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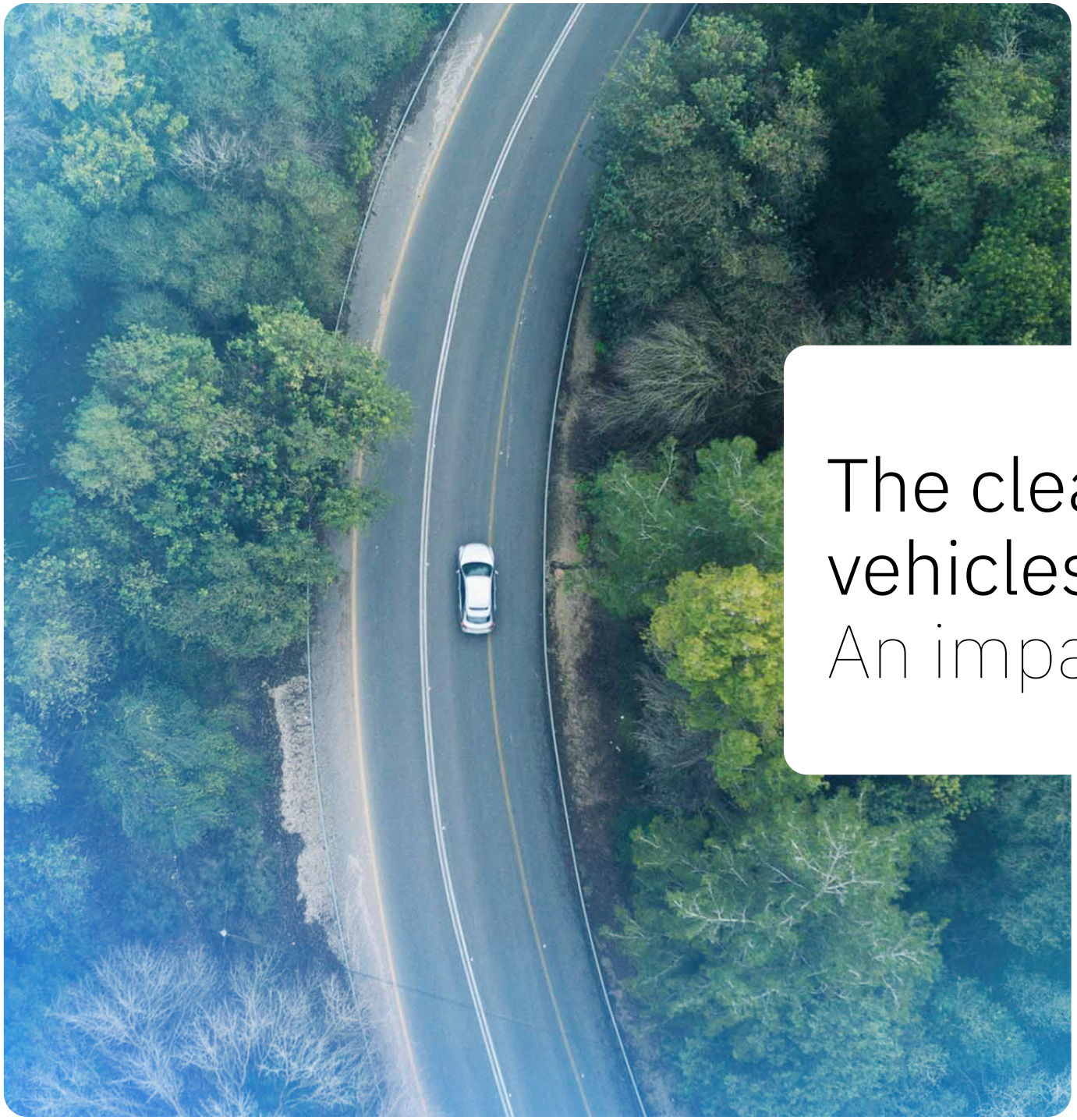

The clean corporate vehicles initiative: An impact assessment

indicata
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Assessment of the impact on the used vehicle market and cascading impact on european consumers and businesses

Overview and purpose

This white paper critically evaluates the assumptions underlying the European Commission's Clean Corporate Vehicles proposals. The Commission posits that mandating national targets on Member States on the adoption rate of large corporates to purchase Zero Emission Vehicles (ZEVs) not only will vehicle fleets become greener, it will flood the market with affordable used ZEVs. It states that this policy will only impact 0.16% of businesses without creating negative cascading effects on consumers or related industries. Data analysis reveals these assumptions to be fundamentally flawed.

Market oversupply and crashing residual values

Used Battery Electric Vehicles (BEVs) do lose their initial price premium and become affordable compared to petrol equivalents. However this is because the used BEV market is already heavily oversupplied. Forcing fleets to push more used BEVs into an oversaturated market will not stimulate increased sales. Instead, it will force dealers and fleets to drop prices to clear excess stocks, accelerating an ongoing crash in residual values (RVs) across Europe.

The total cost of ownership (TCO) trap

Contrary to the Commission's goals, driving down used BEV prices is detrimental to wider BEV adoption. Drops in residual values directly increase the Total Cost of Ownership for new vehicles, actually reducing their attractiveness. To maintain or increase BEV adoption rates in a market with crashing RVs, Member States or finance and/or rental companies, either independent or OEM owned, will be forced to absorb the costs by heavily increasing discounts and subsidies on new BEVs.

