



ADVANCED RECHARGEABLE & LITHIUM BATTERIES ASSOCIATION

RECHARGE recommendations for the EU industrial action plan for the automotive sector

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Electromobility is without a doubt at the forefront of the transition. The challenges of the European car industry in its transition to electrification and the attempt to build up a European battery ecosystem are intimately connected. To future-proof the strategic autonomy and technology leadership of our automotive industry we need a resilient and sustainable homegrown battery value chain. One cannot work without the other! It is therefore imperative that decisive and coordinated actions to support the growth of an alternative European battery supply chain are addressed in the EU industrial action plan for the automotive sector.

The EU's stated objective in 2017 was for Europe to become the second largest battery manufacturer by 2025 and reach 20% of global production capacity. European production reached 44 GWh in 2020, about 6 % of global capacity and was expected to increase to 400 GWh by 2025, with the EU becoming the world's second largest battery cell producer after China, involving 800,000 jobs and generating around €250 billion per year in terms of economic activity. This was the objective – but are we getting there? The number of announced lithium-based cell gigafactories increased to about 40 projects in Europe, but we saw in 2024 projects cancelled, delayed, put on hold or downscaled. This negative trend puts the future of the European automotive industry at risk if we want to develop resilient and sustainable supply chain alternatives to decrease our dependencies on materials as well as technological know-how/leadership.

2025 is a 'make or break' year for our continent's batteries industry and the EU automotive industry's future role in the energy transition alike. The battery and electric vehicles (EVs) industry share the same future. In order to safeguard and create jobs, enable technological innovations and decrease dependencies we need to have the same long-term vision to establish a European supply chain alternative! RECHARGE, representing the European battery industry, welcomes its participation to the Strategic Dialogue as an opportunity to develop tangible actions alongside and in communication with the European automotive sector.

A domestic battery value chain – a key enabler for the shift to zero-emission transport and mobility

Apart from their key role in the shift to electrification of the automotive industry, 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 growth of a homegrown battery ecosystem contributes, therefore, in a wider context to Europe's industrial prosperity and job creation.



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Why locally produced batteries should matter – for the EU and the automotive industry

The European battery industry, like the EV sector, is facing challenges in sustaining itself amid aggressive low-price competition with Chinese batteries. Therefore, urgent EU action is needed to level the playing field. The European automotive industry can only remain global leader and become truly competitive in the EV segment if a strong resilience in its value chain is created by establishing a competitive alternative value chain of batteries which is based in Europe. The ever-increasing dependency of the EV manufacturers value chain from Chinese supply is dangerous as it can be weaponized. This has already been showcased by announced potential export bans on graphite, a material essential for battery production as well as export control on crucial key technologies for battery production in order to prevent technology transfer. In times of growing geopolitical tensions and profound technological shifts, protective measures such as the FDI Screening, etc. could be utilized to a greater extent to reduce our dependency on the Chinese battery supply chain and help level the playing field. But our dependency in the fossil fuel segment does not need to be replicated for the EV value chain if there is a competitive battery manufacturing industry in Europe and following that, the development of the entire battery value chain from local mining to material processing, component manufacturing (such cathode active material and anode active material) as well as battery recycling.

Europe needs to be bold on setting conditions for this infant industry to scale up in Europe and become mature and competitive whilst supporting the next short-term generation of batteries (Na-ion, solid state...). It is not one or the other. Those efforts need to go hand in hand to build the capacities for industrial mass production.

RECHARGE recommends that under the 'Competitiveness and resilience' chapter, the development of a domestic battery value chain needs to be acknowledged as key pillar to ensure the future prosperity of the European automotive industry. The European automotive industry can only remain global leader and become truly competitive in the EV segment if a strong resilience in its value chain is created by establishing a competitive alternative value chain of batteries which is based in Europe. **For this we need to develop a common long-term vision to establish a European supply chain alternative!**

Key recommendations for the EU industrial action plan for the automotive sector

To lead the transition towards electromobility and reduce Europe's dependency on external battery supply chains, it is vital to create a unified vision and commitment to establish a domestic battery value chain. This vision should focus on:

1. Develop a Joint Vision for Electromobility and a Domestic Battery Chain
2. Create an attractive investment climate
3. Stimulate Demand for Batteries and EVs Produced in Europe
4. Provide Production support for the Battery Industry during the Ramp-up Phase
5. Secure EU Sovereignty for the Supply of Materials and Technology
6. Simplify and Ease Regulatory Burdens and Address Single Market Barriers.

