



## OUR CONTRIBUTION TO CLIMATE PROTECTION IN THE EUROPEAN UNION, US AND CHINA IN 2025.

### Introduction

At the BMW Group, we see the consequences of climate change as a major challenge for the future. As governments around the world intensify their efforts to meet the goals of the Paris Climate Agreement, political sentiment is becoming increasingly polarised in many regions.

While some policymakers advocate accelerated decarbonisation, others call for greater flexibility in response to economic pressures, industrial competitiveness and consumer affordability. At the same time, investors remain firmly focused on ESG (Environmental, Social and Governance) criteria when evaluating companies and business models – thus underscoring the importance of a clear, forward-looking sustainability strategy.

In Europe, North America, Japan, China and elsewhere, medium- to long-term CO<sub>2</sub> reduction targets for new vehicles are already established, yet differences in regulatory design remain. These include evolving test cycles, diverging compliance pathways, and varying levels of ambition within national or regional climate legislation.

In 2025, the debate around regulatory coherence intensified: geopolitical disruptions, supply chain vulnerabilities and rising energy costs are increasingly shaping political decision-making, influencing both the pace and direction of new emissions regulations. At the same time, differences in vehicle segment structures and drivetrain mixes across markets persist, further complicating international comparability.

### The BMW Group's commitment to Paris-aligned climate policy

We remain committed to achieving ambitious yet realistic environmental policy goals worldwide in line with the Paris Agreement – including our long-term aspiration to achieve a fully climate neutral value chain by 2050 at the latest.

Through our engagement with major industry associations and alliances, we actively advocate for regulation that is both effective and technology-open, acknowledging that different regions may follow different pathways towards shared climate objectives. For us, aligning industry activities with the Paris Agreement remains essential – particularly at a time when regulatory uncertainty is increasing in many markets.

A key concern for us at the BMW Group remains the establishment of the right framework conditions to accelerate the transition towards climate neutral mobility. This includes predictable and internationally coordinated regulation, resilient and diversified supply chains, sustainable access to critical raw materials, and the rapid expansion of renewable energy generation and charging infrastructure. Only when these conditions are in place can electromobility and other low carbon technologies achieve the level of market acceptance needed for meaningful impact.

As our portfolio continues to grow and customer expectations evolve, our goal is to ensure that a broad range of innovative models – whether fully electric, hybrid or based on other efficient technologies – can be successfully adopted across diverse regions and regulatory environments.

## EUROPEAN UNION

The European Green Deal was introduced to advance a circular and sustainable economy, reduce emissions, improve resource efficiency and protect biodiversity. In recent years, however, overlapping crises – including the COVID-19 pandemic, Russia's war against Ukraine and wider geopolitical tensions – have increasingly reshaped policy priorities. Despite these shifts, the European automotive industry remains firmly committed to decarbonisation, the EU's objective of climate neutrality by 2050, and the goals of the Paris Agreement. The sector is undergoing a profound transformation towards low-carbon mobility and software-defined vehicles.

While decarbonisation is essential, preserving the sector's competitiveness and industrial strength is equally critical. Regulation must therefore be effective and adaptable in order to reflect evolving geopolitical conditions, market dynamics and customer demand. Economic success remains a fundamental prerequisite for financing this transformation.

The BMW Group supports electrified mobility as a key pathway to climate-neutral transport and calls for a coherent industrial policy framework, while advocating for a drivetrain-agnostic CO<sub>2</sub> regulatory approach. Fragmented or inconsistent policy initiatives risk weakening Europe's global position.

The BMW Group therefore engages actively in policymaking and views the current EU CO<sub>2</sub> regulations for cars and vans as insufficiently reflective of real-world conditions. Safeguarding access to global markets, ensuring technology openness and meeting diverse customer needs are central to sustaining competitiveness.

