ADVANCED RECHARGEABLE & LITHIUM BATTERIES ASSOCIATION

RECHARGE recommendations for the Clean Industrial Deal

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Europe is facing a dual challenge – transforming society and industry to become the first climate-neutral continent by 2050 without threatening our competitiveness or jobs, while achieving strategic autonomy by reducing dependencies in critical value chains. In a new geopolitical context, marked by the EU's concerns over the security of energy and raw material supplies and a global subsidies race in clean tech industries, our Union needs enhanced cooperation between policymakers and key industries. This partnership will ensure a coordinated and robust Clean Industrial Deal, addressing current challenges and building a competitive value chain in Europe's clean tech sectors, such as batteries.

2025 is a 'make or break' year for our continent's batteries industry and the EU industry's future role in the energy transition with a homegrown value chain.

In 2017, the EU set the objective of becoming the world's second largest battery manufacturer by 2025, aiming for 20% of global production capacity. European production reached approximately 44 GWh in 2020, about 6% of global capacity, and was expected to increase to 400 GWh by 2025. This would position the EU as the second largest battery cell producer after China, creating 800,000 jobs and generating around €250 billion per year in economic activity.

This was the objective – but are we getting there? The number of announced cell production gigafactories increased to over 40 projects in Europe, but in 2024, we witnessed project after project being put on hold or downscaled or even cancelled.

The batteries value chain – a key enabler of a climate-neutral society and open strategic autonomy

Batteries and their ecosystem play a pivotal role in achieving several of the visionary Green Deal objectives, including decarbonised energy generation, low-emission mobility, innovation, and economic growth. Furthermore, as a key technology for the electricity grid's resilience and reliability and for the expansion of the share of renewables, by extension, batteries also enable energy security in line with the bloc's REPowerEU goals. Additionally, batteries aid our continent's digital transition by powering a wide range of applications such as smartphones, tablets, and internet data centers. Finally, batteries are crucial for public and industry applications, such as medical devices, lighting safety in public buildings, and back-up power for mission critical industrial assets.

The wider battery ecosystem encompasses everything from local mining and material processing to component manufacturing (such as cathode active material and anode active material), battery recycling and the final products used by Original Equipment Manufacturers (OEMs).

Technological sovereignty in battery technology and manufacturing is therefore crucial for the competitiveness of many European industries, far beyond electromobility.

Why locally produced batteries matter – The importance of a domestic battery supply chain for the survival of the European automotive industry

To reduce technological dependence on other economic regions and achieve greater supply security and cost-efficiency for battery cells, it is essential to build a resilient and competitive homegrown battery industry. This is essential for securing and creating jobs and prosperity.

The battery value chain includes industries such as the mining and chemical industry, mechanical and plant engineering, cell and battery manufacturers, component manufacturers, the OEM automotive industry, power tools, as well as energy suppliers – that all are at risk if we do not decrease our dependency on Chinese supply chains.

However, the situations of the various industries within this ecosystem differ significantly in terms of business models, financial strength, and global competitive positions. While the EU Commission promotes and supports battery initiatives, those measures currently lack a comprehensive and goal-oriented strategy on how to build a competitive battery ecosystem for the benefit of Europe's industrial development and prosperity in a larger perspective.

Given the global competitive landscape and location advantages of other countries, the question needs to be addressed in the context of the Clean Industrial Deal of whether traditional mechanisms are sufficient to build a new competitive industrial segment.

RECHARGE calls for Europe to set ambitious conditions for this emerging industry to scale up, mature, and become competitive. The future of the battery and EV industries is intertwined, and we need to have a long-term vision to establish a European supply chain alternative.

The goal is to develop this long-term vision, jointly supported by industry and government, based on stable framework conditions. This vision should include short-, medium-, and long-term goals and actions, creating the opportunity for technological sovereignty, independence, and competitiveness for Europe's high-tech sector through a resilient battery ecosystem.

The following recommendations for the Clean Industrial Deal form the basis of this vision but focus on the short-term actions urgently needed to support this infant industry in the face of recent challenges.

