TOYOTA'S CONTRIBUTION TO THE CONSULTATION ON THE INDUSTRIAL DECARBONISATION ACCELERATOR ACT (IDAA)

Toyota is significant contributor to the European economy. We have invested more than EUR 12 bn in our European manufacturing business since 1971 and over EUR 12 bn in European supply chain business for 2024, 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 in our supply chain and distribution business. Last year we sold over 1.2 million vehicles in the region and Toyota is the 2nd Passenger Car brand in the European market. Notably, 71% of cars we sell in Europe are made here. Toyota aims to achieve carbon neutrality throughout its European operations, products and services by 2040 at the latest.

Toyota recognises that the IDAA is primarily aimed at accelerating the decarbonisation of energy-intensive industries such as steel, chemicals, cement, and similar sectors. However, as a downstream manufacturer, we are directly reliant on the availability, cost, and carbon content of materials and components produced by these industries. Our own decarbonisation efforts—and the competitiveness of low-emission vehicles—are therefore closely tied to developments upstream. Given this interdependence, we believe it is important that the perspectives of downstream sectors are considered in the policy design.

Toyota has a long-standing commitment to supporting the communities where we operate. Our industrial investments across Europe are contributing to employment, skills development and national and local economies. Our approach — to build where we sell — will continue as market conditions allow. To maintain and support investor competitiveness, it is important that policy frameworks take into account the complexity of global supply chains which have been developed over many years, and the varying degrees of readiness across upstream sectors.

In this context, and reflecting Toyota's long-term European footprint, it is essential that any future "Made in Europe", or localisation-related requirements, recognise the realities of integrated global value chains. Toyota localises production whenever there is business potential for that model or platform, but some models produced outside the EU27 remain vital to the sustainability of our European business. For this reason, **imports from the EU Customs Union (Turkey) and key FTA partners - notably: UK, Japan, South Africa- should be considered as fulfilling "Made in Europe" requirements**. **Should these countries be excluded, Toyota's business equation in Europe — and our ability to secure future investments — would be significantly affected.** A realistic transition period beyond 2030 will also be necessary to safeguard competitiveness and supply-chain efficiency as upstream sectors decarbonise.

In this context, we believe that:

- **Any consideration of local content requirements (LCRs) should be evidence-based, and aligned with industry market conditions** Localisation takes time and also depends on the maturity of upstream supply chains. In the automotive sector, product development and manufacturing cycles typically span five to seven years, meaning that sudden shifts in sourcing requirements can significantly disrupt current investment and business. A consistent EU-level framework, with transition periods aligned to real-world supply chain readiness, is essential to avoid these risks.
- **Well-designed incentives, rather than mandates, are more effective in fostering sustainable industrial activity.** Content requirements in public or private procurement are unlikely to build viable industrial ecosystems. Incentive-based approaches — such as access to subsidies for transitional technologies, tax breaks, or targeted support for innovation and workforce skills — are more likely to stimulate long-term investment. Mandates without accompanying support risk increasing costs, impacting customer choice over mobility requirements and hence distort markets, and undermining competitiveness.

- **Regulatory coherence is critical.** The automotive sector continues to navigate a high volume of EU and national legislation. The Commission's commitment to cutting red tape — including via various Omnibus legislation — is welcome. Hence new measures should avoid layering on additional complexity, and instead support simplicity, predictability, and coordination across policy areas.

TME fully supports the EU's overarching industrial, climate (notably the 2050 economy-wide climate neutrality target), and strategic resilience goals.

However, **achieving these objectives also relies on strong, trusted partnerships.**

As highlighted in the Draghi report, "Europe has a long and fruitful history of open global cooperation. This is one of its major comparative advantages" and the EU should "actively and more strategically deepen its relationships with like-minded countries."

Like minded trade partners should be explicitly recognised in the EU's competitiveness and strategic resilience agenda. New policy instruments should be designed in a way that strengthens these essential partnerships and ensures alignment with Europe's broader industrial and climate objectives.