

Tesla poised for \$1-bn windfall from EU emissions curbs

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TESLA COULD COLLECT more than €1 billion (\$1 billion) in compensation from rival automakers that need help meeting tougher pollution standards in the European Union this year, UBS Group analysts said.

The US company will pool the fleet of electric vehicles it sells this year with at least five other manufacturers, led by Toyota Motor Corp., Stellantis NV and Ford Motor Co., according to an EU document issued Tuesday. The arrangement allows carmakers to average out the

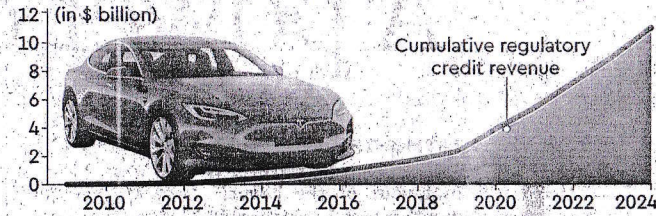
emissions of their fleets, with those selling fewer EVs compensating companies like Tesla that over-comply with limits on carbon dioxide emissions.

"Tesla's compensation could even exceed €1 billion if it monetizes its entire long CO2 position," UBS analysts led by Patrick Hummel wrote in a report published Wednesday. Volvo Car AB, which is pooling with Mercedes-Benz Group AG, could be in line for as much as €300 million in compensation this year, Hummel estimated in August.

Carmakers in the region have lobbied for the EU to ease the CO2 standards ratcheting up this year,

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EV maker has brought in \$11 billion since 2009



Source: Company filings, Bloomberg; Note: 2024 figure is through September

warning that they'll be forced to either pay penalties, reduce production, pool with foreign competitors

or sell EVs at steep losses. Plug-in car registrations stagnated last year after governments in markets including

Germany phased out subsidies. Any other manufacturers wishing to join Tesla's pool have until February 5 to submit their application, the EU document shows. Applicants must sign a non-disclosure agreement and provide data to Tesla on their CO2 emissions, so that the company can assess any risk that the pool would not meet its targets.

Manufacturers keen to join the Volvo-Mercedes pool are subject to similar terms and have until Feb. 7 to apply. Stellantis pooling with Tesla comes as a surprise, the UBS analysts wrote, because former Chief Executive Officer Carlos Tavares insisted the company

would comply with EU rules organically. The tie-up eases pressure on Stellantis to ramp up production of EVs that launched behind schedule.

The initial pooling declarations also raise questions about Volkswagen and Renault SA's compliance plans, UBS said. The two companies have the biggest gaps to close between last year's sales and the fleet emissions targets they'll have to hit in 2025.

It's unclear if Tesla is already "maxed out" in terms of the number of manufacturers it can include in its pool, or if there's room for more, Hummel said.

—BLOOMBERG