

Toyota Motor Europe – Position overview and proposed amendments to the Industrial Accelerator Act- 2026/0068 (COD) and Annex III Union requirements for vehicles

Position overview – Toyota Motor Europe proposed amendments

Toyota Motor Europe supports the objective of strengthening European industrial competitiveness and resilience. The proposed amendments aim to make the vehicle origin requirements workable, proportionate and legally predictable, while recognising the reality of integrated automotive value chains and the long investment cycles of vehicle manufacturing.

The detailed amendment tables below follow the order of the Commission proposal.

For ease of reading, the key policy priorities are summarised below.

Topic	Proposed amendment	Reasoning	Relevant provisions
Geographical scope	Extend Union-origin recognition to trusted FTA/customs union partners subject to a bilateral administrative arrangement.	Reflect integrated automotive supply chains while ensuring reciprocity and a level playing field.	Article 9a; Annex III Parts I–III
Local content requirements	Phase-in local content requirements from 50% initially to 70% after three years.	Allow realistic implementation while preserving localisation incentives.	Annex III Parts I–III
Application timing	Apply Articles 13–14 and Annex III no earlier than 2030 .	Reflect vehicle development cycles and sourcing lead times.	Article 36
Vehicle scope	Exclude fuel cell vehicles from the IAA scope.	Avoid disproportionate requirements at an early stage of hydrogen deployment.	Article 13; Annex III
Origin calculation	Replace the component-based methodology with an EXW-based calculation deducting non-EU content from the ex-works price of the finished vehicle/e-powertrain.	Captures value created through vehicle manufacturing and assembly, not only component origin, while remaining simple and auditable	Article 3; Annex III Parts I–III
Supercredits	Extend the “made in the EU” criterion beyond small zero-emission vehicles.	Support broader production of zero-emission vehicles in Europe.	Article 14; Annex III Part III
M1E derogation	Maintain the M1E derogation while requiring compliance with both the local-content and battery-origin criteria.	Strengthen origin requirements for M1E vehicles.	Annex III Parts I–II
Low-carbon products	Delay application until methodology and thresholds are established.	Avoid legal uncertainty and unworkable compliance requirements.	Article 10(1)(b)
Review clause	First review after 3 years, then every 5 years; amendments subject to impact assessment.	Ensure evidence-based future changes.	Article 29

CONCRETE AMENDMENTS

CHAPTER III Strengthening the Union's Strategic industrial value chains

1. Article 9a (new)

Addition	Amendment
Addition to: Article 9 – Content equivalent to Union origin in other forms of public intervention (existing text unchanged).	Article 9 (unchanged) followed by New Article 9a – Content equivalent to Union origin in Financial support for corporate vehicles and CO₂ emission performance standards credits <i>With respect to the Union origin requirements set out in Article 13 and Article 14, content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to be part of Union origin, provided that the Union has concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness</i>

Justification: The automotive value chain is characterised by deeply integrated and interconnected supply chains involving trusted economic partners that have made substantial and long-standing investments in the Union.

Recognising content originating in third countries with which the Union has concluded a free trade agreement or customs union, subject to an appropriate bilateral arrangement, would preserve resilience, competitiveness and security of supply while avoiding unnecessary disruption of established value chains. Such recognition should be conditional on ensuring a level playing field and reciprocal market access. This approach supports the objectives of the IAA by strengthening European industrial competitiveness while maintaining legal certainty and rewarding trusted partners that contribute to the Union's industrial base through sustained investment, production and employment.

2. Article 10(1)(b) – Low-carbon products

Original text	Amendment
1. For the purposes of this Chapter, a product covered by Annex II shall be considered low-carbon when it complies with the requirements set out in delegated acts, as follows: /.../ (b) for all other products, delegated acts adopted pursuant to Article 4 of Regulation (EU) 2024/1781, as applicable.	1. For the purposes of this Chapter, a product covered by Annex II shall be considered low-carbon when it complies with the requirements set out in delegated acts, as follows: /.../ (b) for all other products, delegated acts adopted pursuant to Article 4 of Regulation (EU) 2024/1781, as applicable. This point shall apply only 36 months after the entry into force of the relevant delegated act establishing the applicable low-carbon methodology and threshold requirements.

