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## **German Corporate Fleet Operators' Call to Action**

### **Accelerating the Electric Vehicle Transition**

- German ambition around climate policy is rising. Solutions are needed now in order to reduce road transport related emissions and meet the new climate target for 2030.
- Electromobility solutions are available now and the most economically viable way to decarbonise road transport. Therefore, we advocate a concrete phase-out date of 2032 for sales of cars with combustion engines and consistent support for the further market ramp-up of electromobility.
- A clear regulatory timeframe for the transition to electromobility will drive demand and thus sales in the domestic automotive industry, furthering the green recovery.

The level of ambition of German climate policy is increasing significantly, and with it the demands on individual economic sectors is rising. Accelerating the electric vehicle transition will be key to meeting the new 2030 climate target for transport and achieving climate neutrality by 2045. Setting concrete targets that can be followed by all stakeholders and establishing framework conditions that support the roll-out of electric vehicles (EVs) and the expansion of public and private charging infra-structure in Germany will be essential.

Against this backdrop, we welcome the Immediate Climate Protection Programme 2022 which includes several measures to support climate-friendly mobility. Through this programme the German government will show how it intends to achieve the new 65 percent climate target for 2030. The announced update of the CO<sub>2</sub> fleet limits, a "boost" for charging infrastructure as well as CO<sub>2</sub> differentiation relating to vehicle taxation will have an important steering effect towards zero emission modes of transport. We call on the next federal government to promptly implement the measures outlined in the Action Programme following the federal elections. This will provide the support and a strong market signal that businesses with large fleets in Germany need to invest in Zero Emission Vehicles (ZEVs) with confidence.

The next ten years will be decisive in achieving transport related climate targets. At the same time, it is crucial to seize the opportunity to drive an electromobility revolution from which both the German economy and society at large can benefit in equal measure. The way that we transport goods and people is undergoing a fundamental change. The rise of autonomous vehicles, the increased popularity of shared transport, a reinvigoration of walking and cycling in addition to the electrification of

vehicles are all disrupting the traditional business model. As German-based companies providing vital goods and services and employing tens of thousands of people, we believe this revolution will benefit our businesses and the communities we serve. We recognise the crucial role we play in ensuring that vehicles on German roads are electric and are already investing in this transformation through committing to electrify our fleets by 2030. In this way, we are and will continue to create demand for batteries, charging infrastructure and electric vehicles made in Germany. Targeted policy, judicious incentives and investment in charging infrastructure and EV manufacturing will not only help us achieve our ambition but will drive economic growth and support a post pandemic recovery.

But we want and need others to join us. As companies committed to electrifying our own fleets as soon as possible, we call on Germany's political parties and leaders to use the next legislative term to adopt the following goals and actions required if we as businesses are to play our role in the transition to a zero emission transport system that is already underway:

- **Implement ambitious ICE phase out:** commit to ending the sale of all new cars and vans with internal combustion engines (ICE) in Germany by 2032 at the latest.
- **Maintain Purchase incentives:** maintain the existing purchase incentives for electric vehicles (EV) to sustain current growth trajectory, with a clear focus on ZEVs as the ultimately required goal. Incentives should be tapered to zero as purchase parity between EV and ICE models is reached in the coming years. However, the differing up front cost of electric cars, vans and light commercial vehicles must be taken into account.
- **Support ambitious CO2 emissions standards:** work on new EU CO2 emission standards for cars and vans that would further incentivize the switch to EVs in Germany and ensure the EU-wide phase out of new ICE vehicles by 2035.
- **Reduce electricity cost:** support measures such as the abolition of the EEG surcharge to reduce electricity costs and make electromobility more attractive for customers.
- **Expand and strengthen charging infrastructure:** increase the current 2030 target for public chargers (equivalent to ~600 chargers / million people) to bring it closer to that of market leaders like Norway (with 2300 chargers / million people).
- **Ensure funding for a seamless roll out to reach the 2030 infrastructure targets:** extend support schemes for public charging infrastructure beyond 2025. Government should address current bureaucratic hurdles to enable companies to use self-generated renewable energy for on-site chargepoints
- **Restructure company car tax:** update the company car benefit-in-kind tax regime to create a much larger tax differential between ZEV and ICE vehicles to incentivize the use of the former
- **Re-tool and re-train:** provide adequate financial and training support to businesses, workers and communities negatively impacted by the shift away from ICE manufacturing and service sectors to ensure a just transition for all.
- **Ensuring battery reuse and recycling:** Enhanced and better enforced regulations are needed to ensure that the environmental impacts associated with battery manufacture and disposal are effectively addressed.

