DEMAND INCENTIVES MATTER

Making zero-emission cars affordable across the European Union

October 2025

INTRODUCTION

MONETARY AND FISCAL INCENTIVES INFLUENCE THE PACE OF BEV ADOPTION

Monetary and fiscal incentives are essential to driving the adoption of battery-electric vehicles (BEVs) across Europe and addressing ongoing market and policy challenges. Despite substantial industry investments and a growing range of more affordable BEV models for passenger cars[1], their uptake remains uneven.

The data is clear: BEV market share tracks closely with GDP per capita. In high-income countries such as Denmark, the Netherlands, and Finland, where purchasing power is stronger and incentives have been stable, electric car adoption is significant: two out of three new cars in Denmark are electric, and around one in three in the Netherlands and Finland. Conversely, in lower- and middle-income member states, where average GDP per capita hovers around €26,000, the market share remains below 7%. It's not a question of interest: it's a question of access. Without incentives to close the price gap between electric and combustion models, the transition risks becoming a privilege of wealthier nations.

When governments act, the results are immediate. Poland's new "NaszEauto" programme doubled BEV registrations within months, while Slovenia's revamped grant scheme triggered an 89% surge in BEV registrations. Spain's extended MOVES III programme has increased its BEV share to over 8%, and Portugal's layered system of purchase bonuses, tax exemptions, and corporate incentives has made it a notable overachiever, with a market share of more than 21%. These are not coincidences: they're cause and effect. Incentives lower the barrier to entry, create confidence, and make clean mobility attainable for more segments of the population.

But when incentives fade, so does momentum. France's sharp cut in subsidies this year flattened BEV growth, and Germany's abrupt withdrawal of subsidies at the end of 2023 sent shockwaves through the entire EU market. Affordability is the keystone of the transition: without it, even the best infrastructure and the widest range of models can't sustain the mass market demand needed to reach climate neutrality. Europe's path towards reducing emissions from road transport depends on predictable, long-term demand-side support, because making electric mobility affordable is how we make it universal. And if one message stands out from the EU BEV market trends of the past years, it is this: **demand incentives matter.** This is why an upcoming proposal by the European Commission to green "corporate fleets" in the light-duty segment should first and foremost focus on creating incentives for that market segment rather than binding targets or mandates.

The following report provides a snapshot of incentives at the national level and their impact on the BEV uptake in selected EU member states. The current report only covers the passenger car market. As commercial vehicles operate under a distinct business model, their demand incentives should be structured differently.

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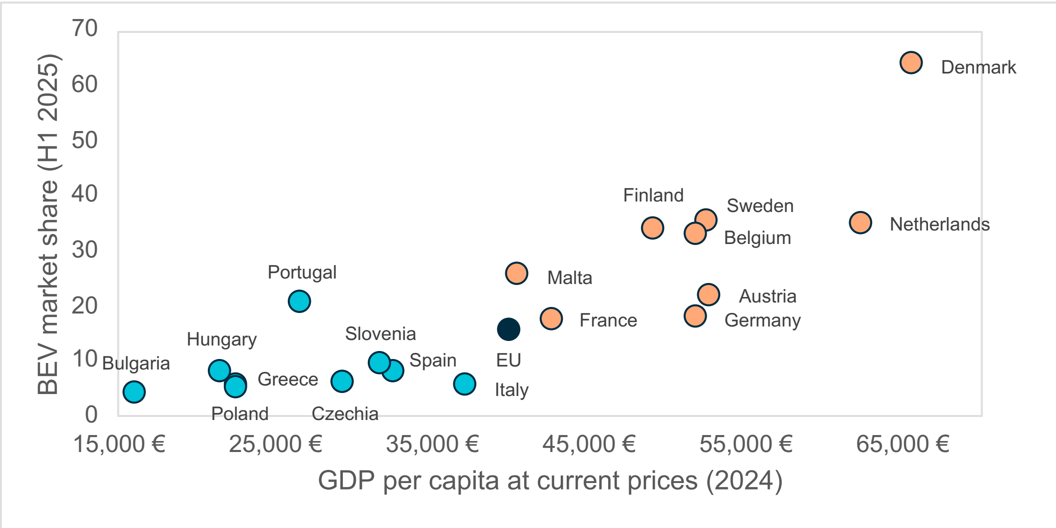
[1] European vehicle manufacturers are investing billions in the transition, to the tune of €250 billion by 2030. Today, our industry has made available around 290 electric models on the EU market, including almost 20 low-cost models under €30,000