Justification: Introducing targets in Annex II for low-carbon products without a clear and agreed definition of low-carbon makes compliance difficult to assess and creates a significant risk of additional administrative burden and cost. The 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.

3. Article 13 – Scope of vehicle origin requirements

Original text	Amendment
For the purposes of Article 4 of the [Proposal for a Regulation of 16 December 2025 on clean corporate vehicles], the ‘made in the European Union’ criterion for providing financial support for the uptake of corporate cars and vans shall comply with the criteria set out in Part II of Annex III to this Regulation.	For the purposes of Article 4 of the [Proposal for a Regulation of 16 December 2025 on clean corporate vehicles], the ‘made in the European Union’ criterion for providing financial support for the uptake of corporate cars and vans shall comply with the criteria set out in Part II of Annex III to this Regulation, excluding fuel cell vehicles from the scope of those criteria.

Justification: Fuel cell vehicles remain at an early stage of market deployment and depend on hydrogen refuelling infrastructure that is not yet sufficiently developed across the Union. Applying the vehicle origin requirements to FCVs at this stage would create disproportionate compliance obligations without delivering meaningful industrial benefits. The scope should therefore be limited to technologies with established or rapidly scaling market uptake, while allowing additional time for the hydrogen mobility ecosystem to mature.

4. Article 14 – Supercredits for zero emission vehicles

Original Text	Amendment
1. For the purposes of Article 5(1) and (2) of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO₂ emission performance standards for new light duty vehicles and vehicle labelling], the ‘made in the EU’ criterion for small zero-emission vehicles shall comply with the criteria set out in Part III of Annex III to this Regulation. This ‘made in the EU’ criterion shall be considered equivalent to the ‘Union origin’ referred to in Article 7 of this Regulation.	1. For the purposes of Article 5(1) and (2) of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO₂ emission performance standards for new light duty vehicles and vehicle labelling], the ‘made in the EU’ criterion for small zero-emission vehicles shall comply with the criteria set out in Part III of Annex III to this Regulation. This ‘made in the EU’ criterion shall be considered equivalent to the ‘Union origin’ referred to in Article 7 of this Regulation.

Justification:

This amendment brings the IAA in line with the amendment proposed by ACEA under the CO₂ regulation for cars and vans. Super-credits would serve as a strong incentive for manufacturers to produce affordable electric vehicles (EVs), thereby accelerating the growth of this segment in the EU, which is notably sensitive to price fluctuations and aligns with the Commission’s objective to support BEV manufacturing in Europe. Further support should be provided through complementary national measures, such as lowering charging prices, abundant charging infrastructure, fiscal incentives or non-fiscal schemes like social leasing, to encourage broader adoption. Electrification of light commercial vehicles (LCVs) presents considerably greater challenges than passenger cars, mainly due to their functional purpose (transporting goods rather than leisure), operational patterns (often running continuously), and intensive driving requirements necessitating rapid charging

solutions. A proven super-credit system offers the benefit of reducing compliance costs, which can then be reinvested to further reduce vehicle costs for end customers.

CHAPTER VI Final provisions

1. Article 29 Review

Original text	Amendment
By [OP: Please insert the date three years after the date of entry into force of this Regulation], the Commission shall assess the necessity of amending Chapters III and IV. The Commission may submit a legislative proposal in order to repeal or amend this Regulation. That review shall be carried out periodically every three years after the first review.	By [OP: Please insert the date = three years after the date of entry into force of this Regulation], the Commission shall assess the necessity of amending Chapters III and IV and Annex III . The Commission may submit a legislative proposal in order to repeal or amend this Regulation. Following the first review, the Commission shall carry out a review every five years. Any proposal to amend this Regulation shall be based on the findings of the review and supported by an appropriate impact assessment demonstrating the continued necessity, proportionality and effectiveness of the proposed measures.
When carrying out its review, the Commission shall pay particular attention to the effectiveness of this Regulation and the persistence of the circumstances that have justified the adoption of this Regulation and to the necessity to introduce Union origin requirements for products from certain sectors critical to the Union's economic security, notably the building of ships and of rail rolling stock.	When carrying out its review, the Commission shall pay particular attention to the effectiveness of this Regulation, the persistence of the circumstances that have justified the adoption of this Regulation, and the necessity to introduce Union origin requirements for products from certain sectors critical to the Union's economic security, notably the building of ships and of rail rolling stock. Dialogue with industry stakeholders should inform such review.

