

EU Battery Fund: Joint call for identifying and prioritising all value chain bottlenecks

This joint paper provides the shared recommendations of Europe's battery and metals industries, together with Transport & Environment, for the European Commission to deliver adequate EU-level financial support to all stages of Europe's battery value chain.

With the Innovation Fund's new battery mechanism as a first step, the European Commission should aim financial measures at all the major gaps in the value chain to ensure a thriving European battery ecosystem. This paper lays down the objectives and possible design for battery value chain finance.

1. Background

We welcome the announced strategic support to further foster battery production in the EU through a dedicated instrument under the Innovation Fund for European manufacturers of the most sustainable batteries, in the context of the one-off extension of the current rules of origin for electric vehicles and batteries under the Trade and Cooperation Agreement with the UK.

Specific financial incentives, focused on manufacturing scale-up in Europe's battery industry, will create significant spillover effects for the entire European battery value chain, notably its upstream segment, as well as support the assembly of electric vehicles in Europe.

As more funding is needed in the future, we also recommend the setting up of dedicated EU Battery Fund which goes beyond the announced € 3bn, which spans over a longer time horizon, and which covers the entire batteries value chain, including major gaps and bottlenecks.

2. Key joint principles

Our organisations are united in calling for the European Commission to deliver urgent and adequate EU-level financial support to growing all stages of Europe's battery value chain, beyond the first announced and dedicated funding under the Innovation Fund. This is essential for the security and sustainability of Europe's energy transition.

Cell manufacturing (including next generation of cells), is and should stay a central focus for Europe's industrial goals. But targeted EU financial support is also needed with urgency to address other CAPEX-intensive industries beyond cell manufacturing which are major upstream and midstream bottlenecks, e.g. cathode active material manufacturing, recycling and refining of battery materials.

In the short-term, the Commission must optimise and future-proof its announced EUR 3bn Innovation Fund dedicated mechanism. The priority should be to get the design of the new mechanism right from the start, so it can be expanded and built on in the years ahead. We outline our key principles below.

In the medium-term, Europe's battery value chain support should be delivered as a core part of the European Commission's work towards a Sovereignty Fund or equivalent.

Moreover, the Innovation Fund mechanism for batteries should send a clear signal to private sector investors. An objective of the EUR 3bn should be to have an exponential effect on investment into Europe as well as upstream funding.

3. Recommendations on optimal design

Many European funding streams already exist, but today they are a patchwork of insufficient, uncoordinated and complex schemes focusing mostly on research and innovation. They cannot be used in industry's business plans either due to their lengthy and fundamentally unpredictable nature. As such, they do not support the scale-up of production and are not enough to make Europe a reliable and convincing business location.

Worse, current EU financial instruments – when compared to powerful tools such as the US Inflation Reduction Act – make Europe a clearly unattractive business case. Any EU mechanism should be implemented quickly and provide investment visibility to stop industrial initiatives from being delayed, paused, or moved elsewhere.

We would like to recommend the following design parameters:

- **Speed** is of essence, and it is critical that the first calls for proposals are announced no later than Q3 2024 and funding confirmed no later than Q1 2025. Failure to maintain pace will cause a stall in investments that will impact EU-based capacities for the foreseeable future.
- **Continuity of funds** is critical to create a technology advantage. Rather than purely copying the Asian model relying on cheap labour to generate profits, EU funding should go to projects that can prove either a unique product (USP), a material reduction in resource use or to an improved production technology in terms of cell chemistry, design or manufacturing equipment to get a competitive advantage globally
- While all the key steps in the battery value chain require support, the **major gaps in the value chain** should be identified and prioritised on top of the battery cells within a clear timeframe for future calls.
- Application design should ensure that application processes are **simple and accessible**.
- The new mechanism should fill the major current gaps and support the scale up of the battery value chain in Europe, which means it should prioritise projects in the battery value chain which are mature enough to deliver **mass capacity** that is beyond the principle of first industrial deployment. It should also provide **operational support**, i.e. OPEX, to make projects across the EU commercially viable.



- Allocation of financial support to battery cell manufacturers should prioritise those that can demonstrate possible **offtake**, traceability and/or **commitment to source from mid and upstream** battery value chain companies based in the EU.
- The Hydrogen Bank is a good starting point example of the Innovation Fund allowing innovative and efficient ways of allocating resources. We believe the new Battery Fund should follow a similar **innovative approach, adapted to the specificities of the value chain**. A manufacturing-focussed mechanism should be output (not project) based and simple in design and application. The appropriateness of an auction-based system should be evaluated.
- Only best in class projects adhering to strict sustainability criteria and demonstrating responsible business practices should qualify. The selection can be based on **CO2 emissions criteria** (following the Battery Regulation methodology), i.e. given the limited resources, projects with the lowest CO2 threshold (e.g. kg per kWh) and those that create best local value in Europe should be prioritised.

We strongly welcome this initiative and hope it can be operationalised quickly to make Europe succeed its decarbonisation. We want to see sustainable critical mineral and green tech industries in Europe that operate to high social and environmental standards, and are competitive globally. Ultimately, we want Europe to successfully carve out a space for itself in the global cleantech value chain of the future.

We remain at your disposal for any further information and would be delighted to have a meeting to discuss the above points with you at your earliest convenience.

Signatory organisations

Eurometaux: *Eurometaux, Europe's metals association, is the united voice of non-ferrous metals mining, processing, and recycling companies in Europe, covering the full scope of the Critical Raw Materials Act and providing 500,000 direct jobs today. It also directly represents industry associations for aluminium, cobalt, copper, nickel, lead, lithium, zinc, precious metals & silicon, among others.*

- **Contact:** Chris Heron – heron@eurometaux.be

RECHARGE: *RECHARGE is the European industry association for advanced rechargeable and lithium batteries. Its membership covers all aspects of the advanced rechargeable battery value chain, from primary & secondary raw materials suppliers, to battery and original equipment manufacturers, to logistic partners, battery recyclers.*

- **Contact:** Kinga Timaru-Kast – ktimaru-kast@rechargebatteries.org

Transport & Environment: *Transport & Environment is the leading European NGO tackling air pollution and climate change induced by transport. Created over 30 years ago, its vision is a zero-emission mobility system that is affordable and has minimal impacts on our health, climate, and environment.*

- **Contact:** Julia Poliscanova – julia.poliscanova@transportenvironment.org