BEV MARKET SHARE TRACKS CLOSELY WITH GDP PER CAPITA



SOURCE: ACEA (only registrations of new passenger cars), EUROSTAT

HIGH GDP CLUSTER (> €40,000 PER CAPITA)

This group comprises eleven of EU's most prosperous markets[2], with an average GDP per capita of €63,680 and an average BEV market share of 29.7%. Denmark leads the way with an impressive 63.8% BEV share, followed by the Netherlands (35%) and Finland (34.2%). Even the more modest performers in this group – Germany (17.7%) and France (17.6%) – surpass the EU average for H1 2025. These countries benefit from strong consumer purchasing power and advanced charging networks, making electric vehicles an economically attractive choice for buyers.

LOW-MEDIUM GDP CLUSTER (≤ €40,000 PER CAPITA)

This cluster encompasses sixteen markets[3] with an average GDP per capita of €26,059 and a significantly lower average BEV share of 6.9%. Portugal stands out as an exceptional performer, with a 20.2% BEV share, despite moderate income levels, while Eastern European countries like Slovakia (4.4%), Bulgaria (4.7%), and Poland (5%) lag considerably. The income constraint in these markets creates affordability barriers that policy interventions have struggled to overcome, resulting in BEV adoption rates well below European averages.

[2] The chart does not include data for Luxembourg (€127,030; 26%) and Ireland (€104,510; 16.7%)

[3] Additional countries not shown in the chart include Cyprus (€34,490; 8.9%), Estonia (€28,990; 7.2%), Lithuania (€27,150; 5.8%), Slovakia (€24,000; 4.4%), Croatia (€21,740; 0.9%), Latvia (€21,610; 6.6%), and Romania (€18,560; 6.9%)

WHY DO INCENTIVE SCHEMES MAKE A DIFFERENCE FOR BEV UPTAKE?

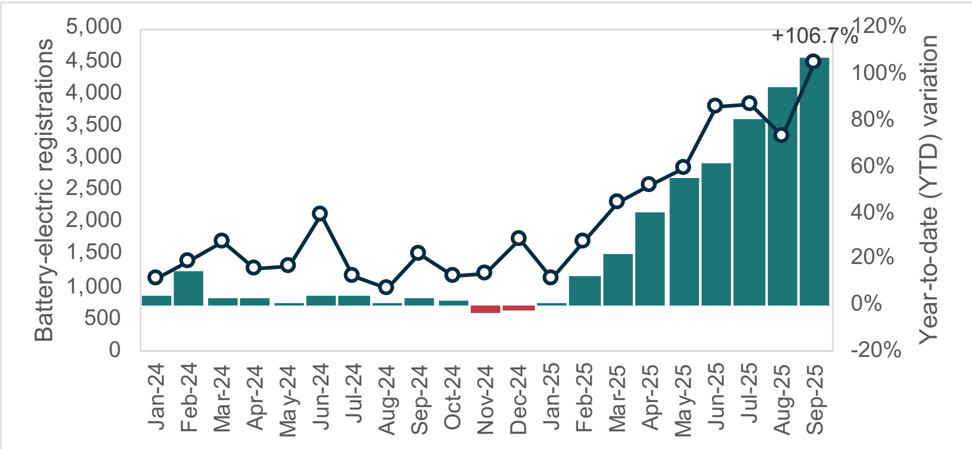
BEST-PRACTICE INCENTIVE SCHEMES TO FOLLOW

Poland

Poland's new "NaszEauto" programme, launched in February 2025 with a PLN 1.6 billion (≈€376 million) budget, provides private individuals with a base subsidy of PLN 18,750 (≈€4,400), or PLN 30,000 (≈€7,050) in other cases, such as private leases, sole traders[4], or large-family card holders[5], for new BEVs with a net list price not exceeding PLN 225,000 (≈€52,900) VAT excluded.

Additional bonuses include PLN 10,000 (≈€2,350) for scrapping an old internal combustion engine (ICE) vehicle and up to PLN 11,250 (≈€2,650) for low-income households, with total subsidies capped at PLN 40,000 (≈€9,400).

As a result, **BEV registrations jumped by 106.7%**, driving BEV market share up to 6% for the period January to September 2025 – compared to 3.1% for the same period in 2024.



SOURCE: ACEA (only registrations of new passenger cars)

Slovenia

Slovenia's new purchase incentive scheme, launched on 8 August 2025 under the country's Recovery and Resilience Plan, earmarks €9.2 million to accelerate BEV adoption. Of this amount, €4 million is directed to companies, private entrepreneurs, and VAT-liable natural persons, while €5.2 million is reserved for private buyers. To qualify, purchases must be made between 1 June 2024 until the allocated funds are fully committed.

