How can IAA bring local cleantech manufacturing

1. The urgency & feasibility of Union content criteria for batteries

Access to batteries, their components, and the critical raw materials they require, is increasingly determinant for Europe's security, both economic and military. The battery sector is a cornerstone of the EU's industrial strategy.

So far, the Commission has not signalled it is planning significant action on battery production support or trade defense. In this context, using local content criteria in the Industrial Accelerator Act (IAA) as a lever for public support is the *only* option on the table today for building up a resilient and local battery industry across Europe. Many in the industry want it to take the form of Made in EU requirements: 19 companies and associations shaping the European battery value chain called for Union content criteria in the IAA.

Rewarding Made-in-EU EVs, batteries, key components and materials is necessary to create a clear business case and attract private capital. This act will determine whether homegrown battery makers, such as ACC, Powerco and Verkor, will survive.

The idea of adding clear Union Content criteria (NOT requirements) for EVs is workable from the global **trade** perspective.

- It is not a restriction on market access. All products and components can still be sold. Instead, the content criteria are set as conditions to receive public funding (e.g., EV subsidies).
- A gradual approach should be adopted to cast a wider 'friendshoring' net upstream (deciding on a case by case basis giving EU extra leverage), and progressively narrow the scope toward an 'EU-EEA only' homeshoring framework as moving downstream along the value chain.
- Other regions (US, India, Indonesia) already extensively use local content rules in EVs and batteries. The EU has decided not to challenge them before the WTO.

Such requirements will support, not undermine, European **competitiveness**. The current cleantech market is distorted and does not represent fair competition. Without action, the EU will lose its remaining cleantech investment.

The Commission's impact assessment on the Clean Corporate Vehicle regulation shows that cost increases for Made-in-EU EVs and batteries are modest. The price increase for an average EV equipped with a 68 kWh battery pack, when using EU-made cells, CAM, and anode active materials (AAM) is estimated at around €650-€1,600 per vehicle (roughly 1.4-3.5% of the average retail price, and overall price effects of 1-1.2% by 2030). It must be remembered that these costs will be added to an already subsidised product via EV purchase incentives or company car schemes.

Critically, these costs will decline in the next few years as battery cell and component manufacturing scales due to learning and productivity gains. T&E analysis based on the IEA and BloombergNEF cost models shows that the difference between an average Chinese and

European battery cell - the largest cost component in EVs - can drop from 40-50% today to less than 15% by 2030.

Crucially, this topic should not just be considered from an economic angle, but even more so from a resilience standpoint. EU dependencies on rare earths have already been weaponised. The starting point should be that batteries and battery materials could be next. Resilience always looks costly except in hindsight.

2. The design of Union Content criteria

Designing and implementing Union content criteria is no easy task. Given the political and technical complexity, focus is key to success. In line with Draghi recommendations, the EU should select a small number of strategic technologies it wants to onshore, including batteries.

This means that:

- Including ancillary parts of the vehicle - e.g. via the ratio between ex-works price of components - is neither necessary nor strategic. Wheels and tyres is not where the global supply chain weaponisation risks lie. In addition, since vehicle local content criteria will be delivered through EV incentives, they will end up being used in EVs only, driving up prices of EVs vis-a-vis cars with petrol and diesel engines which is counterproductive.
- A component-based approach is a solid starting point. While progressivity is key - aligning with ramp up trajectories and industrial capacity in Europe - key parts of the upstream value chain must not be omitted. Cathode active materials and their **precursors (pCAM)** account for over half of cell value. Without pCAM there is no offtake for European recyclers, meaning no local battery **recycling capacity**. Similarly, the criteria should include materials from EU end-of-life batteries, production scrap from EU-based cell manufacturing facilities and battery materials from EU-based recycling facilities to qualify as local content.
- There should not be four but only **one set of battery content criteria** applied to all use cases, be it stationary batteries (Annex II), or EV batteries for public procurement, vehicle subsidies or CO2 super credits (Annex III). This is key to the EU's own simplification agenda and to avoid distortions in the supply chain based on what the final product will be used for. This one methodology must in all cases include the battery and its critical components. A car assembled in the EU but with a battery coming from China cannot qualify as “Made-in-EU” under CO2 super credits, as is currently proposed.
- In order for the proposals to actually deliver on the ground, the following five clarifications are needed: 1) Public support schemes should explicitly not be limited to EV subsidies but also include **EV tax rebates for EV owners**, as well as for employers and employees in corporate car schemes 2) Union Content criteria should not only apply to *new* public support schemes but also existing ones, for instance with a 1-year delay. 3) Member States need to be enabled to provide fiscal incentives from the first day following publication in the OJ, rather than upon entry into force. 4) Member States should not just incentivise compliance with *current* Union Content criteria (e.g., 2027) but also the *next* stage (e.g., 2030). 5) Compliance with Stage 1 and 2 Union Content for batteries should be recorded in the EV Certificate of Conformity, the battery passport, and the EV label.

T&E's analysis shows that in the first half of 2025, 60% of electric cars registered in the EU were company cars receiving tax benefits, and 11% were private cars receiving purchase subsidies. Overall, over 70% of new EVs in Europe benefit from public support - yet almost none of it is linked to European production. This is the key lever and it is crucial for the IAA to get this right, along the lines above.

3. Strong FDI conditions

Today, Chinese firms account for nearly a third of battery investments in Europe, with an even larger presence in midstream activities such as cathode production. Asian battery manufacturers have received over €2 billion in state aid, while remaining exempt from frameworks that screen, assess or attach conditions.

T&E strongly welcomes the approach on reforming the EU's FDI framework. Foreign investments into Europe's EV and battery value chain must meet strict criteria before approval.

The key provisions for such an FDI framework must include:

- >50% European ownership in Joint Ventures, guaranteeing EU influence.
- Licensing agreements and joint IP ownership, including industrial and operational know-how (ideally demonstrated by foreign investors before investment approval).
- Mandatory skill transfer with a focus on operational expertise like manufacturing scale and equipment operation; and local work force at all seniority levels.
- Obligation to source from local EU suppliers, focusing on components and materials like cathodes, anodes, and processed materials where possible, increasing over time.

But this will only be effective if there is uniform application and enforcement in all member states to avoid "country shopping" by investors. At a minimum, the Commission should be able to conduct assessments and take investment decisions on its own initiative. Ideally, Commission approval should be the default for all FDI. Conditions for exemptions must be strictly defined and limited.

Further information

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