### **EU Automotive Action Plan and Automotive Package**

In March 2025 the European Commission published the Automotive Action Plan, followed by the Automotive Package in December of the same year. Both were developed in response to growing concerns that the regulatory framework had become increasingly misaligned with economic and geopolitical realities. Throughout 2025, the BMW Group drew attention to the risk that, without adequate enabling conditions in place, overly ambitious CO<sub>2</sub> targets could undermine investment and competitiveness.

The Automotive Action Plan was a direct outcome of the Strategic Dialogue on the Future of the Automotive Industry, which was launched in January 2025 with the active involvement of the BMW Group. The dialogue explicitly linked decarbonisation to competitiveness, supply chain resilience and regulatory simplification. These efforts were further consolidated by the Automotive Package, which combined revisions to CO<sub>2</sub> standards with targeted measures on batteries, demand stimulation and regulatory streamlining – signalling a shift towards a more integrated climate-industrial policy.

The BMW Group welcomes this more pragmatic approach, while also emphasising the importance of regulatory stability, technology openness and realistic framework conditions. It calls for greater flexibility in CO<sub>2</sub> regulation, stronger recognition of renewable fuels as a lever for carbon reduction, enhanced support for a resilient European battery value chain, proportionate regulatory simplification and a robust trade policy to ensure a level playing field.

Achieving the EU's 2035 emissions target will require accelerated electrification alongside the decarbonisation of conventional drivetrains and the deployment of hydrogen-based solutions. This transition must be underpinned by secure energy supply, reliable access to raw materials, expanded charging infrastructure and stable market conditions – many of which remain only partially in place.

The transition also extends beyond drivetrain technologies to include the decarbonisation of the entire value chain and the preservation of open global trade.

### **EU Industrial Accelerator Act**

In parallel, the European Commission developed the Industrial Accelerator Act in 2025 – a cross-sectoral response to growing concerns over industrial competitiveness and strategic dependencies. Building on the Clean Industrial Deal, the Act aims to accelerate investment in net-zero technologies by simplifying permitting procedures, strengthening lead markets and introducing targeted “Made in the EU” criteria. Designed as a horizontal framework, the Industrial Accelerator Act supports key value chains such as batteries, clean mobility and low-carbon materials, thereby complementing the Automotive Package with a broader industrial policy foundation.

The BMW Group supports the Act's objective of strengthening Europe's industrial base and accelerating the deployment of clean technologies, while also stressing the importance of maintaining a realistic, technology-open and globally compatible framework. At the same time, we caution that rigid local-content requirements and product-level criteria – particularly for batteries – risk creating additional administrative burdens, trade frictions and investment uncertainty.

The BMW Group therefore advocates a company-level approach to EU value creation, continued recognition of free-trade partners and appropriately designed transition periods to ensure that the Act enhances – rather than constrains – competitiveness, innovation and employment.

## **US**

In the United States, motor vehicle emissions, fuel economy and related sustainability policies are established through federal statutory authorities and administered primarily by the US Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA). Legislative and regulatory actions taken in 2025 and, beyond the reporting period, in 2026 have fundamentally restructured the federal vehicle regulatory framework, moving towards a nationally unified emissions standard while significantly revising earlier greenhouse-gas-based regulatory programmes.

### **California Waiver and state authority**

Section 209 of the Clean Air Act has historically permitted California to establish motor vehicle emissions standards independent of federal requirements, subject to a waiver granted by the EPA and implemented by the California Air Resources Board (CARB). Under Section 177 of the Clean Air Act, other states were authorised to adopt California's standards, providing the legal basis for state-level zero-emission vehicle (ZEV) mandates and more stringent vehicle emissions programmes.

The Administration has advanced policies aimed at limiting California's waiver authority in favour of a single nationally unified vehicle emissions framework. Through industry engagement coordinated by the Alliance for Automotive Innovation, the BMW Group has supported federal actions aimed at enhancing regulatory consistency and promoting a nationally harmonised emissions standard grounded in technology-neutral policy principles.