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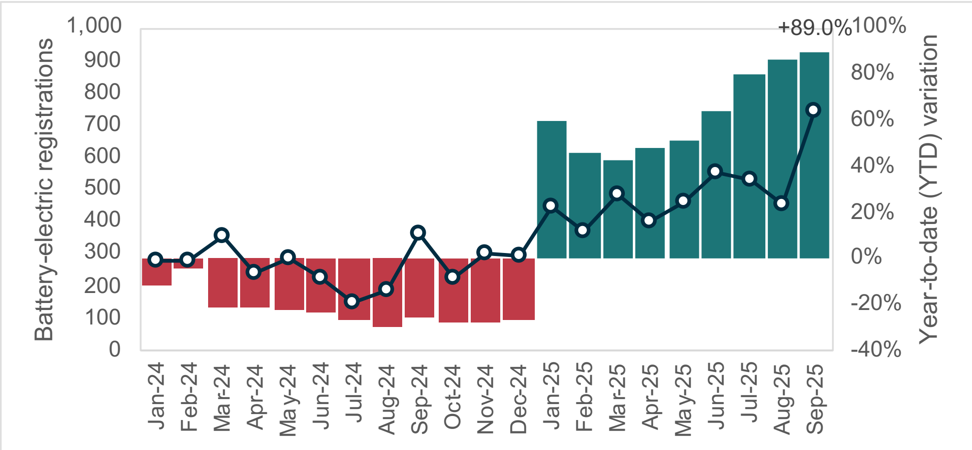
4 An individual who conducts business activity in their own name, without forming a separate legal entity, and is personally liable for all aspects of their enterprise

5 Part of the "Karta Dużej Rodziny" programme (ie households with three or more children)

The incentives apply exclusively to BEVs and vary by vehicle type and price (VAT included):

- €7,200 grant for new cars priced up to €35,000
- €6,500 grant for new vans priced up to €45,000
- €6,500 grant for new cars priced between €35,000 and €45,000
- €4,500 grant for new cars and vans priced between €45,000 and €55,000

Thanks to these generous announced incentives, **battery-electric registrations surged by 89% this year**, raising Slovenia's BEV market share to 10% in September 2025 YTD, up from 5.7% during the same period last year.



SOURCE: ACEA (only registrations of new passenger cars)

Spain

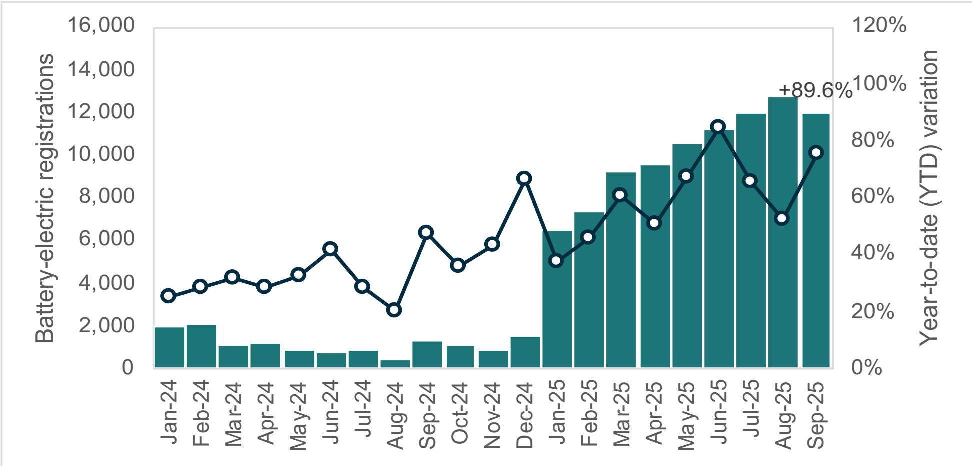
Spain has retroactively extended its MOVES III programme, adding €400 million to reach a total budget of €1.735 billion. The programme now offers:

- up to €7,000 for new BEVs priced under €45,000 (VAT excluded) with vehicle scrapping
- €4,500 without scrapping
- retroactive application to purchases made as of 1 January 2025

While the introduction of a successor scheme for 2026 is under consideration, there is currently no official information available regarding its scope, timeline, or measures.