Our top three key short-term policy asks under the Clean Industrial Deal – in a nutshell:

1. **Create financial incentives and an attractive investment climate to accelerate investments in the EU with focus on strategic projects and scale-ups**
    a. Channel and earmark funding
    b. Develop OPEX support schemes
    c. Elaborate innovative business and cooperation models
2. **Strengthen the demand pull for batteries and EV's produced in Europe**
    a. Accelerate the uptake of EV's
    b. Develop EU local content requirements
    c. Implement policies to prevent the export of strategic materials
3. **Establish fair competition and international relations to protect the infant European battery industry in the face of global competition**
    a. Stimulate and facilitate partnerships with reliable suppliers from like-minded countries
    b. Strengthen and synchronize FDI screening, along with other investment defense instruments for EV batteries
    c. Establish minimum value creation requirements for foreign investments in the EU

Key recommendations to boost the growth of a domestic battery value chain under the Clean Industrial Deal

All actions honour the acceleration on execution of already ongoing projects and investments taken, but also have a long-term vision to secure the growth a homegrown battery ecosystem. Some actions address the specific challenges of the nascent battery industry, but many can be applied to other clean tech industries essential for Europe's continued competitiveness and clean and fair transition.

➢ Pillar I: Affordable energy

Access to affordable decarbonised energy for industry and consumers is key, as the battery industry is an energy intensive industry depending on access to clean, abundant and affordable energy to remain competitive. At the same time, storage technologies, including batteries, play a key role in enabling the build out of the renewable energy sources. Integrating storage technologies in the grid infrastructure, making use of V2G solutions, etc can in many cases alleviate the need for a new grid infrastructure. The stationary storage sector is the fastest growing battery sector globally, with Europe lagging behind Asia and US. Different implementation rates in the EU are mainly the result of different Member States (MS) regulation regarding their national grid infrastructure. Harmonised rules incentivising integration of storage in the grid from household to transmission level will create many new business opportunities for the benefit of the industry and electricity consumers. Access to affordable energy for consumers will make EV charging more attractive and thereby ensure a continued uptake of EVs.

Action 1: Incentivise storage technologies, including batteries as well as V2G solutions as part of the Electrification Action Plan and European Grids Package announced under the Clean Deal Initiative.

Action 2: Make the battery industry eligible for Indirect Cost Compensation: Improve European cost competitiveness in terms of energy prices by including the battery sector under the list of sectors eligible for the indirect cost compensation mechanism under the EU ETS (Emissions Trading System).

Action 3: Make EV ownership more attractive through reduced charging cost and promotion of bidirectional capability for electric vehicles. Today grid fees and other ancillary electricity costs account for a substantial proportion of the charging price, hampering the transition to electrification for both private and commercial customers. The Action Plan on Affordable Energy needs to develop mechanisms ensuring that charging is consistently cheaper than petrol and diesel to make BEVs a cost-effective alternative. Bidirectional capability will enable EV's to provide flexibility services (feed into the grid) at scale and interoperability. This will create financial incentives for their owners as well, boosting the EV uptake in turn.

➢ Pillar II: Simplification of existing regulation

To make Europe more attractive for the battery industry, it's essential to simplify and ease unnecessary regulatory burdens and address Single Market barriers.

The batteries industry is a heavily regulated industry, subject to the EU Batteries Regulation (EUBR), which is unique in its comprehensive scope, being a first if its kind product regulation. This regulation leads to "double regulation" in chemical management (under both the EUBR and REACH) and due diligence (under both the EUBR and the Corporate Sustainability Due Diligence Directive (CSDDD)). Streamlining and increasing policy coherence across these regulations is crucial to avoid redundancy and will help to reduce the reporting burden on companies and reduce administrative complexity. While the omnibus legislation is a positive first step, further efforts are needed to address issues like chemical management.

Consideration in establishing new requirements should also be given to the level of maturity of the battery industry in Europe with many projects still ramping up. Today, manufacturers are already under the scope of the Industrial and Livestock Rearing Emissions Directive (IED 2.0), which means that the industry has to invest today money and resources to engage in the Sevilla process to define battery specific BREFs (a process which can easily take 6 years or more) event though there is no large-scale manufacturing yet. Clear and consistent policies are urgently needed to decrease the uncertainty in the market which was created through the PFAS restriction proposal as well as the Lithium salts classification.

