

GROUP 27

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ASSESSMENT COVER PAGE

ENVIRONMENT EN25

Which policy features should a new EU 'Clean Industrial Deal' have in order to make it politically and economically viable, in consideration of the current green backlash?



Policy Paper

Fleet Power: How Corporate Vehicles Can Drive Europe's Clean Industrial Deal

CIVICA Capstone Project 2025: The Future of Europe

Introduction

Decarbonizing corporate fleets is a powerful yet underused lever for delivering a viable Clean Industrial Deal. Corporate vehicles dominate Europe’s transport system: of nearly 290 million vehicles in circulation, only around six million are zero-emission, while roughly 60% of new passenger-car registrations are non-private (see Figure 1¹). Because of this scale, fleet policy can significantly influence both current emissions and the future composition of Europe’s vehicle stock.²

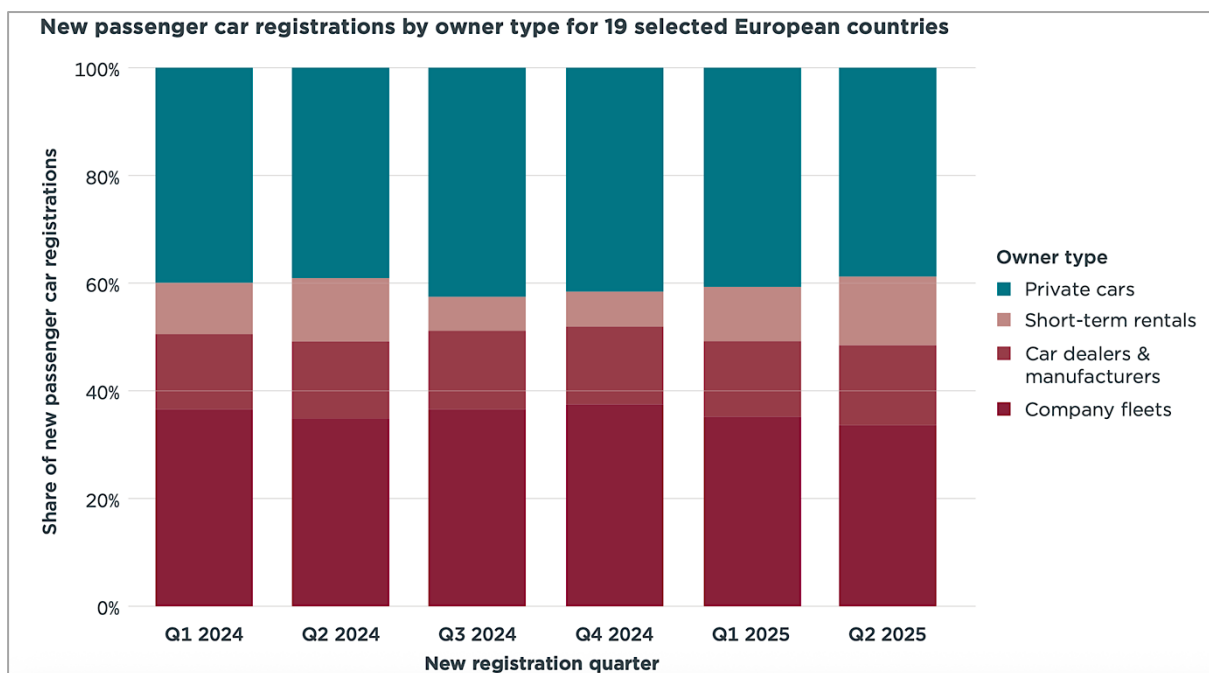


Figure 1: New passenger car registrations by owner type for 19 selected European countries, Q1 2024-Q2 2025.