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## **Context and Themes**

### **Economic and environmental benefits**

Electrification of transport will drive important economic changes and provide significant environmental benefits for Germany. Over the coming decade, for example, electric cars, vans, buses, and trucks will reshape and improve transportation services for businesses and private citizens. Lower cost of operation and ownership will improve business efficiency and reduce motoring costs, while large scale investment in charging infrastructure will help drive economic growth. Electric vehicles (EV) will also play a critical role in driving down greenhouse gas emissions and local air pollutants. They will help Germany to reach its new 2030 emission's target and putting it on track to becoming a net-zero economy by 2045. These vehicles will also make German towns and cities cleaner, less congested and better places to work, visit and live in.

What's more, the right regulation, astute planning, judicious incentives to accompany long term ambition will build on Germany's unrivalled automotive engineering base and place Germany at the centre of the transition that is already underway. Jobs associated with large scale investment in charging infrastructure and EV manufacturing will drive economic growth and lay the foundation for a resilient, thriving and inclusive post-pandemic economy.

### **Transformation is underway**

Germany has started down this road of transformation. Auto giants BMW, Volkswagen and Daimler are all investing in electromobility solutions, offering a wide selection of hybrid vehicles and a growing number of pure electric ones. Government grants for EVs and chargers are providing consumers with incentives to make the switch, helping drive a surge in EV sales in 2021. Cities and regions are offering additional enticements, such as free parking for EVs and subsidies for chargepoint installation.

### **But we need to be more ambitious**

This is an encouraging start, but we need to be more ambitious. Independent analysis shows that to achieve climate neutrality by 2045 all new cars sold in Germany must have zero emissions by 2032<sup>1</sup>. This means ending the sale of all new internal combustion engine (ICE) models, including hybrids. The government's current target of having 7 to 10 million EVs on the road in 2030 is also not aligned with the new climate target, and analysis suggests that existing policy settings will only deliver half this number of vehicles<sup>2</sup>. In fact, think tanks Agora Verkehrswende and Agora Energiewende estimate the necessary number of pure electric and hybrid vehicles for 2030 at 14 million<sup>3</sup>.

### **We have the technology**

The challenge of transitioning to zero emission vehicles like EVs, is no longer a technical one. German engineering excellence and innovation is already delivering sophisticated fully electric cars to

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<sup>1</sup> <https://static.agora-energiewende.de/fileadmin/Projekte/2021/>

<sup>2</sup> <https://climateactiontracker.org/countries/germany/current-policy-projections/>

<sup>3</sup> <https://static.agora-energiewende.de/fileadmin/Projekte/2021/>

the market, such as Volkswagen's iD3, BMW's iX and Mercedes' EQC. Numbers will only grow. By 2030, for example, 70% of all VW cars are expected to be EVs<sup>4</sup>. German truck manufacturers meanwhile have joined their European counterparts and committed to ending the sale of fossil fuelled trucks by 2040<sup>5</sup>. The Traton Group will invest €1.6 billion in electromobility development by 2025 and expects that 40% of its long-haul MAN trucks to be electric by 2030<sup>6</sup>.

