T&E amendments on the Industrial Accelerator Act (IAA)

Inclusion of CRMs and midstream components

ANNEX III - Part II - paragraph 2 - **f & g (new)**

Text proposed by the Commission	Amendment
	(f) the vehicle's traction battery contains precursor cathode active materials (including battery-grade transition-metal precursor compounds), anode active materials, and recycled materials (black mass from EU production scrap or EU end-of-life batteries) originating in the Union;
	(g) lithium, nickel, cobalt and natural graphite contained in the vehicle's traction battery have been processed in the Union or in countries with which the Union has concluded a free trade agreement, or which are recognised by the Union as strategic partners for the purposes of securing resilient and sustainable supply chains for critical raw materials.
	The requirements set out in points (f) and (g) shall apply from [OP: please insert date five years after the date of entry into force of this Regulation].
	Compliance with the listed battery components and raw materials shall be demonstrated through the EU Battery Passport in addition to the certificate of conformity.

Justification

The current proposal does not properly ensure that key battery production steps, in particular high-value processes such as CAM and pCAM production and recycling, have a future in Europe. T&E recommends that on top of the additional component criteria entering into force after two years, the IAA includes a third step after five years (e.g. from 2032), adding additional component criteria of the battery mid- and upstream part. This should most importantly include precursors (pCAM), as well as anode active materials (AAM) and critical raw materials (CRMs), originating from Europe+ countries.

PCAM is a key step in the manufacturing of batteries, it is the product obtained after refining materials and is mixed with lithium in a following step transforming into cathode active material (together presenting the most valuable part of the battery). Lack of pCAM production has been identified as one of the major weaknesses in the western battery supply chain by the International Energy Agency.

Without pCAM there will be no recycling or cathode industry in Europe. This is because:

a) PCAM production in Europe provides offtake / demand for European recyclers which are currently struggling to secure offtakers as Chinese pCAM remains cheaper.
b) Local PCAM production is key for cathode production in Europe as it builds an integrated midstream part of the value chain and de-risks possible supply chain disruption from third countries. PCAM and CAM are two closely linked chemical processes which is why CAM production usually takes place where pCAM is based. Together, these two materials present the most valuable part of the battery.

Similarly, the component criteria should include recycled materials to pave the way for circularity and ensure offtake for recyclers. Recycled materials should come from EU end-of-life batteries, production scrap from EU-based cell manufacturing facilities and battery materials from EU-based recycling facilities.

The IAA should also add CRMs sourced from Europe or partner countries (EU+ or EU + FTA countries) to the component criteria, ensuring that CRMs from Europe and partner countries can better secure their offtake. This should include lithium, nickel, cobalt and natural graphite. As full supply chain traceability will be required for these minerals from 2027 onwards as laid out under the EU Batteries Regulation, implementation will be feasible. For instance, by 2031, this could include min. 20% processed minerals in the EU or partner country, rising to 40% by 2036.