

Power politics over ICE ban – Will OEMs get their way?

24-Mar-2023 08:18 GMT

Matthew Beecham

Mobility Global

Supply Chain and Technology, Automotive

A coalition of EU countries is seeking to oppose the effective ban on the sale of new ICE light vehicles by 2035

In October 2022, EU lawmakers agreed on a new carbon dioxide (CO₂) fleet regulation for passenger cars and light commercial vehicles, adopting the target of zero CO₂ emissions by 2035. As CO₂ emissions are measured exclusively at the tailpipe, this decision is effectively a ban on vehicles with internal combustion engines (ICEs).



Although a final rubber-stamp vote by EU member states was scheduled for earlier this March, a coalition of EU countries (led by Germany) is now looking to oppose the ban, effectively postponing the vote. They want an exception to the legislative rule that would allow vehicles to run on e-fuels (or synthetically developed alternatives to fossil fuels). The coalition, which includes Germany, Italy, Czechia, Poland, Romania, Hungary and Slovakia, is concerned about the impact of such a ban on consumer choice, and the purchase price of new battery-electric vehicles (BEVs) for lower-income buyers.

According to the eFuel Alliance, a Berlin-based industry lobby group, if renewable fuels are not considered in the CO₂ emission standards, the electric drivetrain will be the only option for OEMs and consumers alike. They say this would be a risky strategy for reaching the EU climate targets, and a one-sided policy for satisfying customers' needs. The Alliance, which membership includes tier-1 suppliers ZF, Bosch and Mahle, and oil giants Repsol and ExxonMobil, states, "With eFuels, passenger cars with combustion engines could continue to be operated in a climate-neutral way and thus contribute directly to the defossilization of the existing fleet — a contribution needed to achieve climate neutrality."

Germany and Italy's opposition to the proposed ICE ban comes from a different perspective to that of other countries. The German government is advocating for Porsche, which has already committed significant research and development (R&D) resources to e-fuels and the Italian government is effectively lobbying for Ferrari, while Lamborghini would also no doubt benefit from an exemption. Although all three OEMs are committing to electrification to a greater or lesser degree, high-performance ICE powertrains are part of their core DNA and appeal. These OEMs are keen to retain the possibility that at least a portion of their model range can still use synthetically fueled ICEs. Porsche and Audi are keen to retain an element of their range to have the ability to use e-fuels for combustion engines as they believe that there will be a strong market for such cars, especially with the latter's F1 program using a hybrid-electric drivetrain with the ICE element powered by e-fuel.

The central European countries are concerned about the cost of public charging infrastructure and the affordability of BEVs if there is no low-cost ICE alternative available to consumers.

Despite its promise, e-fuels are not yet produced at scale. Porsche is looking to change that by backing the world's first commercial plant in Chile, which opened in 2021. This facility, owned by Highly Innovative Fuels, is aiming to produce 550 million liters annually by the end of this decade. During an official opening ceremony in December 2022, Michael Steiner, member of the executive board for Development and Research at Porsche, said, "The potential of e-fuels is huge. There are currently more than 1.3 billion vehicles with combustion engines worldwide. Many of these will be on the roads for decades to come, and e-fuels offer the owners of existing cars a nearly carbon-neutral alternative."

Holding up the EU's plan for all light vehicles sold in the trade bloc to have zero CO2 emissions by 2035 has implications for the region's oil demand. E-fuel production is based on the extraction of hydrogen. This happens using an electrolysis process that breaks down water (for example, seawater from desalination plants) into its components of hydrogen and oxygen. For this process and further production steps, electricity is required. The resulting e-fuels can be blended with conventional fuels and used as drop-in alternatives in existing ICEs. Therefore, they are attractive to OEMs and oil producers with billions of dollars invested in retail fuel networks.

On the flip side, driving e-fuel-powered cars require up to five times more renewable energy than driving a BEV, according to a study in 2022 by the EU-based environmental advocacy group, Transport & Environment. With far higher production costs than conventional fuels and renewable power, it warned the EU was at risk of making an "untenable tactical blunder" by allowing e-fuels in its CO2 car standards "by misallocating green elections."

E-fuel detractors also say e-fuels will divert significant green investment flows away from more efficient electric cars, delaying the electrification of road transport where it is needed most.

Indeed, European Commission vice president Frans Timmermans decried the use of e-fuels in cars in February 2023. Acknowledging that e-kerosene could play a role in the aviation sector, he said, "We should not use them for road transport in any way or form."

Meanwhile, Volvo Cars CEO Jim Rowan has condemned the move by the coalition. In a LinkedIn post, Rowan remarked that it is a "deeply worrying and disappointing development" to see these countries trying to derail the process. He said, "Now is not the time to put domestic political interests ahead of the health and welfare of our planet and EU citizens, and indeed of future generations. Now is the time for strong, decisive and progressive policy and leadership." Volvo, which is heavily investing in becoming a BEV-only business by 2030, announced its plans last year to end its membership of the lobby group European Automobile Manufacturers' Association (Association des Constructeurs Européens d'Automobiles: ACEA) at the end of 2022 over differences of opinion on the path to take regarding the tightening of new light-vehicle fleet CO2 emissions regulations for the EU.

Whether or not the coalition can win the political battle to get the text of the legislation changed remains to be seen. However, we should not have to wait long to learn how this spat will be resolved. The European Commission is said to be planning to open the door to carbon-neutral e-fuels as part of a draft proposal designed to address the growing split over light vehicle CO2 targets in the EU. Reuters, which has seen a copy on March 21, 2023, reported that the European Commission has suggested creating a new type of vehicle category for cars that only run on such fuels. It added that these vehicles would have technology to prevent them from using non-carbon-neutral fuels, including a "fueling inducement system" to stop a vehicle from starting. This story will run and run.

Comment:

Michael Southcott, associate manager of Automotive Propulsion Component Research, Supply Chain & Technology, said, "The use of e-fuels is certainly one potential route toward zero-emission vehicles and certainly, if developed, provides an alternative where the EV grid rollout is not so straightforward. Right now, though, there are a raft of challenges and questions, particularly around the cost of developing such fuels and the well-to-wheels (WtW) efficiency of these fuels. Another important question is whether any fuel developed will be able to run on existing (or more likely next-generation) engine platforms. If the fuel requires a whole new engine platform or a major upgrade, then the added-on cost there will be questioned by OEMs when they are full-steam ahead into the

world of battery-electric vehicles.”

CONTACTS

The Americas
+1 877 863 1306

Europe, Middle East & Africa
+44 20 7176 1234

Asia-Pacific
+852 2533 3565

www.mobilityglobal.com

Copyright © 2026 Mobility Global. All rights reserved.

These materials, including any software, data, processing technology, information, research, forecasts, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of Mobility Global Inc. and its affiliates (each and together “Mobility Global”) and/or its third-party provider licensors. Mobility Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of Mobility Global. The Property shall not be used for any unauthorized or unlawful purposes. Mobility Global's opinions, statements, estimates, projections, quotes and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on Mobility Global to update the foregoing or any other element of the Property. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER MOBILITY GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “MOBILITY GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. MOBILITY GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, Mobility Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall Mobility Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The Mobility Global logo is a registered trademark of Mobility Global, and the trademarks of Mobility Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by Mobility Global should not be understood to be an endorsement of that website or the website's owners (or their products/services). Mobility Global is not responsible for either the content or output of external websites.