By focusing on these key areas, Europe can secure a sustainable and prosperous future for its automotive industry and beyond, through the development of a domestic battery value chain.



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1. Develop a Joint Vision for Electromobility and a Domestic Battery Chain

Recognize the Battery Industry as a Strategic Industry

Identifying the battery industry as a strategic sector is crucial for Europe's economic and technological leadership. This designation will underscore the industry's importance and prioritize investments, policies, and resources to support its growth and development. By recognizing the battery industry as strategic, Europe can ensure a resilient and competitive supply chain, foster innovation, create jobs, and enhance its global leadership in sustainable technologies. This initiative should be recognized as a critical element not only for the future success of the European automotive industry, a domestic battery value chain will also support other mobile and stationary applications. This includes infrastructure such as energy storage systems, grid support, and other innovative uses including a thriving machinery and equipment supplier industry.

2. Create an attractive investment climate

To foster an attractive investment climate for electrification, it is essential to provide stability and clear direction. Here's how we can achieve this:

Maintain Stability in the Electrification Trajectory: Ensure that the path to decarbonize the transport sector remains consistent. Investors and car buyers alike need confidence in the long-term targets, particularly the CO2 reduction target set for 2035.

Provide Time and Consistency: Recognize that achieving success in this transition requires time and consistent effort. Avoid any deviations from the established long-term goals. Only by providing a stable and predictable environment, we can encourage investments in the electrification sector and give car buyers the confidence to transition to EVs. This approach will support the growth and success of the electric vehicle market in the long term.

Ensure Reliable Support Schemes: Create and maintain steady EU wide support schemes for electric vehicles (EVs) and charging infrastructure to boost the uptake of electric vehicles for both light and heavy-duty vehicles. This will help avoiding the "stop and go" approach often experienced at Member State level that can create uncertainty and deter investment. Such support should be tied to EU Local Content Requirements. This would ensure that a significant portion of the components and materials are sourced from within Europe or Free Trade Agreement (FTA) countries. Work closely with the automotive, batteries, and material supply industries to implement these requirements.

3. Stimulate Demand for Batteries and EVs Produced in Europe

To boost the demand for batteries and electric vehicles (EVs) produced in Europe, it's crucial to implement a variety of policy tools, both fiscal and non-fiscal tied to EU Local Content Requirements. This would ensure that a significant portion of the components and materials are sourced from within Europe or Free Trade Agreement (FTA) countries. Work closely with the automotive, batteries, and material supply industries to implement these requirements.

Differentiated Tax Breaks and Subsidies: Introduce tax breaks, subsidies, and bonuses for end-consumers and corporate fleets, preferably at EU level. This could be part of a Corporate Fleet Initiative that encourages companies to adopt EVs. National tax incentives should be better aligned with European funding mechanisms to reduce dependence on individual states' fiscal capacities and encourage Member States to collaborate.



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Build Charging Infrastructure: Rapidly expand charging infrastructure for both light- and heavy-duty vehicles. This will make EVs more convenient for consumers, driving up demand.

Implement Quotas: Set quotas for corporate fleets to ensure a certain percentage of vehicles are electric.

Public Support with Conditions: Provide public support for green fleets and EU-wide EV subsidies. This support should come with conditions that prioritize European-made products and high-quality employment.

Local Content Requirements: Develop local content requirements similar to the Rules of Origin in the EU-UK Trade and Cooperation Agreement. This would ensure that a significant portion of the components and materials are sourced from within Europe or Free Trade Agreement (FTA) countries. Work closely with the automotive, batteries, and material supply industries to implement these requirements.

Public Procurement and Auctions: Make local content a requirement in public procurement and auctions. This should be based on local value creation and sustainability arguments. Strengthen non-price criteria beyond the scope of the Net-Zero Industry Act.

These measures will help create a strong market for sustainably made batteries and EVs in Europe, addressing the current shortfall in EV adoption and supporting the local industry.