Corporate fleets matter because their high mileage and rapid turnover amplify the impact of each purchase decision. Fleets drive significantly more than private cars and replace vehicles more frequently, meaning every transition to a zero-emission vehicle (ZEV) has outsized climate, industrial and technological effects. Accelerating this shift is therefore essential for meeting the EU’s 2030 climate targets, strengthening European competitiveness and expanding an affordable second-hand ZEV market for SMEs and households.³

Yet ZEV uptake in corporate fleets remains far below potential and, in most major EU markets, lags behind private households (see Figure 2⁴). This gap is striking because corporate fleets represent the majority of first-hand vehicle purchases and should be well-

¹ Sandra Wappelhorst and Sonsoles Díaz de Aguilar, *Decarbonization of Europe’s Corporate Fleet* (International Council on Clean Transportation, October 2025), 2, https://theicct.org/wp-content/uploads/2025/10/ID-468---Corporate-cars_policy-brief_final.pdf.

² European Commission, *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Decarbonise Corporate Fleets*. Brussels, 5 March 2025, COM(2025) 96 final.

³ European Commission, *Sustainable and Smart Mobility Strategy – putting European transport on track for the future*, COM(2020) 789 final (Brussels, 9 December 2020).

⁴ Transport & Environment, *Greening Corporate Fleets: An Industrial and Social Policy for Europe* (May 2024), 9, https://www.transportenvironment.org/uploads/files/FINAL-202405_Corporate-Fleets-PC_TE-Position-Paper-2.pdf.

positioned to adopt ZEVs early. Instead, they are transitioning more slowly than private users, reinforcing the conclusion that persistent structural barriers – not a lack of vehicle supply – are holding back corporate electrification.

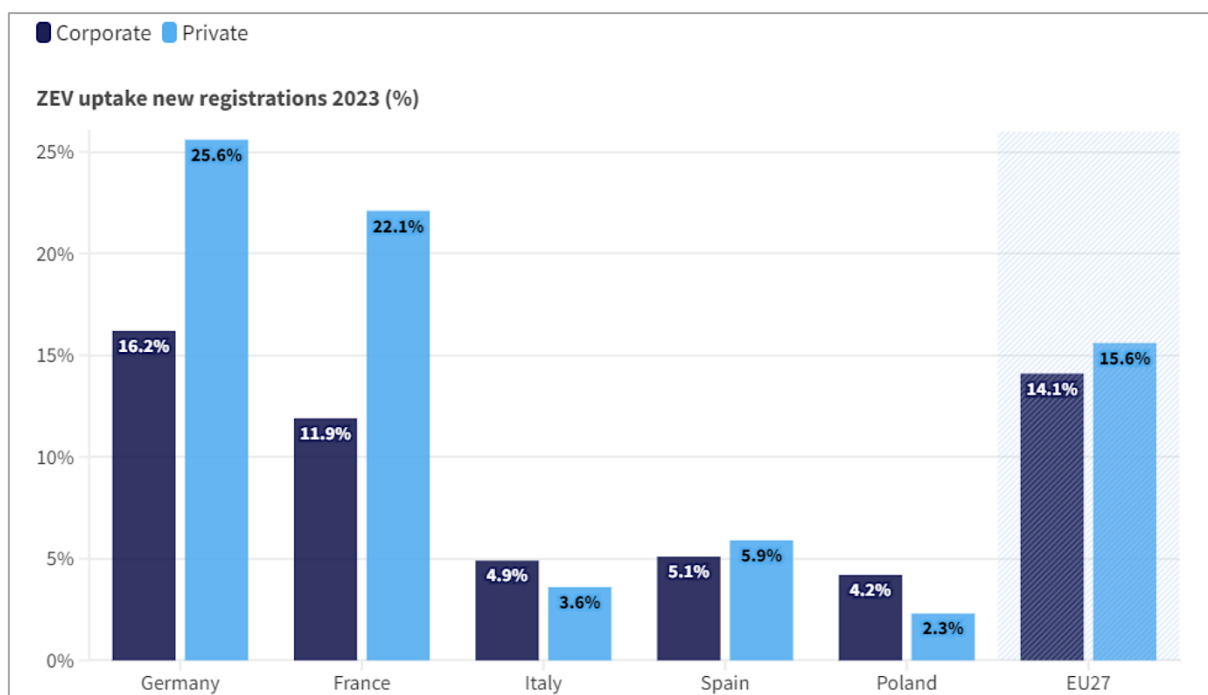


Figure 2: Uptake of zero-emission vehicles (ZEVs) in new registrations, corporate vs. private, 2023.