Action1: **Streamline and harmonise the implementation of secondary legislation of Battery Regulation**: Revisit and only implement what adds actual value in terms of increased competitiveness and sustainability.

Action 2: Reduce Double Regulation: While the omnibus legislation is a first good step looking to reduce the administrative burden on companies for Due Diligence, further actions and a harmonized approach are also needed for other regulatory requirements possibly through other Omnibus initiatives.
For the battery industry we need to ensure the avoidance of double regulation in relation to the EUBR when it comes to the Digital Product Passport versus the Battery Passport, various aspects in the ESPR and CRMA, and REACH in relation to Article 6 of the EUBR.
For the automotive industry it needs to be ensured that the following requirements are aligned with the requirements of the EUBR: LCA tool in CO2 target regulation vs Delegated Act on the Carbon Footprint in EUBR, Euro 7 (2024/1257) on BEV durability requirements & vehicle passport vs EUBR.

Action 3: Unleash the Single Market Strength to increase economies of scale and Europe's competitiveness as a business region: Today, Europe is a large market, but still not a Single Market (SM). With the Single Market Strategy, the batteries value chain looks forward to identifying and removing remaining barriers, hand in hand with increased harmonisation and standardization efforts to make use of the SM strength. A Single Market for Waste will help to simplify transport of waste (in the case of the battery industry this also concerns the transport of Black Mass). Transportation is one of the single largest costs in the overall recycling process. The documentation requirement is highly complex, and the administrative burden is causing more problems than it solves. A less complex waste transport and TFS/notification process at least within European Member States will contribute to the growth of a battery recycling industry withing Europe.

- **Pillar III: Demand for sustainable and EU-made products**

Strengthen the demand pull for batteries and EVs produced in Europe.

Action 1: **Introduce demands on local production, resilience and sustainability in a distinct 'Buy European Act'**, introducing requirements for public procurement (e.g. minimum of 70%; modules are considered local when assembly made in Europe). The resilience and sustainability criteria can build on the criteria as already developed under the Innovation Fund. The "Buy EU Act" shall both concern components inside the EV and the EV itself, to avoid penalizing EU OEMs if they have to buy more expansive EU components. Staged over time and realistic, EU Local Content Requirements will ensure that a significant portion of the components and materials are sourced from within Europe. To implement those requirements with realistic yet incentivising targets, decision-makers need to work closely together with the automotive, batteries, and material supply industries.
The introduction of a harmonised "Produced in EU label" should be elaborated as a means for Members States to introduce incentives for the EV market similar to the EcoBonus in France.

Action 2: **Accelerate the uptake of EV demand through the Green Fleets initiative and purchase incentives for EVs based on EU local content requirements and by setting more ambitious AFIR targets**: Continued investment in and expansion of charging infrastructure – for light and heavy-duty vehicles for both public and private consumers – is essential for BEV uptake and thus battery demand.

- **Pillar IV: Global competitiveness and access to raw materials**

Establish fair competition and international relations for a global battery industry.

Action1: **Establish minimum value creation requirements for foreign investments in the EV batteries supply chain**: While partnerships with Chinese companies on EV battery projects might not be fully avoidable, they should be carefully regulated to ensure compliance with European standards and safeguard strategic interests. For this purpose, the EU Foreign Direct Investment (FDI) screening could be enforced at EU level for select strategic technologies like EV batteries. Strengthening and synchronizing FDI screening, along with other investment defense instruments, in alignment with Europe's allies, will help safeguard economic and security priorities in these collaborations. Europe should investigate implementing a policy requiring Chinese battery manufacturers operating in Europe to prioritise local employment – both managerial and operational. This approach would facilitate technology transfer, create jobs, and maintain local control over the supply chain of EV batteries.
Partnerships with reliable suppliers from like-minded countries should be facilitated to help build a stable and more resilient battery supply chain, gain expertise, facilitate technology transfers, and achieve scalability. These collaborations leverage the reliability and strategic alignment of like-minded countries with Europe's interests.

