

Toyota is a significant contributor to the European economy. We have invested more than EUR 12 billion in our European manufacturing business since 1971 and more than EUR 12 billion in our European supply chain business in 2025, and we plan to continue contributing to European society. We employ over 25,000 people in the region, including in our 8 manufacturing sites, and indirectly support thousands more across our supply chain and distribution business. Toyota's approach is to produce and source in a region wherever there is a sound business case to do so. Notably 8 out of 10 of the cars we sell in Europe are made here.

Toyota welcomes the fact that the Industrial Accelerator Act (IAA) proposal seeks to strengthen Europe's industrial base and resilience. It is also positive that the proposal already reflects a differentiated approach in certain areas, including in its treatment of FDI-related requirements and FTA partners. For the automotive sector, the key question is whether that same logic is carried through consistently in the final framework, so that European value creation is strengthened in a way that remains workable for integrated and globally competitive value chains. For the IAA a "Made with Europe" approach would best support resilience, competitiveness and long-term European value creation.

Key recommendations

1. Recognise long-standing investors and trusted, integrated production partners.

IAA should support European industry without penalising OEMs that already have a strong European manufacturing, employment, investment and industrial partnership footprint. It should also recognise vehicles produced in trusted partner countries with long-standing industrial integration with the EU, notably Türkiye, the UK and Japan, and avoid an EU-only assembly requirement for vehicles.

2. Keep origin requirements realistic and workable

Origin requirements should allow for input from trusted partners. Components and batteries should reflect actual market conditions, investment cycles, and supply-chain realities.

3. Keep FCEV light-duty vehicles out of scope.

Until at least 2035, light-duty FCEVs should be excluded, as the technology and supply chain are still at an early stage and need room to develop.

4. Provide a realistic transition and implementation timeline

The IAA should distinguish clearly between entry into force and application. Substantive auto requirements should apply only after a sufficient transition period and in any event no earlier than 2030. Any later tightening of thresholds or extension of scope should take place only following a prior review of supply-chain maturity.

5. Keep the framework simple, aligned and legally clear

The IAA should avoid parallel eligibility criteria across instruments and ensure that the same conditions apply to public procurement, support schemes and corporate vehicles. Aligning the vehicle methodology with existing EU rules of origin concepts would reduce administrative burden and strengthen regulatory coherence, in line with the Commission's simplification agenda industrial availability and implementation experience.

6. Ramp-up the fleet-based mechanism over time

The fleet-based compliance mechanism should ramp up over time, rather than applying an 85% threshold from the outset.

1. Recognition of long-standing investors and trusted, integrated production partners

Toyota supports the objective of strengthening Europe's industrial base and supply-chain resilience. At the same time, resilience and competitiveness cannot be built in isolation. In the current geopolitical context, Europe's competitiveness and economic security also depend on trusted and deeply integrated partners. The IAA should therefore support European industry without penalising OEMs that already have a strong European manufacturing, employment, investment and industrial partnership footprint.

This is particularly relevant for automotive, where production is highly integrated across borders and relies on long-established supply and production networks. The framework should therefore recognise long-standing production partners such as Türkiye, the UK and Japan, which are closely linked to the EU through deep economic ties, industrial cooperation and broader strategic engagement. A more balanced approach would better reflect economic reality and support resilience, investment and openness at the same time. Toyota localises production whenever there is business potential for the model or platform, but some models produced outside the EU27 remain important to the sustainability of Toyota's European business. Imports from the EU Customs Union (Türkiye) and key FTA partners should therefore be considered as fulfilling "Made with Europe" requirements. Should these countries be excluded, Toyota's business equation in Europe, and its ability to secure future investments, would be significantly affected.

Against that background, automotive is treated more restrictively than other sectors because vehicles are subject to an EU-only assembly requirement. This is difficult to reconcile with the Commission's broader line that competitiveness, trade openness and economic security must be pursued together. The Commission recognises the positive role of FDI, while also warning that some investment can create economic security risks, and at the same time calls for deeper partnerships to diversify dependencies. In a context where the EU's share of global FDI inflows has fallen from 27% to 14% over seven years*, an EU-only assembly rule sends the wrong signal to long-standing investors and trusted production partners

(* [The 2026 Annual Single Market and Competitiveness Report - Internal Market, Industry, Entrepreneurship and SMEs](#) Here the Commission notes that the EU's share of global FDI inflows fell from 27% to 14% over seven years, against a backdrop of weaker economic outlook and heightened economic uncertainty.)