### **Congressional Review Act (CRA) actions**

On 12 June 2025, Congress enacted joint resolutions pursuant to the Congressional Review Act (CRA) disapproving EPA waivers that had authorised California to implement advanced vehicle emissions standards and ZEV mandate programmes. The resolutions were passed by both the House of Representatives and the Senate and were subsequently signed into law.

These CRA resolutions:

- (1) Repealed EPA approvals for California's advanced vehicle emissions and clean truck programmes
- (2) Reinstated federal pre-emption over state regulation of vehicle emissions
- (3) Prohibited the EPA from issuing future waivers that are deemed "substantially similar" in the absence of new congressional authorisation.

The BMW Group has not issued a formal public statement regarding the CRA action but continues to advocate for a nationally consistent emissions framework and technology-neutral regulatory approaches.

### **Rescission of the 2009 Greenhouse Gas Endangerment Finding**

In a post-2025 development, on 18 February 2026, the EPA issued a final rule entitled: "Rescission of the Greenhouse Gas Endangerment Finding and Motor Vehicle Greenhouse Gas Emission Standards Under the Clean Air Act."

The rule:

- (1) Rescinds the EPA's 2009 greenhouse gas endangerment finding
- (2) Repeals federal greenhouse gas emission standards for new motor vehicles and engines
- (3) Eliminates associated compliance, monitoring and reporting requirements
- (4) Removes off-cycle credit programmes that previously supported technologies such as automatic stop-start systems
- (5) Establishes a revised legal interpretation asserting that the Clean Air Act does not provide the EPA with authority to regulate greenhouse gases for purposes of addressing climate change.

The rule came into effect on 20 April 2026 and faces legal challenges.

The broader legal posture underlying recent EPA and NHTSA actions is widely viewed as positioning federal vehicle emissions regulation for potential judicial reconsideration of the Supreme Court's decision in *Massachusetts v. EPA*, which held that greenhouse gases qualify as air pollutants under the Clean Air Act.

### **Federal fuel economy standards**

Fuel economy regulation continues to be administered by the NHTSA under the Corporate Average Fuel Economy (CAFE) programme, pursuant to authority under the Energy Policy and Conservation Act (EPCA). Recent agency actions have focused on aligning fuel economy requirements with revised federal emissions authorities following the repeal of greenhouse gas standards.

Updated federal policy emphasises regulatory feasibility, preservation of consumer choice, and the avoidance of duplicative or conflicting federal and state compliance regimes.

### **Modifications to the Inflation Reduction Act**

On 4 July 2025, President Trump signed into law the One Big Beautiful Bill (OB BB), which amended several automotive-related provisions originally enacted under the Inflation Reduction Act (IRA).

Key changes include:

#### **Section 30D and Section 45W Vehicle Credits**

- Clean vehicle tax credits under Sections 30D and 45W were terminated for vehicles acquired after 30 September 2025
- Previously proposed additional restrictions to Section 45W included in earlier Senate Finance Committee drafts were not adopted in the final legislation.

#### **Section 45X Advanced Manufacturing Production Credit**

- The final legislation retained the framework introduced on 28 June 2025, while adding new material-assistance requirements and prohibited-foreign-entity restrictions affecting eligible components.

The legislation also removed the proposed Section 899 retaliatory tax applicable to foreign investors.

## Industry engagement

The BMW Group continues to engage with federal agencies and policymakers to support regulatory frameworks that promote national consistency, provide long-term investment certainty and enable technology-neutral pathways for improving vehicle efficiency and sustainability outcomes across the US market.

## CHINA

China's regulatory framework for the automotive industry is designed to accelerate the sector's green transformation by enforcing fleet fuel-efficiency standards, zero-emission vehicle (ZEV) mandates and pollutant-emissions regulations. A key component is the 2030 fleet target, which requires average fuel consumption of 3.3 litres per 100 kilometres, measured under the Worldwide Harmonised Light-Duty Test Cycle (WLTC) for internal combustion engine (ICE) vehicles and plug-in hybrid vehicles (PHEV), and under the China Light-Duty Vehicle Test Cycle (CLTC) for battery-electric vehicles (BEVs).