Cascading economic impacts on SMEs and tourism

The assumption that multi-billion euro costs will be easily absorbed by "big fleets" illustrates a misunderstanding of the European fleet market's structure by the commission. Leasing and rental companies make up 66% and 16% of European fleets respectively, and they act as facilitators rather than end-users.

- Leasing and rental companies primarily provide affordable finance and risk management to thousands of Small and Medium Enterprises (SMEs).
- As the cost of risk from falling RVs increases, leasing companies will pass these cost increases directly onto their SME customers.
- The daily rental industry, as well as also providing rental services to businesses (primarily small and medium enterprises), rentals for tourism accounts for 45-50% of daily rental activity.
- Increased fleet costs will decrease the affordability of holidays and inbound tourism, impacting tourist-dependent countries like Greece, Spain, Italy, Portugal, and Croatia. This will not only impact European consumers (50% of activity), it will have a negative effect on inbound tourism from outside the EU too (again a further 50%).

Conclusion

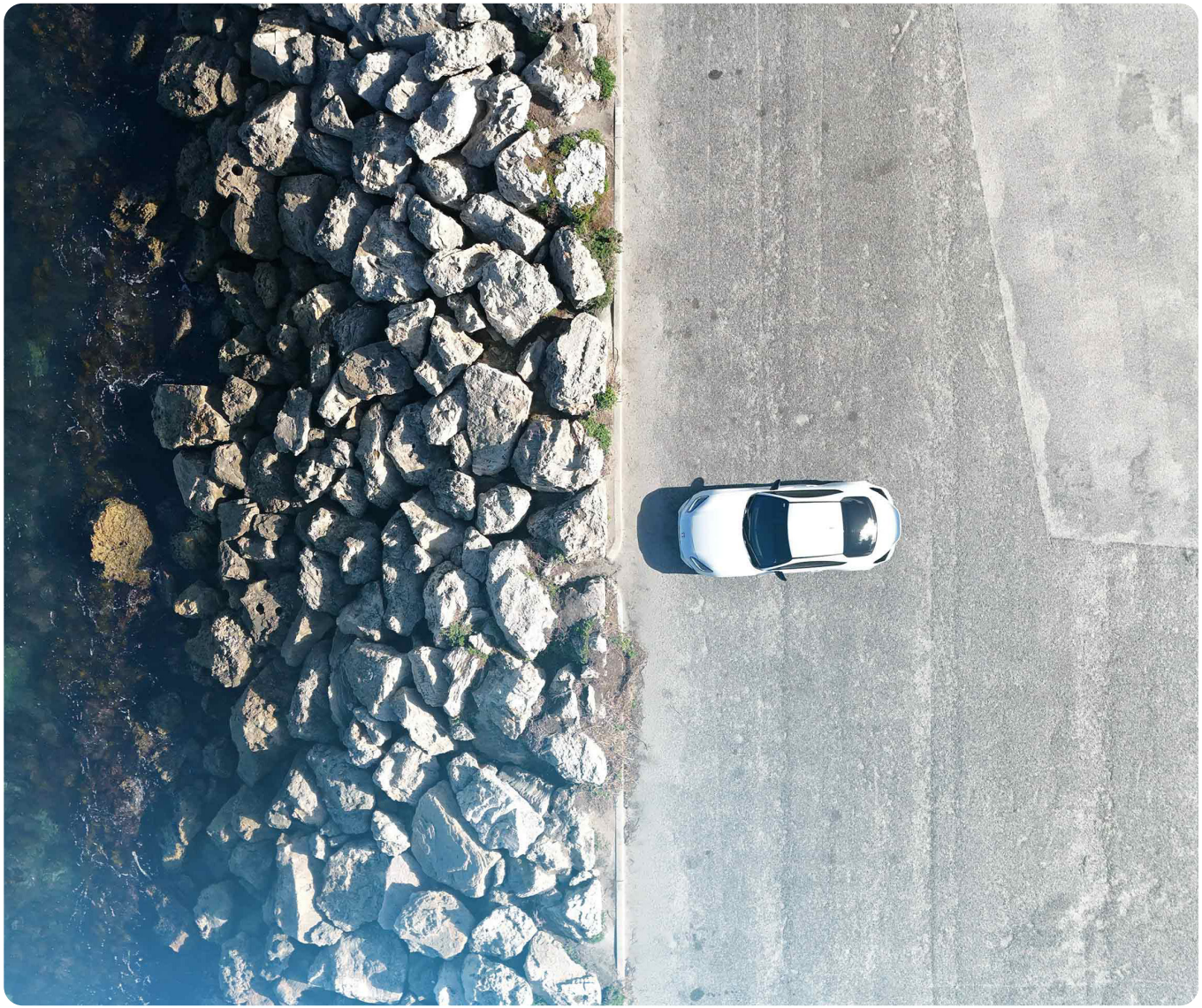
The Clean Corporate Vehicles initiative will be counterproductive to its own aims. Rather than a no-cost mechanism for BEV adoption, it will function as an environmental tax on SMEs, medium businesses, consumers, and the tourism industry. To effectively increase BEV adoption, policy should instead focus on building supportive infrastructure to overcome consumer reticence and strengthen residual values.

