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Comments on the draft law implementing the EU RED III Directive in the transport sector and further developing the GHG quota

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Introduction: Significance of the draft law on the further development of the GHG quota

On 19 June 2025, the German government presented a draft bill for the national implementation of the revised EU Renewable Energy Directive (RED III) in the transport sector. The focus is on the further development of the greenhouse gas reduction quota (GHG quota) as a key climate protection instrument in road transport.

The draft is an important step towards the long-term continuation of GHG reduction targets until 2040 and the regulatory implementation of new European requirements, for example for advanced biofuels and electricity-based energy sources. Of particular relevance is the planned increase in the GHG quota from 25% in 2030 to 53% in 2040, which for the first time provides a planning perspective beyond 2030.

The GHG quota will primarily affect the existing vehicle fleet – with over 40 million passenger cars and 7 million commercial vehicles – and will therefore remain the key lever for reducing emissions in the transport sector for the foreseeable future. The draft also aims to support the market ramp-up of innovative fuels such as synthetic fuels (RFNBO) through sub-quotas.

Further impetus comes from the planned European revision of the Energy Taxation Directive (ETD), which provides for the taxation of fuels according to their climate impact. This could significantly strengthen the climate policy steering effect.

Despite this progress, the draft has structural weaknesses that limit its effectiveness. The following section identifies key points of criticism and formulates specific recommendations for targeted improvements to achieve a technology-neutral, investment-friendly and climate-effective design.

Weaknesses of the draft bill and specific recommendations for targeted improvements

1. Crediting climate protection measures exclusively on the basis of actual greenhouse gas reductions (cradle-to-cradle approach: holistic CO_2footprint)

Unfortunately, the current draft does not correct the politically motivated, disproportionate preference for battery electric vehicles (BEVs), which will continue to be credited with a factor of three towards the greenhouse gas quota (GHG quota) until 2030. The underlying assumption of "zero emissions" for BEVs is based on a flat rate that does not take into account the actual greenhouse gas content of the electricity mix used in Germany or the CO_2 footprint of energy-intensive battery production.

Unfortunately, this policy continues to fail to take into account the holistic GHG footprint of different drive systems. Only a holistic calculation of the$_{CO_2}$footprint of raw materials across their entire life cycle, from production to use and disposal (LCA, life cycle analysis), can accurately represent the climate impact and enable a meaningful comparison of different concepts. This is the only way to make the specific CO_2 avoidance costs of the various energy sources and drive concepts taken into account transparent. The draft largely ignores which options contribute particularly efficiently to reducing emissions and instead incentivises politically preferred drive types (such as BEVs) or energy sources (such as electricity) in many cases. This contradicts the basic principles of efficient and market-based climate policy.

2. Target path for GHG quota too low

The continuation of the GHG quota as envisaged in the draft is insufficient. The 25% target set for 2030 remains unchanged and is below the level that would be necessary for a GHG reduction in the transport sector that is compatible with the targets.

transport sector. A broad alliance, including the VDA, the E-Fuels Alliance, the Biogas Association and GES, is calling for an increase to at least 35% by 2030. One possible reason for the political hesitation on this point may be the additional increase in the price of conventional fuels triggered by this demand – which is typically unattractive to the majority of voters but necessary in terms of climate policy.

In the medium and long term, the sub-quota for renewable fuels of non-biogenic origin (RFNBO), in particular for green hydrogen and synthetic e-fuels, is very important. From 2026, a share of 0.1% is to apply, rising to 1.5% by 2030 (the EU target for 2030 was at least 1%). with a quota of 12% planned for 2040. This will create the basis for a predictable market ramp-up. Without long-term effective quotas, there will be neither investment security nor scaling prospects for electrolysers and synthetic fuel production plants.

3. Technology narrowing and exclusions

The draft for the further development of the GHG quota provides for the blanket exclusion of certain feedstocks, such as biofuels from soybean oil, residues from palm oil processing or biogenic hydrogen in road transport. This measure is independent of the actual greenhouse gas balance of the respective feedstocks.