China is also shaping the long-term development of New Energy Vehicles (NEVs) – which include BEVs, PHEVs, range-extender vehicles (REXs) and fuel-cell electric vehicles (FCEVs) – through two national policy guidelines. The Beautiful China Guideline (January 2024) targets NEVs accounting for 45% of new passenger-car sales by 2027, while the Economic and Social Green Transformation guideline (August 2024) envisions NEVs becoming the dominant powertrain choice in new car sales by 2035.

At the regional and municipal levels, several major cities restrict the issuance of licence plates for ICE vehicles while granting exemptions for NEVs. As boosting consumption becomes the top priority under current economic conditions, these restrictions have been relaxed in certain cities.

Unlike the EU, China does not plan to implement a comprehensive ban on ICE vehicles. Instead, it continues to support a diversified mix of powertrain technologies to accommodate varying consumer needs and usage scenarios.

The BMW Group is well positioned to fully comply with climate regulations in China. In 2025 China remained its largest single market, with 625,527 BMW and MINI vehicles delivered.

The BMW Group has also launched a range of initiatives to reduce carbon emissions across its supply chain and dealership network, such as expanding the use of renewable energy, implementing energy and water conservation measures, promoting the reuse and recycling of batteries, and increasing the share of recycled materials used in production.

In 2025 the BMW Group officially commissioned a geothermal heating system at its Shenyang powertrain plant. The project includes 28 planned medium-deep geothermal wells, covering approximately 5.8 million square metres of heating area and delivering an estimated annual CO<sub>2</sub> reduction of 18,000 tonnes.

To promote fair competition and advance the decarbonisation of the supply chain, the BMW Group has engaged with various Chinese government authorities, including the Ministry of Industry and Information Technology (MIIT) and the Ministry of Commerce (MOFCOM).

At the EV100 Annual Conference 2025, the BMW Group emphasised the importance of healthy industry growth and technology openness, noting that the 2025 Government Work Report's call to curb "involution-style competition" underscores the need for high-quality, sustainable development across the automotive value chain.

While strong policy support has driven China's NEV expansion over the past decade, the BMW Group has underscored that the next stage should increasingly rely on market-driven growth shaped by consumer demand, fair competition and technological innovation. The company has called for equitable policy support for all efficiency-enhancing mobility solutions – including BEVs, PHEVs, fuel cell electric vehicles (FCEVs) and highly efficient ICE vehicles – to ensure long-term industry prosperity and genuine customer choice.

At the 2025 World NEV Congress in Haikou, the BMW Group further emphasised that safeguarding a high-quality automotive sector requires shared responsibility among OEMs, suppliers, technology partners, dealers and regulators. The company reiterated its commitment to a technology-open pathway – including ICEs, PHEVs, REXs, BEVs, FCEVs and carbon-neutral fuels – to maintain long-term flexibility. It also advocated a shift from tailpipe-focused emissions regulation towards a holistic, lifecycle-based approach to emissions regulation.

The supply chain has also been a central pillar of the BMW Group's collaboration with the China Development Research Foundation (CDRF) since 2021. In 2025, the BMW Group participated in CDRF-hosted workshops to exchange views with experts on how New Energy Vehicle resource recycling can support a comprehensive green transformation.

The discussion envisioned the development of a robust circular-economy ecosystem, underpinned by unified national standards and a centralised digital platform to ensure seamless certification and traceability. Furthermore, the vision called for clear technical standards for automotive-grade recycled materials and full transparency in battery reuse, aimed at strengthening consumer confidence and fostering a virtuous cycle of industry cooperation.

BMW AG, May 2026

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