Background

The recent Clean Corporate Vehicles proposals (aimed at increasing staling BEV adoption) has a series of premises and assumptions on the mechanism of the used market and cascading impact to European businesses and consumers. This document aims to assess these assumptions with facts and data, and in doing so looks to assess the impact on European businesses and industry sectors such as Tourism.

The assumptions to be assessed are as follows:

- Pushing Big Fleets to buy more ZEV's will be beneficial in increasing availability of affordable ZEV used cars and has no implicit negatives (In its impact study, the Commission made this statement 157 times).
- By pushing big fleets to increase the adoption of ZEVs, this will only affect 0.16% of businesses and will have no cascading impact on consumers, SME's or other industry sectors (e.g. Tourism).
- Whilst mandating Member Stares to be responsible for ZEV adoption, the Commission says the policy has zero negative cost on consequence, and somehow Member States will find a way of increasing ZEV penetration without:
  - Mandating European Fleets (mainly Leasing and Retal companies) to buy a defined proportion on BEV vehicles, even though they have minimal demand from their customers to run nor from Consumers to buy the used cars at their end of life.
  - Member State to sustain or increase subsidies at a time where Member States need to reduce ZEV subsidies due to falling take revenues.
  - Impacting, Small and Medium business, Consumers or related industries (e.g. tourism and insurance).



What market data is used and the definition of “affordability”

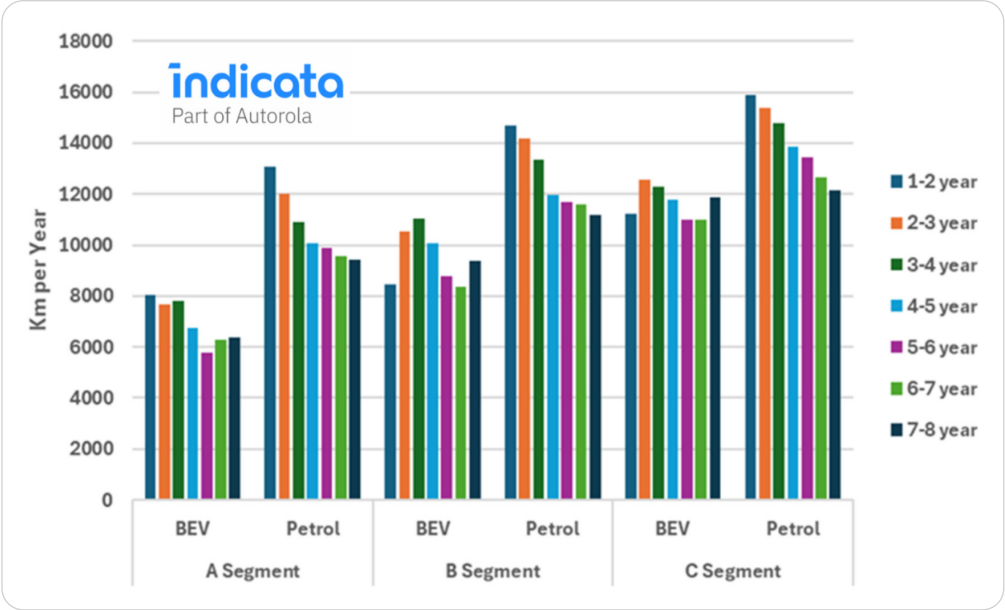
To define affordable, data was used from Indicata, the leading automotive used market data and market analysis company. Indicata is analysing over 14 million used car adverts every day to assess market pricing and trends (www.indicata.com).

Affordable is a subjective word. A vehicle can be cheaper than another if it is smaller, older or higher mileage than another. What is more affordable:

a. A one year old Fiat 500 Petrol (A Segment) car with 9,500Km priced at €14,000.

b. A two year old Peugeot 208 (B Segment) BEV car with 17,600Km priced at €11,600.

Size matters, as does age. Equally BEV’s are run at far lower Km than Petrol cars as shown in the following chart:



Average Annual Mileage
BEV vs Petrol
(DE, ES, FR, IT)

Thus, BEV vehicles tend to cover significantly less Km than their Petrol equivalents: 34.6% less for Micro Cars, 22.6% less for small cars and 14.2% less for Medium cars. Lower Km cars have a premium to higher Km cars, and this distortion needs to be accounted for in the affordability question.

As well as potentially distorting the data, this difference also illustrates how range anxiety affects both purchase and use decisions.

In order to get a fair representation of “Affordability”, all prices have been normalised to an equivalent of 12,000 Km per year, and then relative average prices (BEV vs Petrol) compared by segment (A-Micro, B-Small, C-Medium etc).

Prices are based on last advertised price in Dec 25 and Jan 2026 across France, Germany, Spain and Italy. These markets are large enough to give a statistically valid assessment.

Are affordable used BEV's available in the used market?

At 1-2 years old, BEV cars are less affordable then Petrol cars. This reflects the higher prices of new BEV's sustaining an early premium. This premium is lost in 2-3 year old cars, and materially worsen as the vehicles get older.