2. Realistic and workable origin requirements

Components (excluding batteries). For components, Union-origin requirements need to remain realistic and workable. A lower threshold at application, increasing to 70% only after a transition period, would better reflect current supply-chain realities while preserving the direction of travel. Toyota already sources a significant share locally in Europe where possible, but automotive supply chains remain global and supplier contracts are long-term. Hence, inputs from trusted partners should be considered here as well. For the core component requirement, a transition period of up to 32 months would be more realistic. Where inputs from trusted partner countries or FTA partners are not recognised, the transition would need to be significantly longer, in the order of 3 to 5 years.

Batteries. For batteries, local sourcing requirements should apply only with a sufficiently long lead time. At least five years after entry into force, and not before 2030, would be a more realistic starting point, given current market conditions, investment cycles and the need to scale competitive supply in Europe. This also reflects current industrial reality. Currently Europe holds less than 10% of global battery capacity; current EU battery production capacity must triple to meet 2030 EV demand; battery manufacturing in Europe faces structural cost disadvantages and the proposal assumes a level of supply-chain independence that will not be achieved before the early 2030s.

Green materials. The IAA introduces targets such as a 25% requirement for low-carbon steel and aluminium without a clear and agreed definition of “low-carbon”. While the definition is expected to be developed separately under the Ecodesign framework through delegated acts, the absence of a clear methodology and scope makes compliance difficult to assess and creates a significant risk of additional administrative burden and cost. This uncertainty is particularly problematic given the long lead times required for sourcing. Without clear definitions and threshold requirements, manufacturers cannot realistically adjust their supply chains. Sourcing decisions are made already years in advance.

3. FCEV light-duty vehicles should remain out of scope

Light-duty FCEVs should be excluded from scope until at least 2035. This technology remains at an early stage in the light-duty segment and still needs scale, innovation and competition to develop further. Applying additional origin requirements at this stage where no light-duty FCEVs are produced in the EU would risk stopping deployment rather than supporting decarbonisation. From an industrial policy perspective, such an approach would also be premature, as it could deter investment and limit the flexibility needed to develop competitive value chains in a technology area that is not yet mature.

4. Realistic transition and implementation

The framework should distinguish clearly between entry into force and application. The first vehicle origin requirements should apply only after a sufficient transition period and not earlier than 18 months after entry into force. For automotive, substantive requirements should in any event apply no earlier than 2030, in order to reflect product development cycles, sourcing lead times and the time needed to scale upstream supply.

Any subsequent tightening of thresholds or extension of scope should take place only following a prior review of supply-chain maturity, industrial availability and implementation experience.

5. Administrative burden and regulatory coherence

The framework should remain simple, aligned and legally clear. Separate criteria for public procurement, public support schemes and financial support for corporate cars would add unnecessary complexity, requiring manufacturers to manage different calculations across instruments. The rules should therefore be aligned so that corporate vehicle schemes apply the same conditions as those foreseen for public procurement and support schemes. This would be in line with the Commission’s simplification agenda.

Regulatory coherence is critical. The automotive sector continues to navigate a high volume of EU and national legislation. New measures should therefore avoid layering additional complexity on top of existing requirements and should instead support simplicity, predictability and coordination across policy areas.

In this context, Toyota could support anchoring the IAA vehicle methodology in existing EU origin concepts by aligning the local content calculation with the structure already used in EU preferential rules of origin, while applying it to an IAA country-of-origin logic.

Specifically, rather than calculating local content solely on the basis of EU component value over total component value, the IAA formula for vehicles should start from the ex-works (EXW) price of the vehicle and deduct non-EU content. This would mirror the well-established preferential origin approach ((EXW price minus non-originating content) / EXW price), while reflecting the IAA objective by deducting non-EU content instead of non-originating content.

6. Fleet-level compliance

Toyota supports the principle of a fleet-level calculation, as this is more workable than a strict per-vehicle approach and better reflects manufacturing reality. However, the compliance threshold must remain realistic. An overly ambitious fleet average would create disproportionate compliance risk without delivering a proportionate industrial benefit. A lower starting threshold, with a gradual increase over time, would therefore be more appropriate than the proposed 85%.

Conclusion

Toyota supports the EU's objective of reinforcing European industrial capacity and resilience. However, the effectiveness of the IAA will depend on whether it is designed in a way that reflects industrial reality. For the automotive sector, this means recognising long-standing European investment and trusted integrated partners, avoiding unnecessarily restrictive assembly conditions, and ensuring that thresholds, scope and implementation timelines are realistic and workable.

In Toyota's view, a "Made with Europe" approach would better serve Europe's competitiveness, resilience and long-term industrial strength than a narrow interpretation of value creation.