

### **Our common pledge for an effective and fair “Made in Europe” strategy**

Representing more than 60% of EU vehicle production, the Volkswagen Group, Stellantis NV and Renault Group share their strong support for Made in EU requirements.

Even if we have different portfolios and strategies, we share a responsibility and commitment to Europe. We want to offer clean, affordable, technologically cutting-edge cars to Europe’s middle class. And we want to ensure that Europe remains the global powerhouse in the automotive industry. A level playing field in our European home market is the foundation for this.

Today, European automakers face an unprecedented challenge to their competitiveness due to significant technology gaps in strategic areas, intense global competitive pressure and persistently high energy, manufacturing and regulatory costs. At the same time, demand in Europe remains significantly below pre-Covid crisis levels, with around 3 million fewer vehicles sold annually compared with 2019.

As such, a “Made in Europe” strategy is essential to address these challenges and must be considered in close complementarity with other key legislative files for the sector, especially the CO2 Regulation review and the Corporate Vehicles initiative. We need a mechanism that favours European cars and industry and strengthens the EU automotive ecosystem. This mechanism must be simple, easy to implement and control.

Following the IAA proposal, the challenge now is to shape the requirements in such a way that they are realistically achievable for those car manufacturers with the biggest industrial footprint in the EU, to ensure “Made in Europe” is not an additional constraint placed on EU car producers but a proper tool to boost EU production.

To do so a “Made in Europe” strategy should be focused on developing strategic value chains in Europe while it must avoid harming the competitiveness of our industry.

Therefore, we propose the following changes in the draft regulation, as detailed in the next pages:

- *Make “Made in EU” benefits substantial enough to compensate for the costs of localising in Europe*
- *Ensure the fleet booster threshold reflects the current ecosystems of EU OEM by lowering its threshold from 85% to 70% while keeping an “EU+EEA only” geographical scope.*
- *Guarantee that the battery criteria will sustain EU production targets while being achievable through a revised timeline and a guaranteed dual compliance pathway for M1e,*
- *Broaden the 70% EU components criteria to take into account all the value added generated by the industry in Europe, by enlarging its scope to other substantial contributions made within the EU such as R&D and vehicle assembly*
- *Remove low carbon materials criteria as they are already embedded in other files.*
- *Establish one unique definition of “Made in Europe”, easy to implement and to audit*

## **“Made in Europe” benefits must be substantial**

A high degree of European content is coming at a price. That is why any requirements should be attached to benefits that compensate the extra costs incurred for compliance.

A “Made in Europe” Super Credit under the revised CO2 fleet regulation can be one way of compensating the costs. But to make this a truly powerful lever, these super credits should not only be accessible for small “Made in Europe” EVs under the revised CO2 Regulation, but for all “Made in Europe” EVs, regardless of their size, with an additional bonus for small ones.

It should nonetheless be noted that these credits shall be envisaged as proper incentives and not replace a smoother, more realistic CO2 compliance pathway as requested by the industry (Averaging 2028/32); otherwise, they will fail to be proper incentives but add another constraint on EU OEMs.

## **Boosting EU production, maintaining global partnerships: 70% fleet booster everywhere**

The political debate on the IAA is currently dominated by the controversy over its geographical scope. We are convinced that this conflict can be solved by a fair and simple approach.

The import share in the EU car market currently stands at around 26%. We should take this as our benchmark and, in doing so, send a clear signal to our trading partners: Europe is not closing itself off. Europe only stops the trend of further outsourcing industrial production to third countries.

The Commission proposal already provides for a threshold for fleet benefits. If 85% of an OEM fleet complies with the “Made in Europe” requirements in a said year, 100% of the fleet gets the related benefits the year after. We suggest reducing this fleet booster threshold from 85% to 70%.

For these 70%, the geographical scope of Made in Europe Requirements should be limited exclusively to the EU27 and EEA countries, so as to truly favour the EU’s industrial base. The remaining 30% should ensure that key strategic partners of the European automotive industry can continue to play a vital role.

Furthermore, the suggested 70% fleet booster should be applicable for all “Made in Europe” benefits. Automakers must be able to decide whether to comply on single brand or group level.