Justification: A first review three years after entry into force would allow the Commission to assess the practical implementation and effectiveness of the Regulation and its Annexes at an early stage. Subsequent reviews every five years would ensure regular monitoring while providing sufficient time to assess industrial investment cycles, supply chain developments and the impact of the Regulation on competitiveness. Any future legislative amendment should be evidence-based and supported by a comprehensive impact assessment involving industry dialog, demonstrating the continued need for and proportionality of the measures, rather than resulting automatically from the review process.

2. Article 36 – Entry into force and application

Original text	Amendment
This Regulation shall enter into force on the _ day following that of its publication in the <i>Official Journal of the European Union</i> .	This Regulation shall enter into force on the _ day following that of its publication in the Official Journal of the European Union.
Articles 4 and 5 shall apply from [OP: Please insert the date = [one] year after the date of entry into force of this Regulation].	Articles 4 and 5 shall apply from [OP: Please insert the date = [one] year after the date of entry into force of this Regulation].

	Articles 13 and 14 and Annex III shall apply from [OP: Please insert the date = 18 months after the date of entry into force of this Regulation] and in any event no earlier than 2030. Article 15 shall apply from the same date in so far as it concerns vehicles subject to Annex III.
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Justification:

The framework should distinguish clearly between entry into force and application. The vehicle origin requirements should apply only after a sufficient transition period and not earlier than 18 months after entry into force. For the automotive sector, 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.

The same timing should apply to the related certification obligation in Article 15 in so far as it concerns vehicles subject to Annex III, in order to avoid a situation where certification obligations apply before the underlying vehicle origin requirements become applicable.

ANNEX III Union requirements for vehicles

1. Scope adjustment

Original text	Amendment
ANNEX III Union origin requirements for vehicles	ANNEX III Union origin requirements for vehicles For the purposes of this Annex, references to fuel cell vehicles (FCV) shall not apply.

Justification <same as Article 13 justification>.

2. Annex III Part I – Public Procurement for electric vehicles

Original text	Amendment
New pure electric vehicles (PEV), off-vehicle charging hybrid electric vehicles (OVC-HEV) or fuel cell vehicles (FCV) purchased, leased, rented or hire-purchased in public procurement procedures that fall within the scope of Directive 2014/24/EU, or Directive 2014/25/EU, launched on or after [OP: Please insert the date = six months after the date of entry into force of this Regulation] shall comply with the Union origin requirements set out in this Annex. New PEV, OVC-HEV and FCV that are used for the provision of services sourced through public procurement procedures that fall within the scope of Directive 2014/24/EU, or Directive 2014/25/EU, shall comply with the Union origin	New pure electric vehicles (PEV) or off-vehicle charging hybrid electric vehicles (OVC-HEV) fuel cell vehicles (FCV) purchased, leased, rented or hire-purchased in public procurement procedures that fall within the scope of Directive 2014/24/EU, or Directive 2014/25/EU, launched on or after [OP: Please insert the date = six months after the date of entry into force of this Regulation] shall comply with the Union origin requirements set out in this Annex. New PEV, or OVC-HEV and FCV that are used for the provision of services sourced through public procurement procedures that fall within the scope of Directive 2014/24/EU, or Directive 2014/25/EU, shall comply with the Union origin requirements set out in this Annex.