These structural barriers include high upfront costs, uncertain residual values and unstable total cost of ownership.⁵ Even with ZEV models available at scale, operators hesitate because business cases remain fragile, especially in segments with thin margins. Heavy-duty fleets face additional barriers, including slow grid connections, limited depot capacity and insufficient high-power corridor charging.⁶ Across the sector, operators consistently emphasize that charging availability, grid access, predictable energy prices and streamlined permitting matter more for adoption than vehicle availability.⁷

Market structures further weaken incentives for early adoption and slow ZEV diffusion across Europe. Trucks remain in service for around fourteen years, with first owners typically replacing them after five, making the second-hand market decisive for turnover.⁸ Uncertain resale values therefore deter early adopters, while leasing and rental companies – central to enabling SME access – are similarly affected. When second-hand markets and supporting conditions are weak, investments stall and ZEV uptake in SMEs, low-income user groups and peripheral regions slows.

Fragmented national fiscal frameworks remain a major systemic barrier to scaling ZEV fleets. Divergent rules on benefit-in-kind taxation, VAT deductibility, depreciation and road-

⁵ ACEA (European Automobile Manufacturers' Association), *Decarbonising Heavy-Duty Road Transport: ACEA Position on Green Corporate Fleets – Heavy-Duty Vehicles* (January 2025), <https://www.acea.auto/files/ACEA-Position-Decarbonising-HDV-Road-Transport.pdf>.

⁶ International Energy Agency, *Global EV Outlook 2025: Electric Vehicle Charging* (Paris: IEA, 2025), <https://www.iea.org/reports/global-ev-outlook-2025/electric-vehicle-charging>.

⁷ European Clean Trucking Alliance (ECTA), *ECTA Position Paper on Greening Corporate Fleets* (2025), <https://clean-trucking.eu/publications/position-paper-on-greening-corporate-fleets/>.

⁸ European Commission, *Decarbonise Corporate Fleets*, COM(2025) 96 final.

user charging create inconsistent demand signals across Member States. While reforms in some countries, such as Belgium's company-car tax, show that coherent incentives can accelerate uptake, their effects remain nationally bounded.⁹ For cross-border leasing and rental firms, this fragmentation suppresses the emergence of an integrated EU-wide second-hand ZEV market and undermines internal-market efficiency.

These dynamics make EU-level action between 2025 and 2030 both urgent and strategically necessary. Corporate fleet renewal cycles are happening now, and delayed action risks locking combustion vehicles into circulation well into the 2030s, embedding long-term emissions and narrowing future policy options. Meanwhile, industry warns that supply-side CO₂ standards alone will not deliver sufficient fleet turnover without aligned demand-side measures and infrastructure deployment, while SMEs cannot absorb transition costs under inconsistent frameworks.¹⁰

Decarbonizing corporate fleets must therefore be approached as a system-wide market reform rather than a narrow vehicle mandate. Only coordinated EU-level action – across incentives, infrastructure, regulatory alignment and market design – can unlock economies of scale, provide investment certainty and deliver climate ambition without fueling a green backlash. Against this backdrop, it is essential to examine how the EU is currently approaching corporate fleet decarbonization and where the remaining gaps lie.

What the EU is doing

The EU is preparing a dedicated legislative proposal to decarbonize corporate fleets as part of the Clean Industrial Deal and the Green Deal's broader mobility agenda.¹¹ The initiative builds on the 2020 Sustainable and Smart Mobility Strategy, was formalized in the Commission's 2023 Work Program, and was assigned in 2024 to Commissioner Apostolos Tzitzikostas for delivery in 2025/2026.¹²

Public consultation on the proposal in 2024 revealed both strong support and significant resistance.¹³ Cities and several large companies welcomed the initiative as complementary to existing zero-emission zones and ongoing infrastructure deployment. However, many industries opposed ambitious targets, warning that they risk conflicting with EU law, outpacing infrastructure readiness and placing disproportionate burdens on SMEs.

