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Europe's EV transition: why Brussels' U-turn doesn't change the endgame

The European Commission's recent proposal to relax its 2035 zero-emission mandate marks a symbolic shift in the continent's automotive policy. Initially, the EU aimed for **a 100% reduction in CO_2 emissions for new cars by 2035**[1], effectively banning internal combustion engines (ICE). The proposed target now stands at 90%, allowing limited sales of petrol, diesel, and hybrid vehicles beyond 2035. While critics see this as a retreat, the fundamentals of Europe's electric transition remain intact—and the numbers prove it.

The original 2035 ban: a bold climate milestone

Adopted in 2023, the initial regulation required all new cars and vans sold from 2035 to be zero-emission, a cornerstone of the EU Green Deal[2]. This policy aimed to decarbonize road transport, which accounts for **20% of EU emissions** and remains the only sector whose emissions have grown since 1990. The ban was designed to accelerate EV adoption, stimulate battery production, and secure Europe's industrial competitiveness against China and the U.S[1].

The new framework: flexibility without reversal

Under the proposed plan, carmakers must cut fleet emissions by **90% compared to 2021 levels**. The remaining 10% can be offset through carbon credits from:

- **Low-carbon steel** produced in the EU (up to 7% credit)
- **Sustainable fuels** such as e-fuels and advanced biofuels (up to 3%)[1,3]

This means ICE and plug-in hybrids will survive—but only marginally. Analysts estimate that **one petrol car sold in 2035 will require eight EVs to balance emissions**[3]. Moreover, automakers will receive "super credits" for small EU-made EVs, incentivizing affordable models like Renault's R5 and Stellantis' Citroën ë-C3. In short, the regulatory pivot offers breathing room, not a lifeline.

EV market momentum: the numbers speak

Despite policy adjustments, Europe's EV adoption is surging:

- **EV and hybrid sales overtook ICE for the first time in 2025,** with electrified vehicles representing **over 50% of new registrations** in several markets[4].
- By November 2025, Battery-electric vehicles (BEVs) alone reached **17% market share EU-wide** YTD, while plug-in hybrids added another 7–8%[4].
- Norway leads with ~96% BEV penetration[5], followed by strong performers such as Denmark (~66%)[6], Sweden (~35%)[7], the Netherlands (~40%)[8], France (~20%)[9], and Germany (~19%)[10]. Meanwhile, countries that started from a lower base, like Spain (~8%)[11], are showing impressive growth with +76% year-on-year[11], signaling that the transition is accelerating across the continent.

This trajectory reflects structural drivers: falling battery costs[12], expanding charging networks (80% of EU highways now covered[13]), and strong corporate fleet mandates[14]. Even with regulatory softening, consumer and industry trends point to electrification as the dominant standard.

Consequences for industry and climate

The compromise is largely political. Germany and Italy lobbied for flexibility to protect jobs and competitiveness, while France and Spain (supported by Nordic nations) pushed for local content rules to shield against Chinese imports. Yet, the **economic equation remains unchanged:**

- ICE development is capital-intensive and incompatible with shrinking volumes.
- EV technology benefits from scale, software integration, and global investment flows.
- By 2035, EVs will be cheaper to produce than ICE cars, making them the default choice regardless of regulation.

Climate advocates warn that the 10% leeway could add **up to 1 gigatonnes of CO_2 by 2050**[15]**,** but the EU still targets **-66% to -72% emissions by 2035**[16] and carbon neutrality by 2050. The transition may slow slightly, but it will not reverse.

Brussels' decision to dilute the 2035 ban is more about optics than substance. The automotive sector gains short-term flexibility, but the long-term trend is irreversible: **electric mobility will dominate Europe's roads.** With EV and hybrid sales already surpassing ICE, and infrastructure scaling rapidly, the continent is firmly on the path to zero-emission transport. The challenge now is not whether Europe will go electric—but how fast it can overcome cost, supply chain, and geopolitical hurdles to lead the global race.

Our viewpoint

We have been actively monitoring the EV charging sector since our first financing in 2019, giving us a deep understanding of its complexity. This is not a one-size-fits-all market: charger types range from slow to ultrafast, and business models vary from dense urban networks to highway corridors and residential solutions. Success lies in securing opportunities with stable, predictable cash flows—typically through strong long-term contracts or monopoly positions. Equally, we prioritize partners with a proven track record: rapid deployment capability, reliable electricity sourcing, and sustained utilisation rates.

As the shift to electric vehicles may take longer than initially expected, robust protections such as adequate drawstop conditions and robust equity commitments to ensure resilience and alignment with long-term fundamentals.

We therefore continue to keep a close eye on this sector, as we believe that the current challenging environment may provide value-generation opportunities for our investors in the high income space.

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