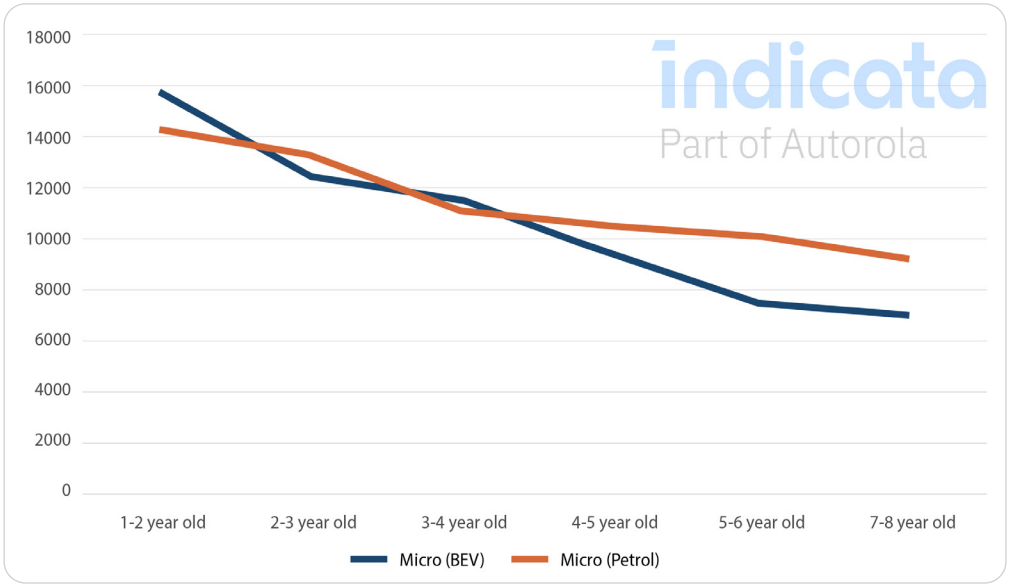
This trend is replicated across other segment groups.

Whilst both small and medium BEV cars have a price premium at 1-2 years, this price premium is not there for larger (C Segment) cars.

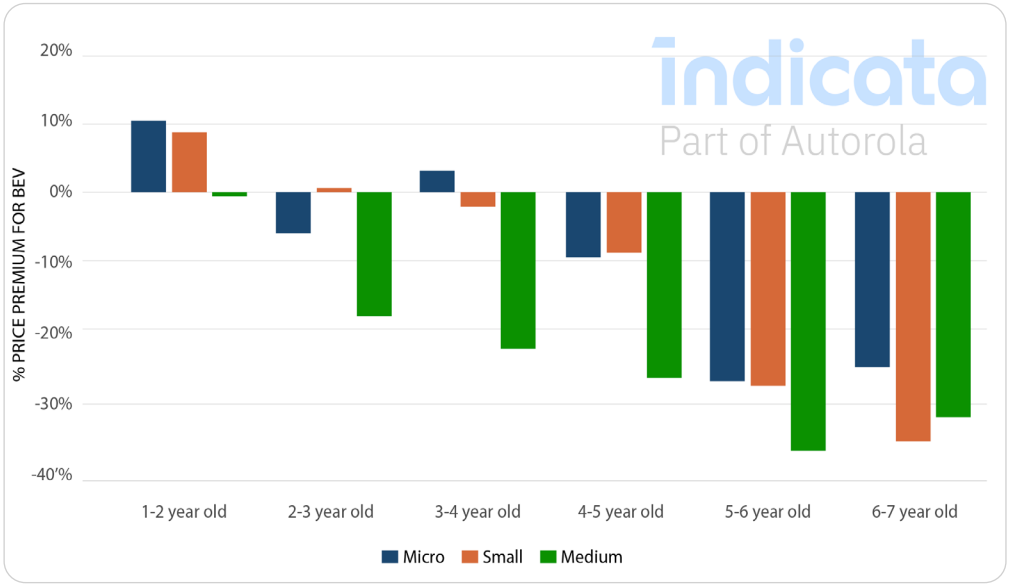
At 2-4 years old, Micro BEV's prices become similar to the Petrol equivalents. Indeed taking into consideration the Commissions assumption of lower running costs (fuel and maintenance), these vehicles should be considered as highly affordable.

This relative affordability level increases as cars age further. The assumption here is that the increasing affordability is linked to reducing utility in terms of lower range performance of these cars.

Detailed below is the Average price (segment and Km normalised) for Micro Cars (DE, ES, FR, IT).



Average Market Price
Micro cars



Relative % price
BEV vs Petrol
(+ve = price premium for BEV)

What age and type of cars does the fleet industry provide to the used market?

The fleet industry accounts for approximately just over 60% of cars registered in Europe, hence the Commission desire to force this sector to buy more BEV's and force them on to the used car market.

The majority of this is covered by the leasing industry accounting for c40% of all cars sold. A further 10% will come from Major Daily Rental (Hertz / Europcar / Enterprise / Avis etc) and 10% from business fleets, ranging from SME's to larger fleets).