## **Realistic battery requirements: a timeline fit for purpose and a dual compliance pathway for M1e**

The battery is the strategic key component for the future of the car industry. We need to be able to master and manufacture this technology ourselves. That is why we support the inclusion of batteries in the ‘Made in Europe’ requirements, defined by a gradually increasing number of strategic battery components.

However, the goals proposed by the Commission are unachievable. This applies in particular to the requirement to localise cells six months after entry into force of the Regulation (this could be as early as 2028). We recommend replacing it with the option to freely choose the first three main components of the battery to localise

Due to numerous reasons outside the control of automakers, the development of an EU battery supply chain is taking longer to materialise than expected. In fact, most of the public financial support allocated to strengthening the EU battery ecosystem will only become available under the next Multiannual Financial Framework as of 2028 and its magnitude is not entirely determined yet.

As such, EU battery cells should only be required after 2030. An early 2028 requirement for cells would particularly penalise OEMs like us which are heavily investing in setting up new EU battery companies or joint ventures from scratch. In contrast, it would reward those less committed to the EU battery supply chain who merely rely on purchasing agreements with already established battery manufacturers. Battery cells are not only of great strategic relevance, but also crucial to the cost and competitiveness of electric vehicles. To address this challenge, a sufficient OPEX funding from the European Union from 2028 onwards is of essence. The funding level should enable European manufacturers to achieve competitive

market prices during the critical years of industrial scaling. Without such funding, the EU would have to consider a limited opening of the scope for this specific component for some selected strategic partner countries.

In addition, we strongly support the Commission's proposal to offer the choice of compliance pathway between EU battery and 70% EU components for the future M1e subcategory as it remains very difficult to offer vehicles in this sensitive market segment; and could be impossible to do so with cumulative criteria.

### **The true European value of a car as a benchmark: 70% EU value added rather than components**

We consider that the presented value-added rule calculated exclusively on components is too narrow and fails to account for other substantial contributions made within the EU through the manufacturing of vehicles. A vehicle is far more than the sum of its parts: its value also comes from vehicle assembly, advanced engineering, R&D activities, and the highly skilled labour that supports these processes. A methodology focused solely on components risks overlooking critical stages of the automotive value chain that generate significant economic value and also contribute to sustaining Europe's industrial competitiveness.

Should the legislators decide to continue with a value-added rule, we call for the component-based approach to be replaced with a broader methodology for the entire vehicle that includes these elements, in line with established practices under existing EU FTAs. This would be particularly useful to ensure that, in addition to production capacity, substantial engineering expertise and investment is also retained in the European Union.

### **Less complexity and more clarity**

Due to different openings to third-country content in the Commission's proposal, a car that qualifies as "Made in Europe" for public procurement does not necessarily qualify as "Made in Europe" for the Clean Corporate Vehicle Regulation benefits. We therefore call for one single "Made in Europe" definition for the majority of EVs and a more flexible one for small EVs, recognising their specific challenges and constraints.

In addition, cases where non-preferential rules of origin are applied in the EU automotive supply chain are currently very limited. In these cases, the last substantial transformation principle usually applies without the need to calculate or reach certain thresholds. As such, there are many open questions on the actual application of non-preferential rules of origin as proposed by the IAA. We urge the Commission to provide clear and practical guidance in this respect.

Any approach to origin determination must be simple to audit and administratively manageable. For example, requiring certificates of origin for thousands of vehicle components from suppliers -many of which are SMEs with limited resources and understanding of non-preferential rules of origin- would create an excessive administrative burden for OEMs.

It is currently unclear whether the requirement to have the vehicle assembled in the EU means mere screwdriving operations or more substantial manufacturing processing steps. We call for a robust and credible definition of vehicle assembly that includes steps such as stamping, welding, painting and final assembly. Such an approach would ensure that only automakers truly committed to manufacturing in the EU are rewarded.

We oppose the inclusion of low carbon steel and aluminium requirements for vehicles given the limited forecasted availability in the European market as well as the additional costs it will entail. Likewise, criteria on low-carbon steel and aluminium have already been included in the proposed revision of the CO2 Regulation. Their inclusion in "Made in Europe" would therefore be redundant.