4. Provide Production support for the Battery Industry during the Ramp-up Phase

The nascent battery industry needs output-focused support schemes with the introduction of OPEX support. 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. This can be achieved through:

Focus on Ramping up of Industrial Production: Focus support on mastering large-scale cell production, which 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.

Develop OPEX Support Schemes: Introduce specific support mechanisms focused on OPEX to help the battery industry transition from emerging projects to industrial-scale production. This is particularly important as the industry is classified as an "infant industry" (a concept elaborated in the Draghi report).

Leverage existing Support Programs: IPCEI, TCTF and now the Innovation Fund for Batteries (InnovFund-2024-BATT) are some first good steps in the right direction, but not sufficient to support this infant industry in scaling up. We need to simplify and improve those existing initiatives and if needed, complement them with measures to make full use of their potential.

Support Public-Private Partnerships and Collaboration Models for Strategic Industry Sectors:

To establish a vertically integrated battery industry in Europe, it will be crucial to leverage public-private partnerships and make large-scale infrastructure investments. Industry cooperation for identified strategic industry sectors beyond the pre-commercial scale without violating antitrust and compliance laws should be facilitated.

Channel Finance to Boost Support for the Domestic Battery and EV industry: To strengthen support for the domestic battery and EV industry, it is crucial to channel the available finance effectively. In the short-term unspent money from the Recovery and Resilience Facility could be channeled to strategic industry sectors such as the battery industry, the Social Climate Fund could be used to set up social leasing schemes. Other examples could be the recently imposed tariffs on Chinese-made electric vehicles and the potential CAFÉ (Corporate Average Fuel Economy) penalties. If those penalties were to be paid to the Commission, this finance should be allocated to support an EU-wide bonus program focusing on vehicles that meet a minimum European content requirement and an OPEX support scheme, similar to the US Inflation Reduction Act (US IRA).

EU Guarantees: Utilize EU guarantees to unlock more private investments by reducing risk. This will make longer-horizon innovation investments more feasible.

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).

5. Secure EU Sovereignty for the Supply of Materials and Technology

To ensure a secure supply of materials and technology for the battery industry, it's essential to address and mitigate supply chain bottlenecks. Europe cannot afford to remain dependent on Chinese imports for a strategic industry such as the automotive industry. Should there be any disruptions in the supply chain, European companies will face shortages and rising costs, putting our economic growth and jobs at risk.

Strengthen and diversify the supply chain to create resilience: 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. By boosting local production and refining capabilities through e.g. local content requirements or other incentives we can reduce this dependency.

Prevent the Export of Strategic Materials: Implement policies to prevent the export of strategic materials, including black mass, needed for recycling. Keeping these materials within the EU will enhance strategic autonomy and supply security.

Foster Innovation: Encourage innovation to stay competitive in battery manufacturing. This includes supporting the development of next-generation cells such as sodium-ion (Na-ion) and lithium-metal solid-state batteries, as well as incorporating AI and machine learning into battery manufacturing processes.

Collaborate with Reliable Suppliers: Facilitate partnerships with reliable suppliers from like-minded countries to 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. While partnerships with Chinese companies might be necessary, 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. 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.

6. Simplify and Ease Regulatory Burdens and Address Single Market Barriers

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

Streamline and Reduce Double Regulation: The batteries industry is a heavily regulated industry, subject to the Batteries Regulation which is unique in its comprehensive scope, being a first of its kind product regulation. This regulation leads to "double regulation" in chemical management (under both the Batteries Regulation and REACH) and due diligence (under both the Batteries Regulation 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.

Clear and consistent policies: There is urgently a need to decrease the uncertainty in the market which was created through the PFAS restriction proposal as well as the Lithium salts classification. Clear and consistent policies are needed to provide stability for the industry.

A Strong Single Market with Harmonized Rules: Despite being a large market, Europe is still not a fully integrated Single Market. With the Single Market Strategy, the battery value chain expects that remaining barriers are identified and removed, hand in hand with increased harmonization and standardisation efforts, to make use of the full Single Market strength. Rules and reporting requirements differ across Member States, sometimes even at the local level. This creates complications and additional costs, such as with the transport of black mass within Europe or permitting procedures and requirements. Harmonizing these rules and reporting requirements will streamline operations and reduce costs.

By addressing those issues, we make better use of the full Single Market strength, making Europe a more attractive and competitive location for industry.



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

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