Whilst the rental industry tends to cycle cars at sub 2 years, the majority of the rest of fleet industry cycles cars at 3-4 years old. Any younger and the economics are less viable. From a mix (small medium or large cars), neither the rental the rental nor the leasing industries have material power to influence the mix request from their customers, who are primarily consumers, SMS's and small businesses. The decision power regarding which vehicle meets utility and price expectations squarely remains with the end-user, or driver.

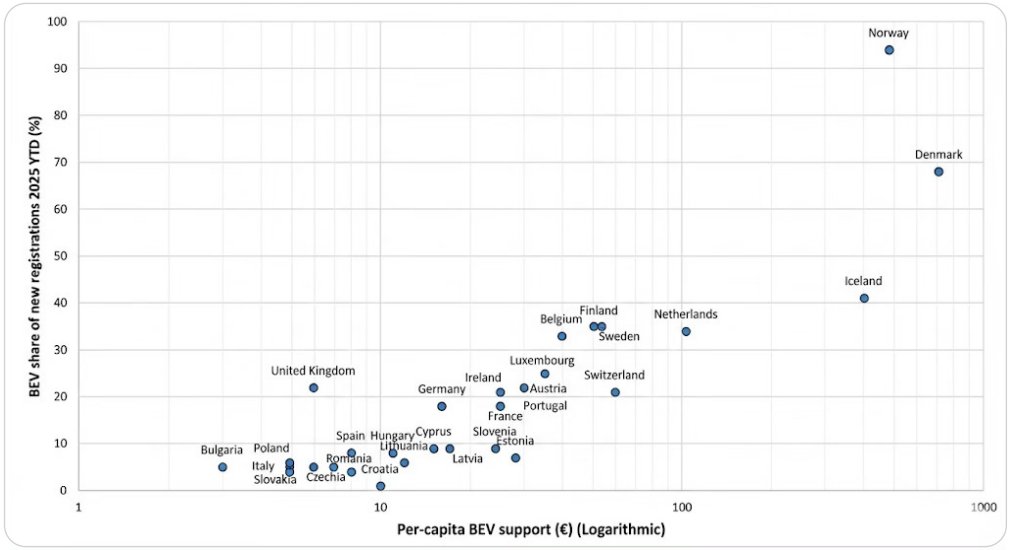
Thus, a transition to BEV will only occur if the cost of BEV's reduces, and this will be created by increased BEV residual values, coming from end consumer demand for used BEVs.

Consumer demand for used BEV's – is the market undersupplied?

There is already a clear correlation between vehicle price driven by available subsidies and the adoption levels of BEV's in the new market.

This is illustrated by Indicata / USD Consulting analysis of the adoption levels of BEV's assessed against the levels of Member State subsidy.

Jan to Sep 2025 BEV Market Share vs Per Capita BEV support
(February 2026)



Norway's support across a range of elements (Purchase subsidy, historical VAT support, preferential parking and road use, electricity subsidy etc etc) is (at its peak) €26,000 more beneficial to BEV than Internal Combustion Engines (ICE) vehicles.

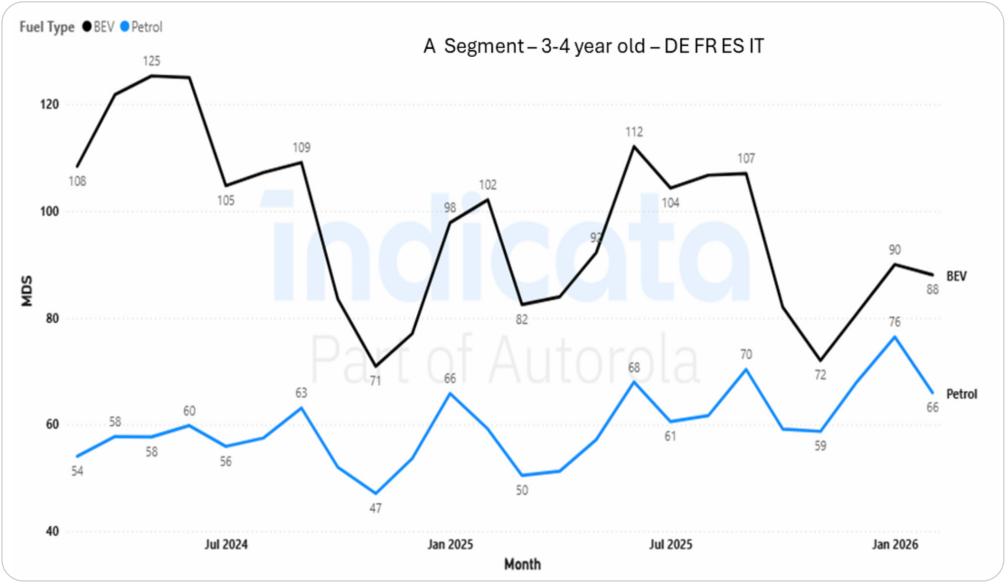
The difference between Italy at 5% adoption and almost 100% in Norway is €28Bn of incremental annual subsidy (if the Italians were to match the Norwegian's level of support). To adopt BEVs in volume, pricing differentials (BEV vs ICE) need to be significant. This applies to both the new and the used market.

So, is the market over or undersupplied with used cars, ie is the European used car consumer starved of used BEVs and would purchase volumes if there was more availability?