### **The competition is increasing**

In June 2021, Audi announced that it will stop building new ICE vehicles in 2026. While this ambition is exactly what is needed, much broader commitment is needed and there is a danger though that German manufacturers could be left behind by the speed of the transition. Competitors including GM, Ford, Volvo and Jaguar have all recently committed to phasing out ICE models and are concentrating their investment on EVs. Korean and Chinese automakers are also making major advances in rolling out fully electric models and Tesla's market capitalization is greater than the next three automakers Toyota, Volkswagen, and Daimler combined. The demand-side landscape is also shifting: some 40% of German car exports go to markets with ICE phase out dates of 2040 or earlier<sup>7</sup>. This number is only set to increase.

### **German businesses want to buy EVs**

The good news is that there is a ready and growing market for EVs in Germany, driven by the wider business sector. Several large German as well as companies with significant Germany based corporations (including the signatories to this paper) have committed to 100% electrification of their car and van fleets by 2030 and many more are making initial purchases.

### **Corporate fleets can accelerate EV adoption**

Transitioning corporate fleets to EVs offers a powerful mechanism for accelerating the shift to full electromobility this decade. Corporate car registrations (many of which are also driven for private use) make up around two-thirds of new car sales in Germany<sup>8</sup>. They also underpin the second-hand market where they are resold within 3-4 years of first purchase. At present, the relative incentives for choosing an EV as a company car over an ICE model are not sufficient to drive the scale of adoption

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<sup>4</sup> <https://www.wiwo.de/unternehmen/auto/elektroautos-vw-laesst-den-verbrenner-fallen/26978300.html>

<sup>5</sup> <https://www.acea.be/uploads/publications/acea-pik-joint-statement-the-transition-to-zero-emission-road-freight-trans.pdf>

<sup>6</sup> [https://traton.com/en/newsroom/press\\_releases/press\\_release\\_22032021.html](https://traton.com/en/newsroom/press_releases/press_release_22032021.html)

<sup>7</sup> [https://www.agora-verkehrswende.de/presse/newsuebersicht/?tx\\_news\\_pi1%5Bnews%5D=1817&cHash=aca2fd02e175dd1169b19c5518a83529](https://www.agora-verkehrswende.de/presse/newsuebersicht/?tx_news_pi1%5Bnews%5D=1817&cHash=aca2fd02e175dd1169b19c5518a83529)

<sup>8</sup> [https://www.kba.de/DE/Statistik/Fahrzeuge/Neuzulassungen/Halter/fz\\_n\\_halter\\_archiv/2019/2019\\_n\\_halter\\_dusl.html?nn=2594996](https://www.kba.de/DE/Statistik/Fahrzeuge/Neuzulassungen/Halter/fz_n_halter_archiv/2019/2019_n_halter_dusl.html?nn=2594996)

required. Relatively straightforward tax changes however could transform the EV market for both new and used cars within the decade<sup>9</sup>.

#### **A just transition is essential**

Securing the automotive industry's long-term global competitiveness will require helping those businesses and workers involved in ICE manufacturing to make the transition. It will be essential that sufficient attention and support is provided to this part of the industry to re-tool and re-train to ensure a just transition.

#### **A roadmap to electromobility is needed**

As political leaders begin the task of creating a net-zero economy by 2045, they must adopt a roadmap that puts Germany firmly on the road to full electromobility for passenger cars and light-duty vehicles this decade. This is essential to maintain manufacturing competitiveness, protect and generate jobs, improve community health and well-being, and ensure Germany cuts emissions in line with its new climate target and the most ambitious Paris Agreement goals.

#### **And a holistic approach**

While electrification of our fleets is our priority and focus, we also recognise that this is just one part of a wider revolution in transportation. As companies that are part of our local communities, we also support modal shifts that encourage people out of their cars and on to public transport, bicycles and footpaths. We call on political parties and leaders to take a holistic view of transport that incorporates all solutions, including electromobility.

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<sup>9</sup> The current company car tax regime taxes EVs at 0.25% and E vehicles at 1%. By comparison, the UK system has a 0% rate for EVs and an average rate of ~29% for ICE vehicles. The most polluting models are taxed at a maximum rate of 37%.