EU Commission proposal for the Delegated Regulation supplementing Regulation 2023/1542 for Art. 7 of the Battery Regulation regarding "establishing the methodology for the calculation and verification of the carbon footprint of electric vehicle batteries"

Fokus: Electric Modelling (CO_2)

Volkswagen Group Position

As a vehicle manufacturer (OEM), we fully support the advancing of the European Union into a modern, resource-efficient and competitive economy. Therefore, we welcome the EU Battery Regulation as a cornerstone of the European Green Deal that aims at improving the circular economy, resource use and efficiency and environmental protection. Article 7 is currently and should remain a central piece of legislation dealing with the methodology for calculation, verification and reporting of the Battery Carbon Footprint (BCF) of electric vehicle batteries.

Beside various ambiguities the most critical point in the Commission draft is the proposal for the **Electric Modelling** in Chapter 2.4.:

> The **Rejection of Renewable Energy Certificates** and the focus on a location-based approach conflicts with the goal of expanding the share of renewable energies in Europe. It hinders opportunities for companies to invest in the expansion of renewable energy installations due to economic reasons, energy efficiency, and lack of technical feasibility. Additionally, the current proposal contrasts with the EU strategy to expand the share of renewable energies such as the Renewable Energy Directive II (RED) or the Corporate Social Responsibility Directive (CSRD), which incentivize companies to financially support the expansion of renewable energy generation e.g., through Green Power Purchase Agreements (PPA). The default modelling of national average grid mixes furthermore disadvantages countries with a traditionally coal-heavy electricity mix. The automotive industry has minor influence on the overall national/regional energy-mix.
>
> ⇨ *Therefore we highly recommend the **acceptance of regulated certificate** based instruments such as Guarantees of Origin in Europe that meet the minimum criteria as outlined in the PEF method (2021/2279) and are based on the GHG Protocol scope 2 criteria.*
>
> *Furthermore, instead of using national average grid mixes, we propose the **use of regional electricity mixes** (e.g. EU) as default approach. In the long run, a standardization of energy tracking systems e.g., in China should be promoted.*

Detailed Analyses:

Extract Delegated Act [ANNEX Methodology; 30.04.2024, p. 16]:

2.4. Electricity Modelling: "The carbon footprint of the consumption of electricity shall be that of the national average electricity consumption mix […]. By way of derogation from the first paragraph, the carbon footprint of directly connected electricity shall apply in accordance with section 2.4.1."

2.4.1. Directly Connected Electricity: "The carbon footprint of directly connected electricity shall apply if the electricity is supplied to the process in question from a production asset within the same installation or via a direct line as defined as defined in Article 2, point (41), of Directive (EU) 2019/944 of the European Parliament and of the Council." [Annex, p.16]

Analysis:

- European countries with a traditional coal-heavy electricity mix face disadvantages but OEMs have little to no influence on a country's energy mix. Relocating production sites within a region with common development and reduction targets causes additional emissions.
- From an economic and ecological-efficiency perspective, energy systems are located where profitable and energy-efficient e.g., offshore vs. onshore wind. These locations may not necessarily coincide with the sites of battery factories. The current proposal causes disadvantages for existing production facilities if they are located in unsuitable areas for renewable energy generation plants e.g., solar power system in northern Germany compared to Spain.
- The current approach diminishes companies' motivation to take initiative in promoting/financially supporting the expansion of renewable energies, which is often done through PPAs which is based on the energy delivery through the grid without a direct connection between the renewable energy generating plants and the production plants.
- The draft conflicts with Renewable Energy Directive II (RED II) and Corporate Social Responsibility Directive (CSRD), which incentivize companies to support the expansion of renewable energies e.g., through Green Power Purchase Agreements (PPA).
- The current draft also contradicts the Greenhouse Gas Protocol (Scope 2), which allows certificates under the condition of dual reporting (market & location-based approach).
- Overall, the rejection of all renewable energy certificates does not fit into the general EU strategy for promoting the expansion of renewable energies and incentivizing economic players to promote/financially support this expansion.

VW Proposal:

- Accept regulated certificate based instruments such as Guarantees of Origin in Europe that meet the minimum criteria as outlined in the PEF method and are based on the GHG Protocol scope 2 criteria.
- Regional electricity mixes should be used as default approach (e.g. EU average electricity mix)
- In the long run, the standardization of energy tracking systems e.g., in China should be promoted.