To assess over and under supply Indicata uses a measure called Market Days Supply, which compares the stock of used cars at dealers, versus the sales rate. In essence, if the stock is 100 cars and the sales rate is 50 per month (say 30 day month) then the MDS is 60. It will take 60 days to clear the current stock. This is a strong market. However, if the sales rate halves, it will take 120 days to clear the market. This market is heavily over supplied and there is a lack of consumer demand.

The chart on the top-right looks at MDS of A segment cars in the 2-3 year old age range.

It shows the market is heavily over supplied with BEVs (with MDS in averaging 100-120) relative to petrol vehicles (where MDS is averaging only 50-60).



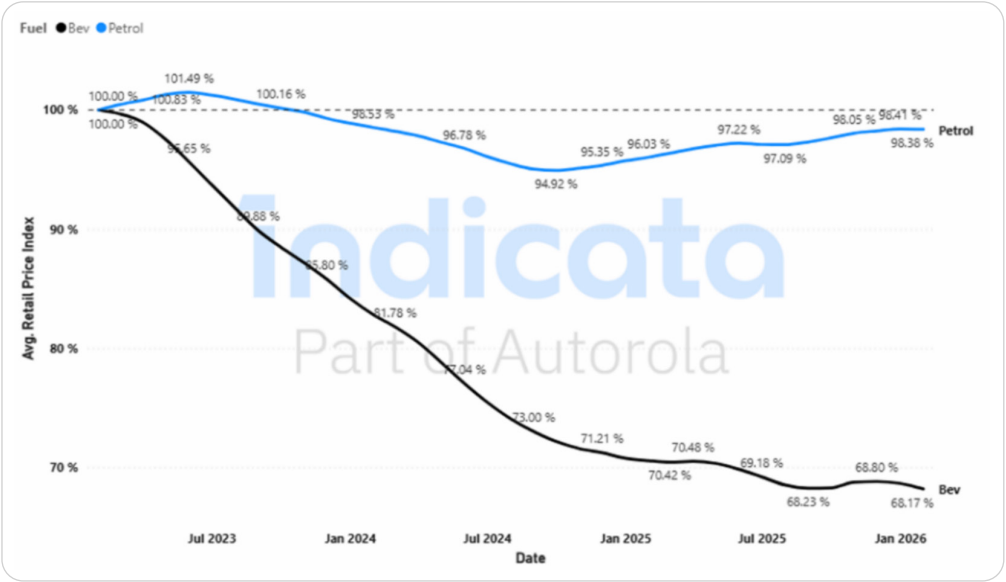
MDS by Month and Fuel Type
(February 2026)

In this case, increasing availability will have no increase in sales. All that will happen is a reduction in sale prices as dealers and fleets will scramble to clear excess stock.

Indeed, that is what has been happening to the market for several years.

As detailed in the Indicata price index chart on the right.

Starting from a base of 100, Residual Values of A segment BEV cars have continued to drop significantly for the last 2-3 years to an index of 68 (ie values have dropped by 32%). Conversely, ICE vehicles have maintained their value.

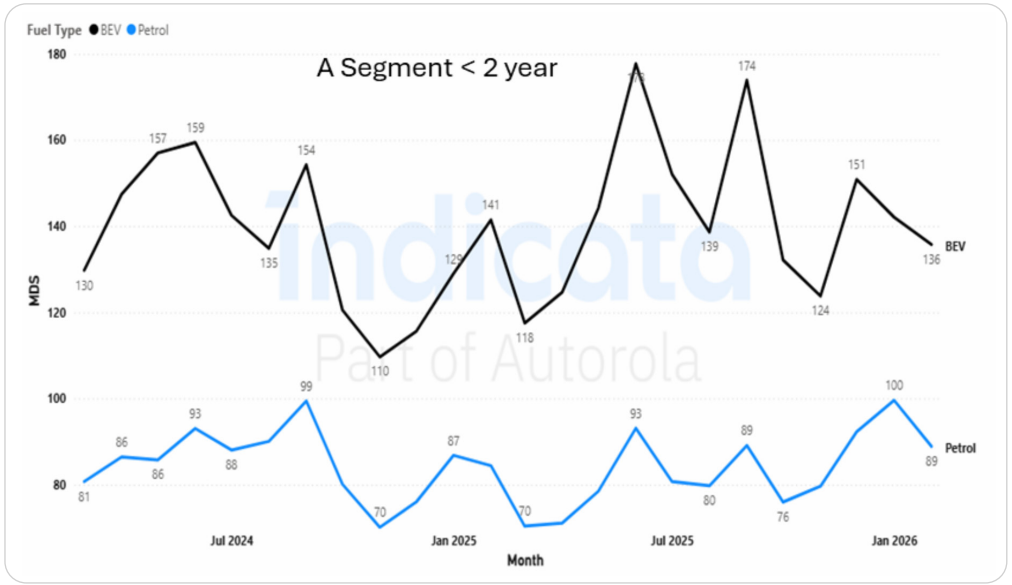


Price Index
(February 2026)

The chart on the top-right reviews sub 2 year old car MDS. Here there is even less demand for used A segment BEV's relative ICE, driven by the current price premium used BEV's have. The chart shows that this premium is unsustainable and that prices must drop further for demand to increase.