Action 2: Targeted trade defence measures are needed to level the playing field and protect the infant industry in its growth phase. As long as Europe continues to import cheap batteries, materials and EVs from China, our efforts to develop a domestic battery industry will be futile. Apart from the current EV tariffs, tariffs on imported batteries should be investigated to level the playing field and protect local manufacturers. The implementation of these tariffs should be gradual to give domestic manufacturers the opportunity to scale up and form joint ventures. By coordinating these tariff increases with comprehensive supply chain investments, Europe can promote domestic production while preventing supply shortages and economic disruptions.

Action 3: Close the battery material loop and prevent export of strategic materials: Ensure that "equivalent conditions" (Waste Shipment Regulation, Batteries Regulation) are a standard applied across Member States, and install mechanisms to avoid raw materials leakage outside of Europe.
Europe needs to strengthen and diversify the supply chain to create resilience. Today, the up- and midstream production of battery raw materials, chemicals and cathode active materials (CAM) is largely dependent on imported critical raw materials that are mainly processed in China. Insufficient refining capacity in the EU also undermines investor confidence for the recycling industry. Policies to prevent the export (leakage) of strategic materials (including those in the black mass) needed for recycling should be urgently implemented. Keeping these materials within the EU will enhance strategic autonomy and supply security.

- **Pillar V: Funding frameworks**

Europe needs to create financial incentives and an attractive investment climate to accelerate investments in the EU with a focus on strategic projects and scale-ups. Support for mastering large-scale cell production is essential for the success of the European battery industry. This development should also include the European production equipment sector, reducing dependency on Asian partners. The

development of the European battery industry goes hand in hand with the development of a European production equipment sector. By investing in the development of resilient homegrown battery ecosystem, including the production equipment sector, we can stimulate economic growth and provide employment to a skilled workforce.
The battery industry can be classified as an "infant industry" (a concept elaborated in the Draghi report) and specific support mechanism during the scale up phase could be justified as protective measures for a limited number of years until the emerging projects have reached industrial scale production and competitiveness.

Action 1: Channel and earmark funding: To strengthen support for scaling of a domestic battery industry, it is crucial to channel the available finance effectively and earmark this funding to ramping up industrial production. This can be achieved through leveraging of existing support programs such as the IPCEI, TCTF and the Innovation Fund for Batteries (InnovFund-2024-BATT). To accelerate the rollout of renewable energy and ensure manufacturing capacity in Europe, the European Commission can introduce simpler, targeted state-aid rules to encourage clean tech investments and boost the region's industrial competitiveness.
Europe needs to simplify and improve those existing initiatives and if needed, complement them with measures to make full use of their potential as they are not sufficient to support this infant industry in scaling up. Specifically for start-ups the disbursement of funds shall be accelerated. When funding is obtained, getting it quickly is of the essence to remain competitive in the growth phase.

Action 2: **Create a dedicated production support scheme to provide OPEX support until the competitiveness gap is reduced**. This support scheme could be developed under the Competitiveness Fund – but dedicated to the battery industry, to help reduce market failures and leverage public funding to mobilize private investment. This part of the Competitiveness Fund should be aligned with NZIA and CRMA objectives for projects along the battery manufacturing value chain, focusing on advanced materials, components manufacturing, and recycling.

Action 3: Elaborate innovative business and cooperation models: Cross-sectoral initiatives between academia, research, industry, policy, and the financial community to develop projects without violating antitrust and competition laws for identified strategic sectors, such as the battery industry, should be encouraged and facilitated. These partnerships can focus on developing resilient supply chains and promoting local production.
Encouraging public-private partnerships can attract additional investments and expertise from the private sector. We need to develop new business model for investments in CleanTech mixing private & public power, where the public sector would serve as trusted & "derisking" entity, unlocking the private capital, coming by instance from pension funds.
The public sector can, for example, through entities like national development banks or green investment banks, provide financial instruments and guarantees to reduce the risks associated with investments in the battery industry. This toolbox could include loan guarantees, subsidies and grants or Insurance Mechanisms (providing insurance against specific risks, such as regulatory changes or technology failures).

