles owned by corporate entities – in both the light-duty and heavy-duty vehicle segments, which include cars, vans, lorries, and coaches. Through an open public consultation, the Commission aims to gather insights on market structures, stakeholder impacts, and societal benefits thereof.

One of the consultation's options under consideration focuses on forced purchase mandates for corporate fleets, which we can show would be ineffective, inefficient and likely to lead to an increase of Europe's vehicle fleet emissions. At the same time, the damage they would inflict on leasing and rental fleets will result in consumers and businesses having reduced access to affordable mobility solutions which reduces their ability to engage in economic activities.

A ZEV mandate would be highly counter-productive in that it would do nothing to address the fundamental enabling conditions which will have the greatest impact in driving ZEV uptake in leasing and rental fleets. Furthermore, there is still a substantial segment of customers and consumers where the utility of a ZEV and/or its affordability does not match customer needs. This then drives them away from leasing and rental altogether and towards acquiring older vehicles instead. In these instances the decarbonisation outcome is a negative one.

In addition to the expected economic impact of mandates, there are also legal considerations to bear in mind:

- As long as enabling factors are not in place, any ZEV mandates are in fact seeking the impossible from companies mandated to adhere to those. Such ZEV mandate would therefore be incompatible with the principle of proportionality as set out under Article 5 (4) of the Treaty on the Functioning of the EU.
- ZEV therefore also will disproportionately restrict the fundamental right to conduct a business of private operators protected by Article 16 of the EU Charter
- ZEV mandates fall short of meeting the legislative criteria set out in the Better Regulation Guidelines, as these guidelines require the Commission to design legislation that is compatible with, inter alia, the principle of proportionality and fundamental rights.

By seeking the right balance between environmental aspirations and economic prudence, policymakers can safeguard the interests of consumers while steering the economy towards a sustainable and prosperous future. In this section, we set out why a mandate cannot achieve that essential equilibrium.

4.1 Prerequisites for a higher ZEV acceptance that cannot be resolved by mandates

We consider the following issues, based on our earlier analysis, would make a mandate ineffective and risky:

- The development of a comprehensive **charging infrastructure** is a cornerstone for the success of electric vehicles. A long-term strategy needs to go beyond AFIR and address deployment in urban centers as well as the speed and price of charging.
 - For rental customers, the patchy and unreliable **public charging** infrastructure is a problem when trying to provide electric vehicles to customers who are almost always travelling away from home, for business or leisure, and want to know they will be able to recharge their rental vehicle in an unfamiliar city or country, compounded by particular problems at major transport hubs, including airports and railway stations, typically the largest car rental locations. The issue of installation of chargers on land owned by other authorities (such as airports and railways) needs to be addressed.

¹¹ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14111-Greening-corporate-fleets/F_en

- **Home charging** availability presents an even more substantial challenge than public charging infrastructure for both leased vehicles and for consumers who might buy ex-fleet vehicles. For many employees, particularly those living in urban areas without private parking or apartments, the prospect of installing a personal charging station is not feasible.
- **Fiscal incentives** should be consistent and stable. Right now, support needs to be provided both on the purchase side, but even more so for second-hand car buyers for whom the TCO calculation simply does not work. To be effective in driving demand, consumers need to be confident that the incentives will remain in place for multiple years.
- **Adequate vehicle supply:** Attention is needed to ensure adequate EV supply across the range of user groups, notably sizeable fleet operators like leasing and rental operators. This is not only about the absolute number of vehicles currently available or available in the future, but also about potential market distortions that could impact both vehicle availability and price.
 - Regulatory safeguards need to be implemented to prevent market distortions in the supply of EVs, to prevent discrimination between retail and non-retail supply and, notably, where OEMs increasingly provide competing mobility services.
 - Strong competition between OEMS, based on a level playing field, is needed to make ZEVs affordable (see Section 3.4 above).
 - The contribution of transitional technology such as hybrids and PHEVs should be fully recognized, particularly in countries / regions and use cases where the recharging infrastructure and services are not yet fully developed.
- **Impact for rental companies:** Purchase mandates based on an annual quota are even more punitive for rental fleets, as rental companies frequently hold their vehicles for 6-12 months, thereby renewing faster than the majority of corporate fleets.
- **Regulatory constraints for leasing companies:** Leasing companies that are directly or indirectly bank owned as they must adhere to capital requirements and strict risk management processes imposed by the European Central Bank and local regulatory authorities. Acquiring high(er) priced assets or assets for which the outlook is unstable inherently leads to higher capital requirements, as the residual values cannot be treated as high quality liquid assets. This will negatively impact the leasing company's ability to finance ZEVs.
- **Divergence in market readiness:** Were the Commission to consider proposing a pan-EU electric vehicle mandate, it would need to be implemented in equal measure all across Europe. This in itself would pose a significant problem as the divergence in market readiness - in terms of EV penetration/demand, charging infrastructure, average fleet age, disposable income and aftermarket capacity - is highly variable across the different Member States and in many cases within them. Whilst it is undoubtedly true that government intervention can steer markets in a certain way, a one-size-fits-all approach will not take account of the significant differences in between Member States with regards to their ability to take on ZEV vehicle volumes that are not driven by market conditions, consumer demand and, most critically, adequate infrastructure and (preferably green) supply capacity.
- **Compatibility with EU law:** Any legal action must be compatible with EU law, as set out in the introduction to this chapter.