Thus, the Commission's thought process, that forcing fleets to purchase more BEV, so generating greater numbers of "affordable" used BEV's that will be snapped up by the pent-up demand of the consumer is totally false.

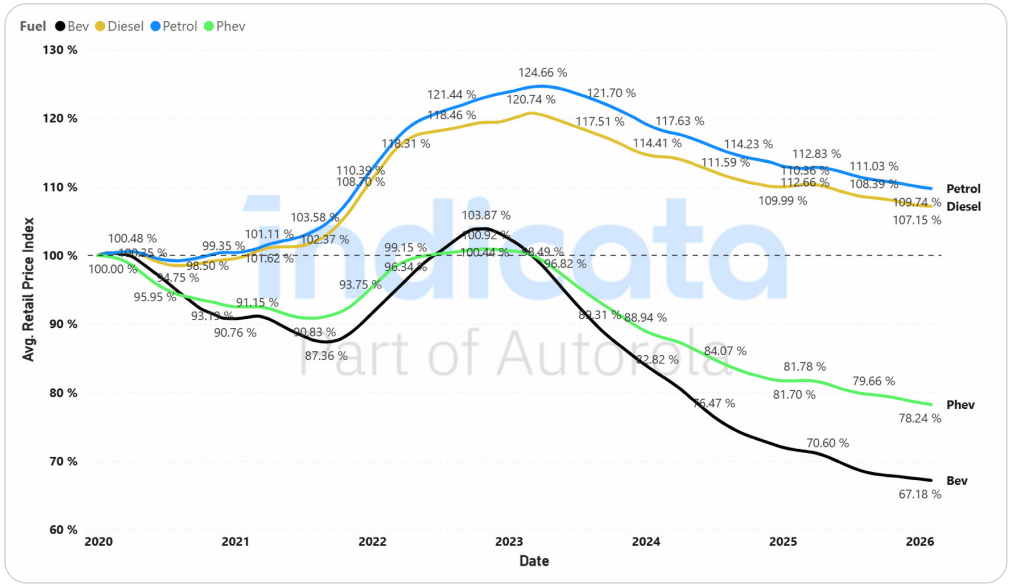
There is no pent-up demand, despite the current levels of affordability. Increased supply will not increase adoption there is already sufficient affordable used BEV's in the market. Indeed, the scale of oversupply already is highly damaging to prices (and thus adoption).



MDS by Month and Fuel Type
(February 2026)

In Europe as a whole, excess used BEV's from all vehicle segments, is creating a crash in residual values, as show in the chart on the right.

The chart shows that for all vehicle segments, used ICE vehicle prices have rose during COVID and since have normalised out (at a higher level than pre COVID as a function of overall inflation). However whilst having a short renaissance in 2022 (due reduced availability of BEV vehicles caused by a global chip shortage), PHEV and BEV RV's have dropped significantly as a function of excess supply and lack of demand.



Price Index
(February 2026)

Lower used prices are good, it will help with BEV adoption – **True?**

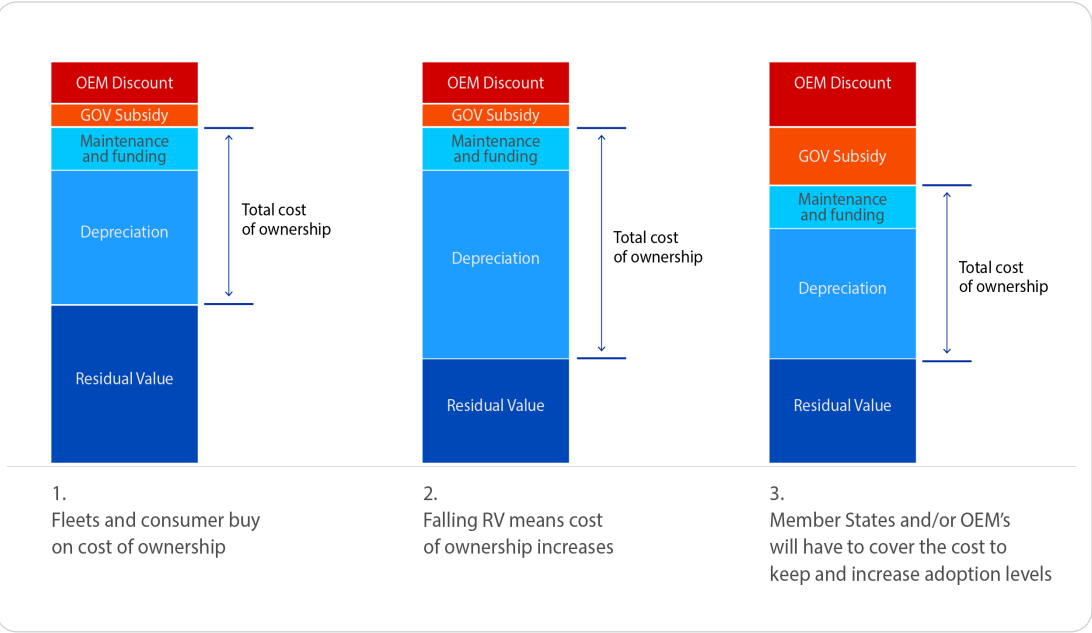
In short – False, dropping used car prices is bad for BEV adoption.

