



## Position

### **The German Vehicle Market Needs Further Incentives for a Broader Uptake of Alternative Powertrains**

**September 2019**

Germany should make a significantly greater contribution to the development of the market for alternative powertrains, given that it is Europe's largest economy and largest automobile market. If alternative powertrains were able to break through here, this would send an important message.

The European CO<sub>2</sub> Regulation requires manufacturers to further reduce their new vehicles' CO<sub>2</sub> emissions significantly by 2030. The manufacturers' powertrain strategies begin with a further optimization of gasoline and diesel engines. Even 10 years from now, these vehicles will still account for a large portion of sales. However, it is foreseeable that all manufacturers will have to significantly increase the percentage of new vehicles with alternative powertrains. Here, electric vehicles (BEV and PHEV) will play the most important role, at least in the medium-term. At the same time, the international manufacturers are advocating for an approach that does not favor a specific technology and would like to see other alternative technologies and powertrains to likewise be promoted and subsidized. Each manufacturer has its own focus when it comes to their corporate strategies for future propulsion technologies.

In order to be able to reach their European fleet targets, all manufacturers are depending on vehicles with alternative powertrains to be purchased in large numbers, in particular in the major market Germany is. A dynamic development of alternative powertrains in Germany is of crucial importance from a pan-European perspective. However, until now, this development has not been dynamic enough. While around 70,000 electric vehicles (BEV and PHEV) were sold in 2018, this only represents an overall market share of just under 2 percent. That means that Germany is even slightly below the European average.

In addition, automation and digitization can help make mobility more sustainable. Automated driving, in particular, will require framework conditions that apply across Europe and a high-performance digital infrastructure. In order for digital mobility services to be developed and implemented in practice, an adaptation of the legal regulations may be required here too.

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### Summary of key recommendations:

- The environmental bonus should be developed further, simplified significantly for the customers, and extended until 2030 as soon as possible.
- An – at least temporary – exemption from the surcharge on charging current payable under the German Renewable Energies Act (EEG-Umlage) should be examined.
- A new subsidy program for the development of, in particular, a private charging infrastructure with a volume of at least EUR 1 billion should be implemented in the short term.
- Landlord & tenant law and residential property law should be changed in order to make it easier to install private charging stations. An amended version of the respective law should be passed still this year.
- More subsidies for hydrogen mobility

### **Electric mobility**

Purely battery-powered electric vehicles (BEVs) are already in a great variety available to customers in Germany today – also in part thanks to the broad of vehicles range offered by the international manufacturers. Currently, the VDIK member companies offer 24 purely battery-powered electric vehicle models. In 2018, they were able to sell over 16,000 BEVs, which represents a share of 38%. In 2018, the 10 best-selling electric vehicles (BEVs) included five models from international manufacturers, one of which was the top-seller.

Moreover, for many manufacturers, plug-in hybrids (PHEVs) are an integral part of their drivetrain strategy. With these vehicles, drivers can already drive electrically, and thus without local emissions, in the city. At the same time, customers like these vehicles because they don't have to worry about a lack of range thanks to the additional combustion engine. Future PHEVs will have a significantly higher electric range. International manufacturers are also strong in the PHEV segment. The top-selling PHEV in Germany is an imported car.

And last but not least, the international manufacturers are also leading in hybrids without plug. In 2018, over 50,000 vehicles of this type were newly registered in Germany. They achieve extremely low CO<sub>2</sub> values.

The international motor vehicle manufacturers have been supporting the environmental bonus since 2016 by taking on the manufacturer's share of at least 50%, and they unconditionally support its extension until 31 December 2020.

### Recommendations

The purchase of electric vehicles should continue to be subsidized, or rather, be subsidized even more aggressively, as part of an overall concept.

- Advantages in the **taxation** of electric vehicles as company vehicles ("cutting the assessment basis for the 1-percent-regulation in half") should be extended until 2030 as suggested by the BMF.
- The **environmental bonus** should be developed further and extended until 2030 as soon as possible. Price limits should be eliminated as a general rule. The

application process should be de-bureaucratized and made significantly easier for car buyers.