The exclusions are not based on individual sustainability certificates, but solely on the type of raw materials used or the specific intended use. This undermines the fundamental principle of accounting for measurable greenhouse gas savings. The decisive factor should always be the verifiable overall ecological balance – in particular the actual reduction in greenhouse gases. This requires a robust, transparent and internationally compatible certification and accounting system that prevents abuse but does not hinder investment in climate-friendly technologies.

In addition, the draft restricts the eligibility of biogenic components that are processed together with fossil crude oils in refineries as part of so-called co-processing. This established method allows for the gradual decarbonisation of existing production processes without the need for additional infrastructure.

Restricting co-processing hinders the more efficient integration of sustainable raw materials into existing production chains. It prevents potential climate benefits and contradicts the basic principle of technology neutrality.

In this context, it is also incomprehensible that entire groups of vegetable oils are excluded from use or that their use is restricted exclusively to air transport. Such blanket bans create arbitrary barriers – for example, to the future greenhouse gas-reducing use of energy crops that do not compete with food production.

4. Complexity and planning obstacles

Linking different sectors – road transport, aviation and shipping – under a single quota regime leads to increasing complexity and a lack of clarity for investors. These sectors differ fundamentally in several key aspects:

- **Technological maturity**: While marketable solutions such as battery-electric drives are already available for road transport, sustainable propulsion technologies – especially those based on electricity – are still in the early stages of scaling up in aviation and shipping.
- **Investment cycles**: Road vehicles are replaced at much shorter intervals than aircraft or ships, whose life cycles often span several decades.
- **Infrastructure and market characteristics**: Road transport is primarily linked to existing electricity and refuelling infrastructure. By contrast, aviation and shipping are predominantly international sectors with cross-border markets and specific supply logistics.

These structural differences continue to require differentiated regulatory approaches. Otherwise, there is a risk of creating misguided incentives and hindering urgently needed investment in the aviation and shipping sectors.

In addition, high regulatory requirements – such as those imposed by the Union database – and the lack of reliable monitoring are a burden. This can lead to market entry barriers, delays in implementation and, in the long term, a loss of confidence in the ability of policymakers to steer the sector.

5. Legislative delay with risk

The timetable for the national legislative process is also problematic. A cabinet decision is not expected until October 2025, with a first reading in the Bundestag not scheduled until mid-December. This means that the legislation is unlikely to come into force before the second quarter of 2026. According to EU requirements, Germany should have transposed RED III into national law by May 2025.

This creates a period of regulatory uncertainty for affected companies. It is therefore essential that the legislation comes into force by 1 January 2026 at the latest.

Conclusion and recommendations

The draft bill on the further development of the GHG quota is fundamentally correct in its objectives, but falls short in important areas. The goal of rapidly reducing GHG emissions can only be achieved through a combination of e-mobility and the use of low-carbon fuels with an immediate impact on the existing fleet.

In order to fully realise its effectiveness as a key climate protection instrument in the transport sector, the following adjustments are necessary:

- Correct crediting of climate protection measures based exclusively on actual greenhouse gas reductions (cradle-to-cradle approach): The draft law should prepare for a switch to this basis so that, once the methodological basis has been established by the EU, the necessary adjustments can be made easily. In anticipation of this, the triple crediting of BEVs towards the GHG quota should be phased out more quickly.
- Increase the GHG quota to 35% by 2030 in order to make significant progress in reducing GHG emissions in transport.
- Technology openness in manufacturing processes (no restrictions on co-processing) and no blanket exclusions of certain biogenic feedstocks, provided that sustainability and emission reductions are demonstrated;
- Continue to maintain separate legal regulations for air transport and shipping
- Close coordination with European partners to create comparable standards

- Binding adoption of the law by the end of 2025 at the latest to ensure investment and planning security.

Only with these adjustments can the draft meet the requirements of the transport transition while providing planning security for investments, incentives for innovation and strategically necessary security of supply.

ChatGPT (model version July 2025) was used to assist in structuring and wording this text. All content has been editorially reviewed and is the sole responsibility of the author.