requirements set out in this Annex. Vehicles referred to in subparagraphs 1 and 2 shall include the following Union origin requirements: (a) the vehicle is assembled within the Union; (b) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all components – excluding the battery – is at least 70%; (c) the vehicle’s traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union; (d) the vehicle’s traction battery contains at least five main specific components of batteries, among which the battery cells, the cathode active material, and the battery management system, originating in the Union; (e) the ratio between the total ex-works price of e-powertrain components originating in the Union and the total ex-works price of all e-powertrain components is at least 50%; (f) the ratio between the total ex-works price of main electronic systems originating in the Union and the total ex-works price of all main electronic systems is equal to or greater than 50%. The requirements set out in points d), e) and f) apply from [OP: please insert date 3 years after the date of entry into force of this Regulation]. By way of derogation to the requirements set out above, small electric vehicles of subcategory M1E, as defined in Regulation (EU) 2018/858, shall include the following Union origin requirements: 1. the vehicle is assembled within the Union; 2. one of the two criteria below: a) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; or	Vehicles referred to in subparagraphs 1 and 2 shall include the following Union origin requirements: (a) the vehicle is assembled within the Union; (b) 6 months after entry into force: the ratio between the total ex-works price of the vehicle - excluding the ex-works price of the battery – minus the sum of the total ex-works price of the non-originating components and the total ex-works price of the vehicle– excluding the ex- works price of the battery – is equal to or greater than 50%; 3 years after entry into force: the ratio between the total ex-works price of vehicle minus the sum of the total ex-works price of the non-originating components and the total ex-works price of the vehicle – is equal to or greater than 70 % (c) the vehicle’s traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union; (d) the vehicle’s traction battery contains at least five main specific components of batteries, among which the battery cells, the cathode active material, and the battery management system, originating in the Union; (e) the ratio between the ex-works price of the e-powertrain minus the sum of the total ex-works price of the non-originating e-powertrain components and the ex-works price of the e-powertrain, is at least 50% (f) the ratio between the total ex-works price of main electronic systems originating in the Union and the total ex-works price of all main electronic systems is equal to or greater than 50%. The requirements set out in points d), e) and f) apply from [OP: please insert date 3 years after the date of entry into force of this Regulation]. With respect to the requirements set out in points (a) to (f), content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to satisfy the corresponding Union origin requirements where the Union has
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(b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.	concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness, while ensuring a level playing field and reciprocal market access. The requirements set out in points d), e) and f) apply from [OP: please insert date 3 years after the date of entry into force of this Regulation]. By way of derogation to the requirements set out above, small electric vehicles of subcategory M1E, as defined in Regulation (EU) 2018/858, shall include the following Union origin requirements: 1. the vehicle is assembled within the Union; 2. one of the two criteria below: (a) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; or (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union. With respect to the requirements set out in points 1 and 2, content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to satisfy the corresponding Union origin requirements where the Union has concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness, while ensuring a level playing field and reciprocal market access.
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3. Annex III Part II – Other forms of public intervention and financial support for corporate vehicles

Original text	Amendment
For schemes established or updated after [OP: Please insert the date = six months after the date of entry into force of this Regulation] that support the purchase, lease, rent or hire-purchase of new PEV, OVC-HEV or FCV, Member States, regional or local authorities,	For schemes established or updated after [OP: Please insert the date = six months after the date of entry into force of this Regulation] that support the purchase, lease, rent or hire-purchase of new PEV, or OVC-HEV or FCV, Member States, regional or local authorities, bodies governed by public law or

bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law shall ensure that only vehicles that comply with the below minimum Union origin requirements are eligible under the scheme. For the purpose of considering corporate cars and vans 'made in the European Union' in accordance with Article 4 of the [Proposal for a Regulation of 16 December 2025 on clean corporate vehicles], the below requirements apply. (a) the vehicle is assembled within the Union; (b) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union; (c) the vehicle's traction battery contains at least five main specific components of batteries, among which the battery cells, the cathode active material, and the battery management system, originating in the Union; (d) the ratio between the total ex-works price of e-powertrain components originating in the Union and the total ex-works price of all e-powertrain components is equal to or greater than 50%; (e) the ratio between the total ex-works price of main electronic systems originating in the Union and the total ex-works price of all main electronic systems is equal to or greater than 50%. The requirements set out in points d), e) and f) apply from [OP: please insert date three years after the date of entry into force of this Regulation]. By way of derogation to the requirements set out above, small electric vehicles of subcategory M1E, as defined in Regulation	associations formed by one or more such authorities or one or more such bodies governed by public law shall ensure that only vehicles that comply with the below minimum Union origin requirements are eligible under the scheme. For the purpose of considering corporate cars and vans 'made in the European Union' in accordance with Article 4 of the [Proposal for a Regulation of 16 December 2025 on clean corporate vehicles], the below requirements apply. (a) the vehicle is assembled within the Union; (b) 6 months after entry into force: the ratio between the ex-works price of the vehicle - excluding the ex-works price of the battery – minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle– excluding the ex- works price of the battery – is equal to or greater than 50 % 3 years after entry into force: the ratio between the ex-works price of the vehicle minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle – is equal to or greater than 70 % (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union; (c) the vehicle's traction battery contains at least five main specific components of batteries, among which the battery cells, the cathode active material, and the battery management system, originating in the Union; (d) the ratio between the total ex-works price of e-powertrain components originating in the Union and the total ex-works price of all e-powertrain components is equal to or greater than 50%; (e) the ratio between the ex-works price of the e-powertrain minus the sum of the total ex-works price of the non-originating e-powertrain components and the ex-works price of the e-powertrain, is at least 50%
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(EU) 2018/858, shall include the following Union origin requirements: 1. the vehicle is assembled within the Union; 2. one of the two criteria below: (a) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; or (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.	'Manufacturing costs incurred in the Union' means (to be added to Article 3): any and all content creation/value added that takes place in the Union is applicable under this calculation. With respect to the requirements set out in points (a) to (e), content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to satisfy the corresponding Union origin requirements where the Union has concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness, while ensuring a level playing field and reciprocal market access. The requirements set out in points d), e) and f) apply from [OP: please insert date three years after the date of entry into force of this Regulation]. By way of derogation to the requirements set out above, small electric vehicles of subcategory M1E, as defined in Regulation (EU) 2018/858, shall include the following Union origin requirements: 1. the vehicle is assembled within the Union; 2. one of the two criteria below: (a) 6 months after entry into force: the ratio between the ex-works price of the vehicle - excluding the ex-works price of the battery – minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle– excluding the ex- works price of the battery – is equal to or greater than 50 % 3 years after entry into force: the ratio between the ex-works price of the vehicle minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle – is equal to or greater than 70 %: or (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.
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	With respect to the requirements set out in points 1 and 2, content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to satisfy the corresponding Union origin requirements where the Union has concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness, while ensuring a level playing field and reciprocal market access.
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4. Annex III Part III – Super credits for small zero emission vehicles

Original text	Amendment
For the purpose of considering vehicles as “made in the EU” in accordance with Article 5 of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO2 emission performance standards for new light duty vehicles and vehicle labelling], the following criteria apply: 1. the vehicle is assembled within the Union; 2. and one of the two criteria below: (a) the ratio between the total ex-works price of vehicle components - excluding the vehicle battery - originating in the Union and the total ex-works price of all vehicle components – excluding the battery – is equal to or greater than 70%; or (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union.	For the purpose of considering vehicles as “made in the EU” in accordance with Article 5 of Regulation (EU) 2019/631 [as amended by the Proposal for a Regulation of 16 December 2025 amending Regulation (EU) 2019/631 as regards CO2 emission performance standards for new light duty vehicles and vehicle labelling], the following criteria apply: 1. the vehicle is assembled within the Union; 2. and one of the two criteria below: (a) 6 months after entry into force: the ratio between the ex-works price of the vehicle - excluding the ex-works price of the battery – minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle– excluding the ex- works price of the battery – is equal to or greater than 50% 3 years after entry into force: the ratio between the ex-works price of the vehicle minus the sum of the total ex-works price of the non-originating components and the ex-works price of the vehicle – is equal to or greater than 70 %. (b) the vehicle's traction battery contains at least three main specific components of batteries, among which the battery cells, originating in the Union. With respect to the requirements set out in points

	1 and 2, content originating in third countries with which the Union has concluded an agreement establishing a free trade area or a customs union shall be deemed to satisfy the corresponding Union origin requirements where the Union has concluded with that third country a bilateral administrative arrangement to ensure that it is regarded as a trusted partner contributing to the Union's competitiveness, while ensuring a level playing field and reciprocal market access.
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Justifications:

Please note:: re the extension of the application to limited trusted partners the justification is the same as in Article 9a. Regarding supercredits, it is the same justification as in Article 14.

Local content ramp-up mechanism:

A phased introduction of the local content requirement is necessary to reflect automotive product development cycles, sourcing lead times and the time required to localise complex vehicle supply chains. Vehicle programmes, supplier nominations and manufacturing investments are typically determined several years in advance and cannot be adjusted immediately following the entry into force of new regulatory requirements.

Given that the Regulation may begin to apply shortly after its adoption and that compliance obligations linked to Annex III could arise from an early stage of implementation, an immediate 70% local content requirement would create significant practical challenges and risks of supply chain disruption. A progressive ramp-up from 50% at initial application to 70% three years after entry into force provides a realistic but ambitious transition pathway.