- There should be no discrimination against **plug-in hybrid** vehicles. The goal should be to harmonize key terms (e.g., definition of electric vehicles eligible for subsidies) in the medium-term through the German Electric Mobility Act.

Operating an electric vehicle must become more cost-effective and attractive compared to vehicles with combustion engines.

- The already existing tax exemption for **free charging** at the workplace must be kept in place.
- An – at least temporary – **exemption from the surcharge on charging current** payable under the German Renewable Energies Act (EEG-Umlage) should be examined.
- **An exemption from the motor vehicle tax should be granted** until at least 2030.
- The principle of **social fairness** should be upheld in all measures. Incentives for electric driving should not, in turn, lead to a massive increase in the cost of mobility for vehicles with traditional combustion engines. Positive incentives are the means of choice.
- Moreover, **practical incentives** are needed for electric vehicles: above all, permission to drive on bus lanes and free parking should not be delayed any longer. The federal government should encourage municipal governments to roll out this measure on a broad scale.

## Charging infrastructure

Uncertainty with regard to the availability of charging stations is still a central impediment for the purchase of an electric car. A high-performance charging infrastructure will give e-vehicle drivers certainty that charging current is available everywhere and without complications. Therefore, its development is a crucial element for the success of alternative powertrains.

As around 85% of charging operations take place at home, the development of a private charging infrastructure must be pushed on a massive scale. By 2030, around 10 million private charging points will be needed. In the public area, up to 1 million charging points must be created.

## Recommendations

- A new **subsidy program for the development of, in particular, private charging infrastructure** with a volume of at least EUR 1 billion should be implemented in the short term.
- New private and commercial buildings are to be equipped right from the outset with the necessary power outlets in the parking area, or at least have the necessary infrastructure roughed in. For this, the required legal framework needs to be created and targeted subsidies approved.
- The minimum requirements for the **provision of charging stations** for parking spaces in new residential and commercial buildings or renovation projects should be increased significantly.
- **Landlord & tenant law and residential property law** should be changed in order to make it much easier and more attractive to install private charging stations in residential developments. It should no longer be possible for individual

owners to block the installation of private charging stations. This measure is especially urgent. **An amended version of the respective law should be passed by the German parliament (Bundestag) still this year.**

## Hydrogen mobility

Hydrogen will likewise be crucial for climate-friendly mobility in the future. Short fueling times, long ranges, good comfort, and low weight are important arguments for fuel-cell vehicles (FCEV). Contrary to BEVs, hydrogen cars already today achieve performance data comparable to gasoline-powered vehicles, while not producing any emissions locally. Fuel cells are especially important for heavy commercial vehicles as well as buses because for the foreseeable future, batteries will not be suitable for transporting heavy loads over long distances.

Some international manufacturers already have made great strides in the development of fuel cell vehicles and are ahead even of their German competitors. They already offer fuel cell vehicles that are ready to go into series production and suitable for everyday use. Moreover, the international manufacturers also contribute to the development of the necessary H<sub>2</sub> filling infrastructure.

### Recommendations

- The development of hydrogen filling station infrastructure should continue at a consistently high speed: 100 filling stations by the end of 2019, followed by another 300.
- Production facilities for regenerative hydrogen should be subsidized with EUR 2 billion as of 2021.
- Customized subsidies for the acquisition and operation of FCEVs should be granted.
- Acquisition of FCEVs by public entities.

## Gas-powered engines

Gas, too, should be considered in the efforts to reduce CO<sub>2</sub> emissions from motor vehicles. The international manufacturers still consider natural gas – both in liquid form (LNG) as well as in gaseous form – to be a viable option for passenger cars and trucks. The combustion of natural gas produces around 25% less CO<sub>2</sub> than that of gasoline. When using biogas, the reduction of CO<sub>2</sub> emissions can be even more significant, in the ideal case this fuel is almost climate neutral. Moreover, it emits much less nitrogen oxide and fine dust particles.

### Recommendations

- An environment of long-term planning certainty should be created by establishing clear subsidy conditions.
- This will promote the development of natural gas filling stations.
- The subsidy program for energy efficient commercial vehicles should be stepped up and solidified.
- The road toll exemption – or road toll discount – for LNG commercial vehicles should be extended ahead of schedule until 2030.