- **Pillar VI: Skills and Fair transition**

Europe can create a robust job market in the transition to electrification, ensuring sustainable economic growth. Prioritising investment in education and re-skilling is essential to tackle the shortage of skills in crucial technology sectors, and to attract and retain top talent from both within and outside the EU.

Action 1: Facilitate seamless integration of international experts into the labour market including improved processes for the recognition of professional qualifications in the EU and encouraging labour mobility within the EU.

Action 2: Implement incentives for job creation such as tax incentives and hiring subsidies. They can play a crucial role in promoting job creation in the transition to electrification, ensuring a robust workforce to support the growth of clean technology and sustainable energy solutions.
Offer tax credits or temporarily lower corporate tax rates for companies that create new jobs in the electrification sector. For example, a company that hires workers to develop electric vehicle (EV) charging infrastructure or manufacture batteries could receive a tax credit for each new job created.
Subsidies for hiring could be provided to companies that hire workers for electrification projects, especially in regions with high unemployment rates.

Action 3: Enhance consumer awareness: Educate consumers and raise awareness among consumers about the benefits of electrification and the job opportunities it creates.

Annex: Summary of the RECHARGE Action Plan for the Clean Industrial Deal

CID Pillars	Actions	How
Pillar I: Affordable energy	**Action 1: Incentivise storage technologies**	Include batteries as well as V2G solutions as part of the Electrification Action Plan and European Grids Package announced under the Clean Deal Initiative.
	Action 2: Make the battery industry eligible for Indirect Cost Compensation	Include the battery sector under the list of sectors eligible for the indirect cost compensation mechanism under the EU ETS (Emissions Trading System).
	Action 3: Make EV ownership more attractive through reduced charging cost and promotion of bidirectional capability for electric vehicles	Develop mechanisms ensuring that charging is consistently cheaper than petrol and diesel to make BEVs a cost-effective alternative as part of the Action Plan on Affordable Energy. Promote bidirectional capability that will enable EV's to provide flexibility services (feed into the grid) at scale and interoperability.
Pillar II: Simplification of existing regulation	**Action1: Streamline and harmonise the implementation of secondary legislation of Battery Regulation**	Revisit the Battery Regulation and only implement what adds actual value in terms of increased competitiveness and sustainability.
	Action 2: Reduce Double Regulation	Avoid double regulation in relation to the Battery Regulation when it comes to the Digital Product Passport versus the Battery Passport, various aspects in the ESPR and CRMA, and REACH in relation to Article 6 of the EU Batteries Regulation. For the automotive industry it needs to be ensured that the following requirements are aligned with the requirements of the EU Batteries Regulation: LCA tool in CO2 target regulation vs DA on CF in EUBR, Euro 7 (2024/1257) on BEV durability requirements & vehicle passport vs EUBR.
	Action 3: Unleash the Single Market strength to increase economies of scale and Europe's competitiveness as a business region	Identify and remove barriers, hand in hand with increased harmonisations and standardisation efforts to make use of the Single Market strength. Develop a Single Market for Waste to simplify transport of waste within the EU.
Pillar III: Demand for sustainable and EU-made products	**Action 1: Introduce demands on local production, resilience and sustainability in a distinct 'Buy European Act'**	Introduce staged over time and realistic local content requirements for public procurement. To implement those requirements with realistic yet incentivizing targets, decision-makers need to work closely together with the automotive, batteries, and material supply industries. The introduction of a harmonised "Produced in EU label" should be elaborated as a means for Members States to introduce incentives for the EV market (similar to the EcoBonus in France).
	Action 2: Accelerate the uptake of EV demand through the Green Fleets initiative and purchase incentives for EVs based on EU local content requirements and by setting more ambitious AFIR targets	Develop the Green Fleets initiative and purchase incentives for EVs based on EU local content requirements and by setting more ambitious AFIR targets. Continued investment in and expansion of charging infrastructure – for light and heavy-duty vehicles for both public and private consumers – is essential for BEV uptake and thus battery demand.