4.2 Mandates and unintended consequences

Without full consideration of all factors set out above, a mandate could inadvertently contribute to an increase in tailpipe emissions. For example, the financial burden and technical barriers for the adoption of electric vehicles may lead employees to opt out of company car schemes.

As a result, these individuals may choose to purchase ICE vehicles, resulting in vehicles with higher tailpipe emissions held for longer periods. Besides decreasing the demand for new vehicles in general, this shift would result in **an unintended increase in tailpipe emissions due to the extended use of less efficient, more polluting vehicles.**

Any forced ZEV purchase mandate for corporate fleets would have a detrimental effect on the competitiveness of European businesses for multiple reasons:

- Vehicle purchase prices would go up

Imposing mandates would give OEMs regulatory permission to raise prices in the knowledge that their corporate fleet customers are legally bound to purchase your product. This will raise vehicle prices for corporate fleets including rental and leasing companies. As this would have an impact on

leasing and rental rates, this would in turn affect the affordability of mobility options for corporate clients, including SMEs, private individual and public authorities.

- Companies might rather switch to cash allowance schemes

If financial burdens of ZEVs are too high, companies may rather opt to make available cash allowance schemes for their employees to make their own mobility choices. This may lead them to buying (second hand) ICE vehicles.

- Drivers may opt out from company car schemes

The financial burden and technical barriers for the adoption of ZEVs may lead employees to opt out of company car schemes. As a result, these individuals may choose to purchase ICE vehicles, resulting in vehicles with higher tailpipe emissions being held for longer periods. Besides decreasing the demand for new vehicles in general, this shift would result in a contradictory increase in tailpipe emissions due to the extended use of less efficient, more polluting vehicles.

- Companies might hold non-ZEVs longer

Companies would still have the option to buy any vehicles they select to meet their needs, but having done so are then likely to hold the vehicles for longer periods, resulting in older vehicles in use for longer periods and less supply of low-emissions vehicles to the used car market.

- Mandates would lead to reduced availability of rental vehicles which would seriously impact tourism as well as everyday mobility.

If rental companies were forced to switch to ZEV-only fleets without the enabling conditions as set out above, customer demand would fall, leading to reduced availability of rental options. As well as impacting everyday consumer and business use of rental vehicles, the rental industry also supports Europe's new sustainable tourism strategy, supporting mobility solutions that benefit consumers and local SMEs by ensuring destinations beyond the obvious major urban centres can be reached using LEVs. There would be a direct negative impact on the everyday movement of people, goods and services as well as on the tourism sector which is heavily dependent on rental operators to bring tourists to their regions and touristic locations.

4.3 Conclusions

Only a holistic approach focused on **enabling conditions** can succeed in addressing a complex transition in order to address the following fundamental issues:

- Accelerated private and public charging infrastructure and services
- Grid capacity and delivering power to site at a competitive price
- Vehicle availability and compatibility with diverse customer needs across the
- Making use of ZEVs attractive for consumers and businesses to drive demand
- Vehicle affordability for both the primary and the secondary market

5 Recommendations

We fully support the European Commission's commitment to accelerate the adoption of low and zero-emission vehicles in line with the Green Deal objectives.

While the adoption of ZEVs is a key component of this transformation, policy measures must consider **key enabling factors such as sufficient recharging infrastructure, the creation of customer demand and the broader economic context driving vehicle availability and prices.**

Taking this into account, governments have a delicate task: to navigate the transition in a way that maintains public trust and support while steadfastly working towards a greener future.

By seeking the right balance between environmental aspirations and economic prudence, policymakers can safeguard the interests of consumers while steering the economy towards a sustainable and prosperous future.

To accelerate the shift to zero-emission vehicles in corporate fleets, Leaseurope recommends that the greatest attention is focused on addressing the **enabling conditions** to ZEV take-up, including promoting the availability of suitable and affordable vehicles, developing the charging infrastructure, and supporting the market for second-user ZEVs with measures including fiscal incentives over multiple years.

Additionally, there must be a consistent and stable regulatory and fiscal framework that promotes investment in ZEVs by all players: businesses using vehicles, leasing and rental companies, and all parts of the automotive supply chain. The framework needs to reflect the fact that every business user is different, with different mobility needs, in different financial situations, and at different stages in their transitions to becoming more sustainable.

Given the clear risks that a mandate policy would entail, we strongly recommend that instead attention is focused on addressing the enabling conditions to ZEV take-up, spanning the regulatory framework, fiscal measures and incentive-demand measures.

Forcing corporates to switch fully to ZEVs faster than enabling conditions allow will significantly damage the companies that have led the transition to ZEVs to date. It will impair their ability to accelerate uptake going forward. Conversely, accelerating the enabling conditions across the EU27 will enable Leaseurope member companies to increase their ZEV uptake rates, especially as the entire corporate and rental car fleet are renewed frequently, and provide zero-emissions mobility to a growing number of their customers across the consumer, business and public authority segments.

This joined-up, sequenced and holistic approach will deliver on the stated goals of the Greening of Corporate Fleets Initiative, but more importantly still, deliver on the decarbonisation targets.