To address these concerns, the Commission is coupling the legislative proposal with new infrastructure initiatives.¹⁴ It emphasizes that adequate and well-located charging infrastructure is critical for the transition of corporate fleets. To fill existing gaps, the Commission is developing a European Clean Corridor initiative to accelerate the rollout of depot charging, logistics-oriented infrastructure and urban integration. This effort is

⁹ *ibid.*

¹⁰ International Road Transport Union (IRU), "Incentives, Not Obligations, Key to Success: IRU at EU Fleets Dialogue," *IRU Newsroom*, 17 July 2025, <https://www.iru.org/news-resources/newsroom/incentives-not-obligations-key-success-iru-eu-fleets-dialogue>.

¹¹ European Commission, *Decarbonise Corporate Fleets*, COM(2025) 96 final.

¹² European Parliament, "Greening Corporate Fleets | Legislative Train Schedule" (Brussels: European Parliament, 2025), <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-greening-corporate-fleets>.

¹³ InfluenceMap Europe, "Greening Corporate Fleets Initiative," 2025, <https://europe.influencemap.org/policy/-bace6a2636bcba3e301c48c6bbc60ef-18850>.

¹⁴ European Commission, *Decarbonise Corporate Fleets*, COM(2025) 96 final.

accompanied by measures to streamline permitting, enhance grid planning and de-risk private investment.

The Commission also recognizes that supply-side regulations alone cannot deliver the required scale of fleet decarbonization.¹⁵ While CO₂ standards, the Alternative Fuels Infrastructure Regulation and corridor-charging initiatives will increase ZEV availability, uptake will remain limited without coordinated demand-side support. Current discussions include targeted financial incentives, appropriate national targets and tools to strengthen the second-hand corporate ZEV market.

The proposal's alignment with multiple Green Deal initiatives enhances its potential impact but also increases its dependency on parallel progress. Its success relies on timely infrastructure expansion, coherent fiscal frameworks and realistic implementation pathways for companies. If the regulation is too stringent without adequate incentives – particularly for SMEs – it risks triggering political backlash and slowing the transition instead of accelerating it. In light of these challenges, the next section outlines the main policy options available to the EU.

What the EU should do

1. Policy Options

The forthcoming Regulation on Clean Corporate Vehicles requires several key design choices to ensure effective and coherent implementation.

First, the legislative form: as the Commission is moving towards the adoption of a Regulation, the desired effect is to ensure direct applicability across Member States, reduce the risk of divergent transposition, and offer greater regulatory certainty for operators active in multiple markets.

A choice must be made between national-level targets and entity-specific obligations. National targets offer flexibility for Member States to adapt measures to their infrastructure and fleet composition, but they may lead to uneven ambition. Entity-specific obligations provide clearer accountability but raise feasibility concerns for companies facing higher costs or operational constraints.

The scope of the measure must define which vehicle and operator categories fall under the Regulation. A broad scope maximises emissions-reduction potential, but certain segments, particularly vans and heavy-duty vehicles¹⁶, face higher upfront costs and infrastructure gaps, making uniform obligations more challenging. Similarly, applying requirements equally to SMEs and large operators strengthens coherence but risks disproportionate impacts on SMEs, which operate with tighter margins, slower turnover and greater financial exposure.¹⁷

¹⁵ European Commission, *Call for Evidence for an Impact Assessment: Clean Corporate Vehicles*, Ares(2025)6054791, 25 July 2025.

¹⁶ ACEA, *Decarbonising Heavy-Duty Road Transport: Position on Green Corporate Fleets*, 2025.

¹⁷ ECTA, *Position Paper on Greening Corporate Fleets*, 2025.