Pillar IV: Global competitiveness and access to raw materials	**Action1: Establish a minimum value creation requirements for foreign investments in the EU**	Ensure compliance with European standards and safeguard strategic interests in cooperation with Chinese companies and enforce the EU Foreign Direct Investment (FDI) screening at EU level for select strategic technologies like EV batteries. Investigate implementing a policy requiring Chinese battery manufacturers operating in Europe to prioritize local employment – both managerial and operational to facilitate technology transfer, create jobs, and maintain local control over the supply chain of EV batteries. Partnerships with reliable suppliers from like-minded countries should be facilitated to help build a stable and more resilient battery supply chain, gain expertise, facilitate technology transfers, and achieve scalability. These collaborations leverage the reliability and strategic alignment of like-minded countries with Europe's interests.
	Action 2: Targeted trade defence measures	Tariffs on imported batteries should be investigated to protect local manufacturers. The implementation of these tariffs should be gradual to give domestic manufacturers the opportunity to scale up and form joint ventures. By coordinating these tariff increases with comprehensive supply chain investments, Europe can promote domestic production while preventing supply shortages and economic disruptions.
	Action 3: Close the battery material loop and prevent export of strategic materials	Ensure that "equivalent conditions" (Waste Shipment Regulation, Batteries Regulation) are a standard applied across Member States, and install mechanisms to avoid raw materials leakage outside of Europe. Strengthen and diversify the up- and midstream supply chain to create resilience and boost European refining capacity. Implement policies to prevent the export of strategic materials, including black mass to enhance strategic autonomy and supply security.
Pillar V: Funding frameworks	**Action 1: Channel and earmark funding**	Channel the available finance effectively and earmark this funding to ramping up industrial production. Leverage of existing support programs such as the IPCEI, TCTF and the Innovation Fund for Batteries (InnovFund-2024-BATT). Introduce simpler, targeted state-aid rules to encourage clean tech investments and boost the region's industrial competitiveness. Simplify and improve existing initiatives and complement them with additional measures to make full use of their potential to support this infant industry in scaling up. Accelerate the disbursement of funds.
	Action 2: Create a dedicated production support scheme to provide OPEX support until the competitiveness gap is reduced	Develop a dedicated production support scheme for the battery industry under the Competitiveness Fund. Leverage public funding to mobilize private investment.
	Action 3: Elaborate innovative business and cooperation models:	Encourage and facilitate cross-sectoral initiatives between academia, research, industry, policy, and the financial community to develop projects without violating antitrust and competition laws for identified strategic sectors, such as the battery industry. Encourage public-private partnerships to attract additional investments and expertise from the private sector. Develop new business model for investments in CleanTech mixing private & public power, where the public sector would serve as trusted & "derisking" entity, unlocking the private capital (e.g. from pension funds).

Pillar VI: Skills and Fair transition	**Action 1: Facilitate seamless integration of international experts into the labour market**	Facilitate seamless integration of international experts into the labour market including improved processes for the recognition of professional qualifications in the EU and encouraging labour mobility within the EU.
	Action 2: Implement Incentives for Job Creation	Implement Incentives for job creation such as tax incentives and hiring subsidies. They can play a crucial role in promoting job creation in the transition to electrification, ensuring a robust workforce to support the growth of clean technology and sustainable energy solutions. Offer tax credits or temporarily lower corporate tax rates for companies that create new jobs in the electrification sector. For example, a company that hires workers to develop electric vehicle (EV) charging infrastructure or manufacture batteries could receive a tax credit for each new job created. Subsidies for hiring could be provided to companies that hire workers for electrification projects, especially in regions with high unemployment rates.
	Action 3: Enhance consumer awareness	Educate consumers and raise awareness among consumers about the benefits of electrification and the job opportunities it creates.

ABOUT RECHARGE
RECHARGE is the European industry association for advanced rechargeable and lithium batteries. Founded in 1998, it is our mission to promote advanced rechargeable batteries as a key technology that will contribute to a more empowered, sustainable and circular economy. RECHARGE's unique membership covers all aspects of the advanced rechargeable battery value chain in Europe: from suppliers of primary and secondary raw materials, to battery, equipment and original equipment manufacturers (OEMs), to logistic partners and battery recyclers. www.rechargebatteries.org

Contact: Kinga Timaru-Kast, Director, Public Affairs & Communications, ktimaru-Kast@rechargebatteries.org

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