These incentives have driven a surge in BEV registrations, **with an 89.6% increase by September 2025**, pushing market share to 8.4%, up from 5.1% in the same period last year. By April 2025, €1.335 billion has been distributed to Spain's regions, supporting the purchase of over 142,000 electric vehicles[6].

[6] See Spain Extends MOVES III Incentives Programme with €400 Million Boost for Electric Mobility (EAFO)



SOURCE: ACEA (only registrations of new passenger cars)

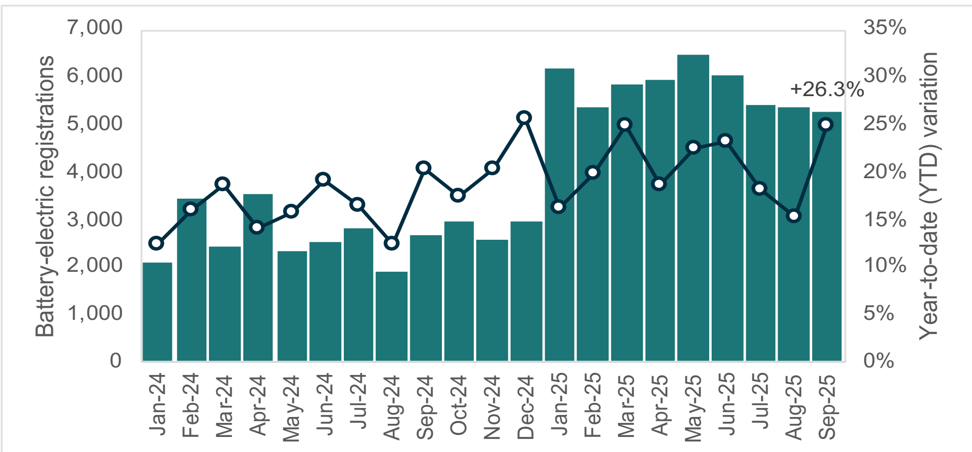
Portugal

In Portugal, private buyers of new BEVs priced up to €38,500 (VAT included) or up to €55,000 for models seating six to nine passengers are eligible for a €4,000 cash rebate when scrapping a vehicle over ten years old. Social institutions may claim up to €5,000 per vehicle. Furthermore, BEVs are fully exempt from both vehicle registration tax (ISV) and annual circulation tax (IUC), ensuring ongoing tax relief for owners.

In addition, there are several corporate tax benefits:

- Autonomous tax exemption for BEVs
- 100% VAT deductibility for BEVs ≤ €62,500 (VAT excluded)
- BEVs are not taxed as corporate benefit in kind

Additional indirect incentives include income-tax-exempt subsidies, VAT deductions on electricity charges, car maintenance and repairs, as well as free public or discounted parking in several municipalities, and access to low-emission zones. This has, therefore, boosted BEV uptake in 2025, with registrations up 26.3% in September 2025 YTD, with BEV market share rising to 21.4% from 18.4% last year.



SOURCE: ACEA (only registrations of new passenger cars)

REDUCED INCENTIVE BUDGETS SLOW BEV MARKET GROWTH

France

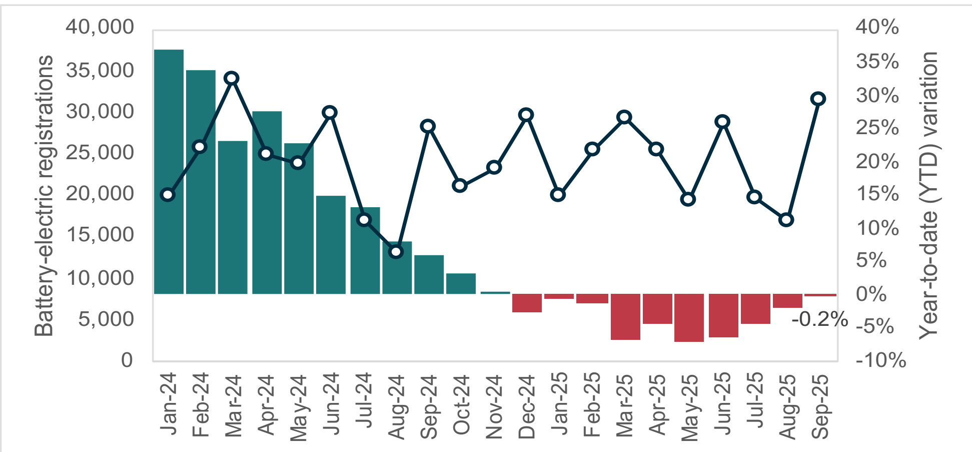
In 2025, France undertook a significant restructuring of its incentive programme for electric vehicles, drastically reducing the ecological bonus budget from €1.5 billion in 2024 to €500 million. Throughout the first half of the year, the incentive for purchasing a new electric vehicle was lowered to a range of €2,000–€4,000, determined by household income, a significant decrease from the previous maximum of €7,000.