Leasing, rental and logistics fleets play distinct roles in the transition:¹⁸

- **Leasing companies**, responsible for a substantial share of new registrations, can diffuse zero-emission vehicles rapidly and influence the second-hand market, which is central for smaller operators;
- **Rental fleets**, especially those operating in airports and mobility hubs, renew vehicles frequently and expose large numbers of users to zero-emission technologies, thereby supporting behavioural and infrastructural adaptation;
- **Logistics fleets**, including vans and trucks, offer the highest emissions-reduction potential, but their transition depends on targeted support for infrastructure and manageable operating costs. However, without adequate enabling measures, particularly for depot and corridor charging, logistics operators cannot meet the expected pace of transition.

Identical expectations across these segments may simplify legislation yet reduce practical feasibility.

Administrative requirements must be proportionate.¹⁹ Reporting obligations related to fleet size, ZEV shares and turnover cycles should allow effective monitoring without imposing excessive burdens, particularly on SMEs.

Decisions on sustainability and local-content criteria must balance operator flexibility against the goal of strengthening Europe's industrial base.²⁰ Large leasing and rental operators can adapt quickly, whereas logistics and freight, mostly SMEs, face higher upfront costs, infrastructure gaps and limited margins²¹. A flexible "guiding" Eco-Score would be easier for operators to meet and less distortive for SMEs.

As for the need to reconcile rapid fleet decarbonisation with Europe's long-term industrial competitiveness, cost-competitive EVs originating from China can facilitate compliance with targets and reduce transition costs, yet reliance on external supply chains raises concerns about industrial resilience. Against this background, a Made-in-EU requirement could promote industrial resilience and align with strategic-autonomy objectives highlighted in the competitiveness documents.

Complementary national measures remain essential to address total cost of ownership, residual-value risks and vehicle availability challenges consistently highlighted by stakeholders. Depreciation rules, tax deductibility and targeted incentives are key to ensure consensus and voluntary compliance, as well as to allow for a Made-in-EU requirement to not represent an additional cost for segments facing tight margins.

Resistance to fleet decarbonisation does not arise from opposition to climate objectives but from concerns about fairness, cost concentration and feasibility.²² Abrupt or poorly calibrated obligations risk reinforcing these concerns, particularly among SMEs. Conversely,

¹⁸ European Commission, *Decarbonise Corporate Fleets*, COM(2025) 96 final.

¹⁹ European Commission, *Call for Evidence: Clean Corporate Vehicles*, 2025.

²⁰ Mario Draghi, *The Future of European Competitiveness: A Competitiveness Strategy for Europe* (Brussels: European Commission, 2024), https://commission.europa.eu/topics/competitiveness/draghi-report_en.

²¹ IRU, "Incentives, Not Obligations, Key to Success," 2025.

²² Italo Colantone et al., *The Political Consequences of Green Policies: Evidence from Italy*, FEEM Working Paper No. 028.2022 (Milan: Fondazione Eni Enrico Mattei, 2022).

predictable incentives²³, proportionate requirements and clear communication of transition pathways strengthen acceptance.²⁴ Ensuring that the policy design reflects operational realities is therefore essential for maintaining political and social support.

2. Recommendations and Implementation

In light of the previously discussed design choices, the Regulation should provide a clear, predictable pathway for fleet decarbonisation while keeping costs manageable and ensuring fairness between operators. To achieve this, it needs three core elements: who must act, what they must do, and what enabling conditions must be guaranteed.

The Regulation should apply only to large fleet operators and leasing/rental companies. Fleet decarbonisation should focus on actors with the highest leverage and the strongest ability to adapt. The measure should therefore apply only to companies operating at least 100 cars or vans, or 20 heavy-duty vehicles, as well as major leasing and rental firms. SMEs should be excluded entirely, as their margins, turnover cycles and investment capacities do not permit meaningful mandatory requirements. This ensures the Regulation captures most emissions without imposing disproportionate burdens.

