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Nations increasingly divided over vehicle decarbonisation policy

The Truck Industry Council (TIC) is constantly monitoring the global policy landscape with regards to the many issues that affect the heavy vehicle road freight sector, with none more important than policies designed to transition the sector to a lower carbon emissions footprint. However, in recent times, it is becoming obvious that there is significant divergence within governments around the world, as to how that transition should be accomplished.

In Europe, the divide over electric vehicle policy mandates is splitting member states as well as the automotive industry, over the pace and enforcement of the green transition. While some nations advocate for strict bans on the sale of traditional Internal Combustion Engined (ICE) vehicles, to secure climate goals and international agreements, others push for flexibility to protect legacy manufacturing industry, jobs and accommodate slower consumer adoption. The debate centres on a few key areas of contention, firstly the 2035 Combustion Engine Ban. Initially, the European Commission (EU) planned an outright ban on selling new petrol and diesel vehicles by 2035. However, under pressure from countries like Germany and Italy, this was eased to a 90 percent reduction in CO_2 emissions, leaving the door open for vehicles powered by alternative, renewable, low carbon, fuels. The Pro-Mandate Coalition, countries including, France, Spain, Sweden and Denmark, are pushing the EU in Brussels to hold that agreement. They argue, that softening emissions targets endangers climate objectives and leaves Europe even further behind the rapidly growing Chinese electric vehicle (EV) market.

In addition to these overarching policies, there are more specific programs such as the European Commission’s proposal to mandate corporate fleet transition, requiring up to 45 percent of large companies' new vehicles to be battery-electric, or hydrogen fuel cell, by 2030. These policies have led to push back from some corporate fleets, supported by a growing concern from European governments. A coalition led by Poland, Italy, Germany and several other Eastern and Southern European nations, argue that the inconsistent availability of EV charging infrastructure, a very limited hydrogen refuelling network and increasing financial burdens on businesses make these quotas unrealistic.

There are also increasing industrial and trade tensions within the EU car industry itself. There is a brewing clash developing over "Europe First" subsidy rules, which propose a 70 percent local content threshold to shield the bloc from Chinese competition. While domestic part suppliers support this to protect European jobs, automakers fear retaliation from China, including restricting, or a halt, to critical components out of China.

The United States of America (USA) is also deeply divided over government EV mandates, with a stark conflict between current government's Federal deregulation and ambitious State level zero emission mandates. While the Federal administration has scaled back emissions enforcement, cut charging infrastructure funds, and rolled back aggressive EV production targets, States, like California, are pushing forward with strict bans on the sale of new ICE powered vehicles by 2035.

The national divide is characterised by several key friction points including Federal verses State authority. The Federal administration actively seeks the repeal of Environmental Protection Agency (EPA) waivers, which allow California and a coalition of other states to implement their own strict emissions rules and ICE vehicle phase-out timelines. This disparate government action leaves legacy automakers caught in the middle of a confusing policy argument. While adapting to the ever changing regulatory environment, auto companies have had to take massive financial write-downs and cut specific EV models due to softer-than-expected consumer demand, prompting a strategic pivot toward hybrids and back to traditional ICE vehicles. Proponents of mandates in the USA, argue strict timelines are essential to reduce carbon emissions and combat climate change. Conversely, critics argue mandates unfairly penalise working-class Americans, ignore free-market consumer preferences, and hurt domestic industry.

The Truck Industry Council's principal position regarding decarbonisation of the Australian heavy vehicle fleet remains one of technology neutrality, supporting all pathways to decarbonisation. To this end, TIC continues to advise Australian governments, Federal, State and Territory, to develop greenhouse gas reduction policy that is technology agnostic. Policies that support pathways including, low carbon liquid fuels for new and existing ICE trucks, the purchase of new battery electric, hydrogen and diesel-electric hybrid trucks, freight consolidation and the use of more freight efficient vehicles and combinations, all must be fostered with appropriate policies and incentives. Thus, ensuring that a practical and economically viable, decarbonisation pathway is fostered for the heavy vehicle freight sector.

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