Meanwhile, the ecological bonus was abolished on 1 July 2025 and replaced by two energy savings certificate (CEE) schemes. Under this market-based system, energy suppliers fund energy-saving measures, effectively replacing direct purchase subsidies for electric light commercial vehicles and legal entities. By July, all passenger car bonuses had been phased out, leaving the CEE framework as the principal support for BEV acquisitions.

As of October 2025, two separate incentive schemes coexist but cannot be combined:

1. **"Certificats d'économie d'énergie" (CEE)**
   a. The "classic" scheme (from January 2025) provides a purchase incentive ranging from €300 for fully electric cars to €5,000 for fully electric light commercial vehicles, with eligibility extended to both households and legal entities.
   b. The "coup de pouce" scheme (from July 2025) targets households exclusively for fully electric car purchases, offering income-based aid of €3,100–€4,200. Eligible vehicles must meet minimum environmental standards, cost no more than €47,000, and weigh under 2.4 tonnes. Since October 2025, an additional €1,000 purchase incentive has been available for vehicles with European-manufactured battery cells.
2. **The social leasing programme (as of 30 September 2025)**
   It offers up to €7,000 in support with monthly lease payments capped at €200. This scheme targets individuals with a reference tax income per household member of €16,300 or less who meet specific commuting or mileage requirements. Eligible vehicles must satisfy the same criteria as the "coup de pouce" scheme regarding environmental standards, price, and weight limits.

This income-focused design directs support to those most in need. But despite these generous incentives, uptake of BEV registrations has not yet materialised. In fact, France's BEV market remained relatively flat in September 2025 YTD, while overall new car registrations continue to decline (-6.3%). Meanwhile, BEV market share reached 18.2%.



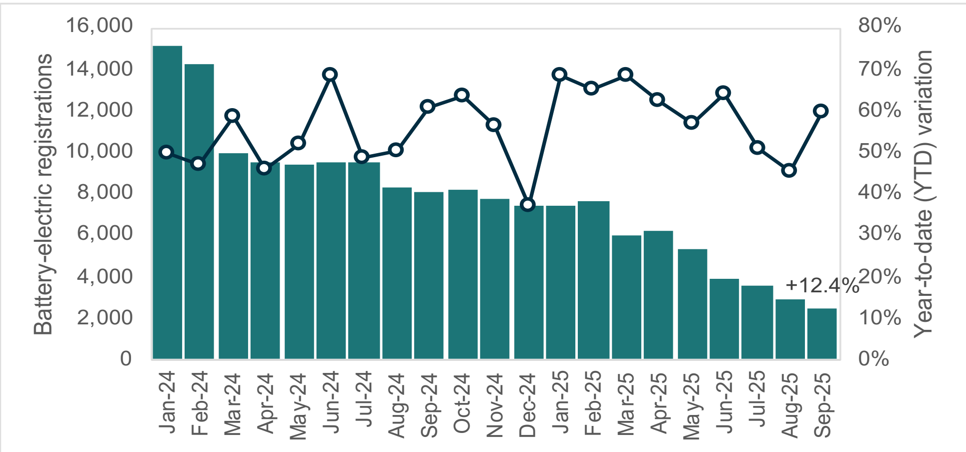
SOURCE: ACEA (only registrations of new passenger cars)

Belgium

Belgium's most significant change was the early termination of Flanders' €5,000 new electric vehicle subsidy on 22 November 2024, originally planned through 2024-2025.
However, company car tax advantages continue. Belgium still retains Europe's most generous business incentives:

- 100% tax deductibility for electric vehicles from 2020 through 2026
- 4% benefit-in-kind rate (EU's lowest)
- 6% VAT on residential electricity consumption (versus 21% standard rate)

Despite these favourable conditions, BEV adoption is showing signs of slowing down. By September 2025, BEVs accounted for 33.4% of new registrations, but their growth rate decelerated to 12.4%. Meanwhile, total registrations fell by 9.2% in September 2025 YTD, highlighting that while electrification is advancing, the overall automotive market in Belgium is facing significant headwinds.



SOURCE: ACEA (only registrations of new passenger cars)

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