The central requirement should be a minimum share of zero-emission vehicles in new registrations. Instead of complex quota designs or multiple compliance routes, the Regulation should set one simple obligation: each Member State must ensure that covered operators register a growing share of zero-emission vehicles each year. A reasonable trajectory, aligned with existing CO₂ standards and infrastructure deployment, would begin in 2027 and rise gradually so that fleets naturally converge with the 2035 phase-out for cars and vans²⁵ and the 2040 ambition for trucks.²⁶ This avoids abrupt transitions and gives companies the planning certainty they need for procurement cycles.

Vehicle segments should follow differentiated trajectories based on technological maturity and infrastructure readiness. Cars and light vans should follow the full trajectory from 2027, as suitable models and charging options already exist.²⁷ Heavy-duty vehicles should follow the same end goal but start later, with the first binding step only once the Commission confirms sufficient availability of depot charging and early high-power corridor infrastructure. This ensures obligations never outpace real-world feasibility.

Leasing and rental companies should have a clear leadership role in the transition. Because these operators refresh their fleets frequently and shape the second-hand market, they should be required to meet the same ZEV-registration trajectory as large corporate fleets. To ensure practicality, rental fleets may delay compliance for up to two years in

²³ Tarik Abou-Chadi, Jannik Jansen, Markus Kollberg, and Nils Redeker, *Debunking the Backlash: Uncovering European Voters' Climate Preferences* (Berlin: Jacques Delors Centre, Hertie School, 7 March 2024).

²⁴ Diane Bolet, Fergus Green, and Mikel González-Eguino, "How to Get Coal Country to Vote for Climate Policy: The Effect of a 'Just Transition Agreement' on Spanish Election Results," *American Political Science Review* 118, no. 3 (2024): 1344-59.

²⁵ European Union, *Regulation (EU) 2019/631 of the European Parliament and of the Council of 17 April 2019 setting CO₂ emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011*, OJ L 111, 25 April 2019.

²⁶ European Union, *Regulation (EU) 2019/1242 of the European Parliament and of the Council of 20 June 2019 setting CO₂ emission performance standards for new heavy-duty vehicles and amending Regulations (EC) No 595/2009 and (EU) 2018/956 and Council Directive 96/53/EC*, OJ L 198, 25 July 2019.

²⁷ International Energy Agency, *Global EV Outlook 2025: Electric Vehicle Charging*.

locations where infrastructure is demonstrably insufficient. This accelerates market transformation without creating unrealistic obligations in infrastructure-poor areas.

Administrative obligations should remain extremely simple. All covered operators should provide a two-yearly declaration of total vehicles and ZEV registrations using a short, standard EU template. No additional information should be required. Member States should use their own vehicle-registration systems to verify compliance, minimising administrative burdens.

Industrial resilience should be supported without distorting the market. Instead of rigid local-content rules, the Regulation should introduce a light Eco-Score that rewards procurement of vehicles with strong sustainability and European value-creation characteristics. Member States may offer incentives for high-scoring vehicles, ensuring industrial resilience without restricting operator choice or raising costs. This is aligned with current purchasing patterns, as most corporate EVs sold today are already Made in Europe.²⁸

Member States should make compliance financially realistic. Each Member State should adjust depreciation rules, tax deductibility and company-car regimes so that zero-emission vehicles become the financially preferable choice for covered operators. This is essential to prevent cost concentration and to secure political acceptance.

Taken together, corporate-fleet decarbonisation can accelerate emissions reductions, bolster industrial resilience, and avoid unnecessary political friction. A targeted EU regulation backed by clear incentives and realistic trajectories offers a practical path to achieving these aims. It would anchor the Clean Industrial Deal in visible, feasible progress – and help ensure Europe’s green transition remains both effective and widely supported.

²⁸ Transport & Environment. *How Corporate Fleets Can Boost Demand for Made-in-EU EVs: The European Commission Clean Corporate Vehicles Initiative* (Brussels: Transport & Environment, November 2025), <https://www.transportenvironment.org/uploads/files/How-corporate-fleets-can-boost-demand-for-Made-in-EU-EVs.pdf>.

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