The proposed approach maintains a strong incentive for localisation and investment in European manufacturing while allowing sufficient time for suppliers and vehicle manufacturers to adapt production footprints, sourcing strategies and industrial investments. It therefore supports the objective of strengthening European industrial value chains without undermining competitiveness or disrupting existing production programmes.

Origin calculation for local content ratio:

The Commission's proposed methodology calculates the Union-origin threshold solely on the basis of the ex-works price of vehicle components, thereby disregarding the significant value added that is generated at the vehicle manufacturing and assembly stage. Limiting the calculation to component prices fails to reflect the full extent of European economic contribution, which includes labour, energy, tooling and other manufacturing costs incurred during vehicle assembly. By starting from the ex-works price of the vehicle and deducting non-EU content the methodology more accurately captures the totality of value added and provides a more equitable and economically representative basis for assessing origin. This would also 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.

Basing the IAA methodology on this familiar calculation logic would align with existing origin compliance systems and data structures already used by manufacturers, thereby avoiding unnecessary IT developments, parallel calculation methodologies and implementation risks.

The ex-works price of the finished vehicle already incorporates a broad range of value-added activities carried out within the Union. These activities include, inter alia

- Pre-manufacturing activities
- Module and system integration activities, such as the assembly and integration of powertrain systems, chassis and drive systems, electronics and software-dependent systems.
- Manufacturing-related value added directly linked to vehicle production, such as engineering, tooling, testing and validation activities.
- Development, engineering and manufacturing costs connected to the customisation of vehicles and systems specific to the standards of third countries in vehicles intended for export (e.g. adaptation to United States FMVSS requirements).
- Quality, safety and compliance activities, including quality assurance, homologation-relevant checks and safety validation.
- All other vehicle assembly operations, including other labour requirements and all energy costs.

These activities generate substantial value within the Union and are inherently reflected in the ex-works price of the finished vehicle. A methodology based on the ex-works price therefore captures this value without requiring manufacturers to separately identify, allocate and substantiate individual manufacturing cost elements.

A methodology based on the ex-works price of the finished vehicle and the value of non-originating components should be preferred as it provides a clear, objective and easily auditable calculation mechanism. The vehicle ex-works price already reflects the total value added generated during the manufacturing process, including assembly operations and other production costs incurred within the Union.

Introducing a separate requirement to identify and substantiate EU manufacturing costs would create significant administrative burden, require complex cost-allocation methodologies, and increase the risk of divergent interpretation by both industry and customs authorities. The proposed formula therefore achieves the policy objective while ensuring legal certainty, consistency, and practical enforceability for both industry and customs administrations.

Origin calculation for e-powertrain local content ratio:

The Commission's proposed methodology calculates the Union-origin threshold solely on the basis of the ex-works price of e-powertrain components, thereby disregarding the significant value added that is generated at the e-powertrain manufacturing and assembly stage. Limiting the calculation to component prices fails to reflect the full extent of European economic contribution, which includes labour, energy, tooling and other manufacturing costs incurred during vehicle assembly. By starting from the ex-works price of the e-powertrain and deducting non-EU content the methodology more accurately captures the totality of value added and provides a more equitable and economically representative basis for assessing origin. This would also mirror the well-established preferential origin approach $((EXW \text{ price} \text{ minus non-originating content}) / EXW \text{ price})$, while reflecting the IAA objective by deducting non-EU content instead of non-originating content.

Basing the IAA methodology on this familiar calculation logic would align with existing origin compliance systems and data structures already used by manufacturers, thereby avoiding unnecessary IT developments, parallel calculation methodologies and implementation risks.

A methodology based on the ex-works price of the finished e-powertrain and the value of non-originating components should be preferred as it provides a clear, objective and easily auditable calculation mechanism. The e-powertrain ex-works price already reflects the total value added generated during the manufacturing process, including assembly operations and other production costs incurred within the Union.

Introducing a separate requirement to identify and substantiate EU manufacturing costs would create significant administrative burden, require complex cost-allocation methodologies, and increase the risk of divergent interpretation by both industry and customs authorities. The proposed formula therefore achieves the policy objective while ensuring legal certainty, consistency, and practical enforceability for both industry and customs administrations.