PRESIDENT

Brussels, 9 February 2026

From Invention to Independence: Strengthening Europe's Auto Industry through Innovation, Open Markets and Pragmatic Green Policy

Dear EU leaders,
Dear President of the European Commission,
Dear President of the European Parliament,

This year, we mark the 140th anniversary of the automobile – an invention that emerged in Europe and went on to change the world. The car did not replace the horse-drawn carriage because it was mandated by the state, but because it was simply the better solution – one that profoundly improved the quality of human life.

I firmly believe this same principle applies to our current challenges: European manufacturers can win by building products that customers choose because they are superior. But product excellence alone will not be enough. Our success story will depend on pragmatic regulation, open markets, new infrastructure and market demand, and a robust industrial strategy that supports manufacturing in Europe.

We remain committed to the transition with electrification at its core and continue to invest in Europe. However, global competition has intensified and supply chains have become more fragile. Protectionism is on the rise while free trade is being questioned. The new geopolitical situation requires a different playbook. More than ever before, innovation, value chain resilience and, above all, economic growth need to be top priorities.

Three objectives remain constant to guarantee our industry's strength – and, by extension, for Europe's success.

First, the European automotive industry is fully aligned with the EU's 2026 ambition for **strengthening resilience and managing critical dependencies** where they create vulnerability. Our current value chains have been optimised for globalisation over many decades; complementing them will require both time and significant investment. But resilience must not be mistaken for isolation. Despite doomsday predictions about the death of the free trade era, the EU remains one of the world's most attractive trade partners as the signing of a free trade agreement with India demonstrates. I hope this injects new momentum to the EU's ongoing trade negotiations with other regions.

We also encourage the finalisation of an agreement with Australia and ASEAN countries. But it is key that the level of ambition shown by the European Commission in closing these deals is reflected in the willingness of EU Member States and the European Parliament to approve them. We recognise the political sensitivity of some of these agreements, but now there exists a backlog of executed agreements that need to be legally ratified. In particular, we call on MEPs to give their consent to Mercosur for the benefit of Europe's industrial sectors and its economy at large.

We share the goal of generating more value in Europe and preventing de-industrialisation. We understand there are different ideas on how to address it whilst keeping Europe open for business and building pragmatic partnerships that strengthen our capabilities while accelerating the development of technologies that Europe needs. Any policy to strengthen production and investments in Europe should rely primarily on incentives and sit within a broader re-industrialisation push: faster and simpler permitting, lower industrial energy costs, higher labour productivity, predictable support for upfront investment and ongoing operating costs – particularly to scale EV battery manufacturing in Europe.

This brings me to the second objective: **pragmatic decarbonisation**. Only an industry that stays competitive globally – and retains its export edge – can mobilise the investment needed to decarbonise at scale. The task now is to finish the job with a pragmatic "three-lane" pathway for cars, vans, and buses and trucks. This pathway should have ambitious targets but remain flexible and technology-neutral so the transition can handle shocks and factors outside the auto industry's control. This is not about weakening climate ambition; it is about ensuring that the decarbonisation framework also anchors Europe's economic security.

A targeted amendment granting flexibility to truck makers to generate more emission credits and facilitate compliance with the 2030 targets should be adopted as a matter of priority. The current Commission's proposal for compliance relief for cars and vans for 2030 CO_2 emission-reduction targets is not sufficient and should be strengthened by the Parliament and Council. Vans are in a particularly difficult position, with the market share of e-vans climbing only slightly above ten percent of new registrations. With regard to 2035 car and van CO_2 targets, delaying the compensation mechanism until 2035 is unnecessary, as earlier application would speed up market development for sustainable fuels and advanced green materials.

But the immediate test for cars and vans will happen by 2030. To meet these targets, the battery-electric market share would need to rise dramatically by the end of the decade – and that will not happen without consistent demand incentives across all Member States, electricity prices significantly more attractive than that of fossil fuels, and a faster rollout of charging infrastructure. Consumers must feel enticed rather than forced to switch. The 2026 review of the Alternative Fuels Infrastructure Regulation is a key opportunity to increase ambition where it matters most. We need an infrastructure and conditions which support a market-driven uptake of ZEVs. At the same time, the framework needs a credible "safety valve" and flexibilities, if enabling conditions – such as demand support and infrastructure –

do not materialise at the pace required. Whilst the Clean Corporate Vehicle proposal recognises the need to create demand measures, it needs to be rebalanced with incentives to accelerate the much-needed market-driven transition towards zero emission mobility.

Third, we must **reverse the decline in vehicle production in Europe** – production which is essential to the entire automotive ecosystem as well as for jobs, investments, and keeping critical skills anchored to our continent. European output remains significantly below pre-COVID levels, and the challenge is amplified by an ageing vehicle fleet that drives emissions higher. The profitability strain is most acute in the entry segment, in which ever-expanding regulatory requirements make it increasingly unviable to build affordable compact cars in Europe. That puts individual mobility out of reach for many Europeans. Instead of constant incremental rulemaking, the Commission should move to regulatory "batches" aligned with vehicle development cycles, providing security for industry planning. Meaningful regulatory simplification initiatives should not be a one-off event but an integral and continuous part of policymaking; for example, Euro 7 for heavy-duty vehicles needs radical streamlining to free investments for electrification instead.

In parallel, we must accelerate fleet renewal. Europe has more than 250 million cars on its roads, with an average age of almost 13 years. Intelligent incentives for accelerated car parc renewal, targeted at the oldest and highest-emitting vehicles, are the fastest way to stimulate demand, raise plant utilisation and cut emissions. And alongside this, fuel decarbonisation must reduce emissions from the existing car parc – complementing the fleet's transition to cleaner vehicles.

For this year, the Commission titled its annual work programme "Europe's Independence Moment" underlining a push for more self-reliance in an increasingly unforgiving world. We agree. Europe is being tested by forces which are reshaping trade, security, energy, and technology. Our automotive sector is being tested the hardest. At this moment, ACEA and every single member of our association stands ready to work with policymakers and partners across the value chain to invest, innovate, and secure Europe's industrial future – for the next 140 years.

Yours sincerely,

Ola Källenius
President of the European Automobile Manufacturers' Association (ACEA) and CEO of Mercedes-Benz