POSITION PAPER

Position paper

of the German Insurance Association (GDV)
ID-Number 6437280268-55

on the proposal for a regulation on circularity requirements for vehicle design and on management of end-of-life vehicle

Introduction

In the current inflationary environment, rising costs for spare parts and repair are a growing concern for motor insurers and their customers.[1]

Especially with the rapid uptake of electric vehicles, repair costs are disproportionately increasing because of the lack of supply on the market and additional safety measures compared to conventional vehicles.

Analysis of insurance claims data has shown that a major risk to HV batteries is due to impacts from underside with damage to housing or individual modules.

In the event of damage, the high-voltage system must first be de-activated, which requires trained personnel. Even in case of small damage to the high voltage battery, the entire battery must be replaced in many cases due to the lack of repair methods of the vehicle manufacturer, which may result in costs between €15,000 and €40,000. These additional costs must be covered by the insurance industry

[1] https://www.gdv.de/gdv/medien/medieninformationen/preise-fuer-auto-ersatzteile-steigen-um-zehn-prozent--153140

GDV

German Insurance Association (GDV)
Rue du Champ de Mars 23, B-1050 Brüssel
Telefon: +32 2 28247-30 · Telefax: +49 30 2020-6140
Transparency Register: 6437280268-55

Wilhelmstraße 43 / 43 G, 10117 Berlin
Postfach 08 02 64, D-10002 Berlin
Telefon: +49 30 2020-5000 · Telefax: +49 30 2020-6000
www.gdv.de

Contact
European Office

E-Mail
brussels@gdv.de

and ultimately the consumer.

Therefore, from an insurance perspective, a paradigm shift is needed to move away from viewing the battery as a closed, replaceable unit. Instead, manufacturers should not only keep this assembly functional for as long as possible, but also consider repair options below this assembly level.

Circularity requirements throughout the entire lifecycle of vehicles

The German insurance industry welcomes the European Commission's proposal for a Regulation on circularity requirements for the design and management of end-of-life vehicles, as it addresses important challenges in terms of sustainability and circularity in the automotive sector, not only for the end-of-life phase but also for the entire life cycle of vehicles.

However, improvements are needed to better address the economic environmental viability of high-value parts (e.g., the battery in electric vehicles). In particular, we regret that the current proposal only refers to replacement options for electric vehicle batteries (the most expensive part of the vehicle), whereas there is an urgent need to set standards for the repair of electric vehicle batteries on component basis.

Without such standards, the legislative proposal will not achieve its circularity objectives, nor will it improve the environmental and economic sustainability of electric vehicles in Europe.

It has to be noticed that replacement parts become more expensive for a car over its lifetime relative to its residual value. A DAT study recently unveiled the relation between a new car purchase price and a replacement battery, ranging from 30 % to 62 %. This means that damage to the battery for a three-year-old car could already result in a total loss of the entire vehicle if the battery has to be replaced entirely in absence of repair solutions on component level. The same applies in case of a simple defect of one or more cells. This is without example for conventional cars and an extremely high burden for the owner and the BEV’s sustainability.

Batteries must be removable, replaceable and repairable at component level

The German insurance industry welcomes the new obligation for manufacturers to enable the removal and replacement of certain parts and components in vehicles (including batteries) in Article 7 as a step in the right direction.

However, from the motor insurers point of view, it is important to point out that, as far as batteries are concerned, the obligation for manufacturers to enable their removal and replacement enshrined in Article 7(2), should not only target the battery as a closed unit but also individual elements of the battery (e.g., modules or components.).

2

If there is no requirement for manufacturers to keep the assembly itself functional as long as possible, e.g., by being able to replace modules or components of the battery during the life of the vehicle, the requirements will not be able to fulfil its environmental objectives and pass on the burden to higher costs for the repair industry, the insurance industry, and ultimately consumers.

In addition, vehicle manufacturers should be required to offer and approve repair options for batteries (e.g., battery case, electronics, components, etc.) in the event of battery damage while the vehicle is in operation or after an accident.

Currently, in many cases, batteries are completely replaced based on blanket criteria such as an airbag deployment, resulting in poor environmental performance throughout the vehicle's lifecycle and increased repair costs for insurers and their customers.

Therefore, Article 7(2) of the Commission's proposal should be amended to mandate manufacturers by design *to enable the removal**, replacement* ***and repair*** *of electric vehicle batteries* ***down to component level***.

Likewise, repair options should be included in Article 11 (*Information on removal**, replacement* ***and repair*** *of parts, components and materials present in vehicles*) as well the individual elements of the battery in Article 11(1)(a).

Making Annex I practicable and environmentally sustainable

The insurance industry supports the need for a sustainable circular economy and is committed to combat climate change. Therefore we would like to point out that the current version of Annex I of the draft regulation is neither practicable nor sustainable. For example, Annex I, Part A lists many examples of damage/defects that can be used to categorize a vehicle as an end-of-life vehicle, which can be repaired easily and economically in current repair practice, even for older vehicles.

From the industry's point of view, it makes no sense to qualify a vehicle to which no doors are attached (Annex I, Part A, No. 3 lit. b.) as a non-repairable vehicle. In

[2] aus Sandhop/Poetsch, VW: Hochvoltbatterien – Reparaturtiefe und Beurteilungsleitfaden VW MEB zur Weiterverwendung nach einem Unfall, Hochvoltbatterie des Modularen Elektrifizierungsbaukasten (MEB)
K-Fachtag des GDV am 22.09.2023, Erfurt

our view, replacing the engine, gearbox, bodywork or chassis does not necessarily lead to the loss of the original identity as defined in Annex I, Part A, No. 3 (a) to (f).

Annex I, Part A, should therefore be revised in their entirety, as such repairs are indeed economically possible and ecologically reasonable.

Responsible authority

In order to guarantee the objectives and effectiveness of this draft regulation, further clarification is required. It is not clear from the current draft which authority or body is responsible for assessing whether a vehicle is an end-of-life vehicle or a used vehicle (see Annex I, Part A, No. 3). Clarification is needed here, in particular to ensure legal certainty for the end consumer but also for other economic operators. It is not clear from the current draft how a test procedure is carried out, whether it is an end-of-life vehicle or a used vehicle. We urge for a clarification to ensure legal certainty.