As the Commission pointed out, Total Cost of Ownership (TCO) is a massive driver for BEV adoption, and in this they are right both for consumers and for the corporate fleet segment.

However, drops in Residual Values, is a killer for affordable cost of ownership. **As shown on the chart on the right.**

Why falling residual values are bad for BEV adoption?

Member States and European OEM's will need increase subsidies on news BEV's to keep TCO affordable



Forcing more and more used BEVs on the market will further reduce RV's, this in turn will increase TCO. To sustain or increase BEV adoption will mean Member States (and or OEMs) will need to support the new car market more to achieve the desired goals.

Contrary to the objectives, the Clean Corporate Vehicles proposal will not only fail to increase BEV adoption, it will actually be counter productive. The costs will have to be covered by Member States, OEM's or the fleets.

Big fleet can afford this, and it only affects 0.16% of european businesses - **False**

As stated before, to achieve Norway levels of adoption, a country like Italy (or the majority of CEE countries) would have to provide significant adoption support, even without a (continuing) RV crash. If this cost is not covered by member states (already looking to reduce unaffordable subsidies) or by european OEM's (already in a existential financial and market state due to CO2 regulations) then the costs must be covered by big fleets.

Commission argues that these big fleets can afford it, it will only affect a small number of European businesses and not at all impact SME's or medium businesses.

This assessment is fundamentally flawed, and illustrates the lack of understanding in the structure of the european fleet market.

Leasing companies (66% of european fleets)

Leasing companies are NOT end used fleets, they are facilitators for european business to acquire cars for their day to day operation.
They provide 2 key services:

- Provision of funds outside of the normal sources of capital for European business.
- Protection of risk against residual values issues.

European business competitiveness is augmented by the leasing industry providing both capital and risk management. In an environment of reducing RV's this impacts 2 areas:

- The Capital Adequacy of the leasing companies reduces (and of their banking owners of funders) – increasing leasing costs and reducing availability of funding.
- Cost of risk increases sharply – increasing leasing costs.

Net effect, the cost of leasing provided to their customers increases significantly.

80% of leasing is not to big companies, but the thousands of Small and Medium sized business who depend significantly on the leasing industries ability to supply affordable finance and risk management.

> Any increase cost of adoption of BEV's will be an environmental tax on all the SME and medium businesses across Europe.

Rental companies (16% of european Fleet)

Like Leasing companies, Rental companies are NOT end user businesses, but facilitations of 3 key industry sectors.

- **Tourism** – Leisure business is c 45-50% of daily rental activity. Increases in costs will impact:
  - Private consumers – in the cost of their holidays (either directly or via a tour operator).
  - Tourist industry directly – reducing the affordability of inbound tourism from UK, US and rest of world (50% of rental leisure activity in inbound from outside the EU, with associated employment and balance of payments benefit).
  - Tourist dependent countries will be particularly hard hit (Croatia, Greece, Italy, Ireland, Portugal, Spain, etc).

- **Business** – From van rental through to business travel c40% of rental activity is business related:
  - Again, 80% this market is SME's and medium businesses.

- **Insurance** – 10-15% of Daily Rental is in the provision of post-accident replacement cars and vans to European consumers and businesses (including small and medium businesses)

Thus, the majority of the fleets impacted by the proposals, are not "Big Corporate" end users, but facilitators for smaller and medium businesses to source the vehicle they need to ensure their day to day activities can continue effectively.

In addition, leasing and rental companies have limited decisions over the mix and type of vehicles they source. These decisions are made by the end user SME or by the tourist renting the car. It is their demand that affects vela selection, with the price influenced by the demand of the consumer used car buyer.

Conclusions

It was assumed by the Commission that the Clean Corporate Vehicles proposals would be a no-cost option to increase the adoption of BEV's, focussed on big business and not impacting European SME's, medium businesses, consumers or related industries like tourism.

However, the Commission's lack of understanding as to the dynamics and structure of both the fleet and used car markets means that their assumptions are wrong and misguided.

Firstly, the impact of the Clean Corporate Vehicles proposals will fail to support the adoption of BEV's in the market. Instead, its negative impact on used BEV prices by further over supplying the used market will be counter productive to its aims and result in additional support needed from Members States, OEMs to sustain new BEV adoption rates.

Secondly, if as is likely, neither Member States nor OEM's can afford this subsidy, it will not be big business that will absorb the multibillion euro costs. It will be simply passed to European SME's, consumers and the tourist industry.

Rather than developing a de facto environmental tax on parties that can ill afford it, the European Commission should have focussed on finding ways of supporting positive adoption of BEV's though stronger residuals, driven by supporting infrastructure and policies that overcomes the consumer (new or used) reticence to purchase BEV's.

ABOUT THE AUTHOR
Andy Shields previously worked with Indicata/Autorola Group, where he spent six years leading data and market-insight development. He has extensive experience across automotive retail, leasing, rental and OEM projects, and is a recognised contributor in industry discussions. He is currently Director at USD Consulting. This white paper was written by Andy using Indicata's market data and insights.

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