



ADVANCED RECHARGEABLE & LITHIUM BATTERIES ASSOCIATION

## **RECHARGE recommendations for the draft new State aid Framework to support the Clean Industrial Deal (Clean Industrial Deal State Aid Framework – CISAF)**

April 2025

RECHARGE, representing the European battery industry, welcomes the Commission's plan to revise the State Aid rules to ensure a successful implementation of the Clean Industrial Deal objectives. We especially welcome that this revision aims to direct State Aid toward clean energy projects, promote industrial decarbonisation, and expand manufacturing capacity for clean technologies.

A new State Aid framework is essential to provide targeted and simplified support for Clean Industrial Deal objectives without leading to market distortions. Building on the experience of the Temporary Crisis and Transition Framework (TCTF), RECHARGE welcomes the Commission's efforts to maintain simplified and flexible rules for quick approval of State aid measures, particularly for renewable energy, decarbonisation and manufacturing of clean-tech products (including batteries) and their components and critical raw materials.

RECHARGE also welcomes the predictability created, as the CISAF will be in force until 31 December 2030, offering a longer planning horizon for Member States, and investment predictability and certainty for businesses as compared to the TCTF.

The Commission intends with the CISAF to allow Member States to provide higher aid amounts to match the level of support offered in third countries for a particular project, to avoid investments being diverted away from Europe – which is positive. However, the draft Communication lacks clarity on addressing this effectively.

RECHARGE welcomes the chance to provide feedback on the CISAF framework, particularly on measures to ensure sufficient manufacturing capacity for clean technologies, with batteries included in its initial scope. The focus of RECHARGE's feedback is mainly on Section 6 of the draft, 'Measures ensuring sufficient manufacturing capacity in clean technologies'.

On 5th of March 2025, with the presentation of the Automotive Action Plan, the Commission has announced to look into EU direct production support to companies manufacturing batteries in the EU. It announced that the EU support could be combined with State aid, and that it will work on simplified State aid rules to ensure sufficient manufacturing capacity in Europe for batteries and their key components. RECHARGE regrets to see that this crucial aspect appears to be missing from the draft CISAF Communication.

The EU aimed in 2017 to become the second-largest battery manufacturer by 2025, targeting 20% of global production capacity. European output reached 44 GWh in 2020 (6% of global capacity) and was projected to grow to 400 GWh by 2025, supporting 800,000 jobs and generating €250 billion annually. However, many battery value chain projects have recently been cancelled, delayed, or scaled back, undermining scalability, profitability, and the development of a robust EU supply chain.



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With 2025 as a decisive year for Europe's battery industry and its role in the energy transition and automotive sector, reversing this negative trend is imperative. Achieving the 2030 target of 40% EU-made batteries and unlocking socio-economic benefits depends on the survival of a domestic battery industry. To safeguard jobs, foster innovation, and reduce dependencies, Europe must establish a long-term vision for a resilient supply chain.

Given the global imbalance and market distortion created through the dedicated support mainly in China and the USA to their batteries industries, the question whether traditional mechanisms are sufficient to build a new competitive industrial segment in Europe needs to be raised. The current State Aid framework and European funding programmes are not fit for purpose to address this infant industry's challenges in a distorted international environment.

This is why RECHARGE replies to the CISAF public consultation and will do as well on MFF's Competitiveness Fund consultation. RECHARGE looks forward to collaborating with the Commission to design a more impactful and cost-effective support framework that secures a strong future for Europe's emerging battery industry. The growth of a homegrown battery ecosystem contributes as a key enabler for the energy transition, decarbonisation and digitalisation and therefore in a wider context to Europe's Green Deal objectives, industrial prosperity and job creation.

The RECHARGE contribution can be found in the section 'Aid to ensure sufficient manufacturing capacity in clean technologies'.

### Key recommendations for the Clean Industrial Deal State Aid Framework – CISAF

Current State Aid rules for cleantech manufacturing are project-specific, relying on complex and lengthy, often non-transparent negotiations based on 'funding gaps', favoring incumbents over newcomers, and failing to directly address the higher production costs in Europe compared to global competitors. An update of the State Aid rules is necessary to keep Europe competitive in cleantech manufacturing like batteries.

#### 1- Reforming State aid rule necessary to allow for production support:

RECHARGE recommends a complete reform of the State Aid rules. Such a reform is essential to address the current needs of Europe's batteries industry and support the scale-up of manufacturing. The problem lies deeper than State aid just being 'slow and complex'. The core design of the State Aid framework itself must be fundamentally revised to meet the challenges of this evolving sector.

State Aid rules today are not fit for purpose for 'infant industries' such as the batteries industry in the phase of ramping and scaling up production. Today's State aid will not support closing the competitiveness gap, as the current rules are failing to directly address the higher production costs in Europe compared to global competitors in an unfair level playing field. The output-based production support is the missing piece in the proposed CISAF.

Aid based on production output would be in line with and allow the swift implementation of the "Battery Booster" package announced by the Commission in the Automotive Action Plan.

## **2- Onshoring value chains as a strategic foresight to build resilience:**

State aid should be allowed based on production output, with a possible premium when linked to localization of the value chain. RECHARGE recommends moving from a project-by-project assessment to instead making aid production-based and conditional on 'EU content' - creating spill-over effect to other parts of the value chain as well as added value and resilience in Europe.

## **3- Production aid brings a number of advantages:**

Production aid brings a number of advantages, especially when compared to project-based support. These are predictability, bankability and transparency for the applicant as well as private investors, directly lowering marginal production cost, moving risk away from taxpayers to the manufacturer and investor as State aid is only paid for successful production output, and it opens the possibility for 'local content and control' requirements.

Output-based support, such as X €/kWh for battery cells production, for instance, directly reduces the marginal cost of battery cell production. Current state aid, often provided as lump sums based on 'funding gaps', does not guarantee a reduction in marginal costs.

Further boosting competitiveness, output-based production support means increased bankability for industry as a predictable revenue stream is associated with actual production. This makes projects more attractive to investors.

## **4- The concept 'before start of works' does not allow for aid in the scale-up phase:**

In the draft CISAF Communication Section 6.1 (124) and 6.2 (133) RECHARGE recommends deleting the reference to 'before start of works' as a eligibility criteria for aid application. The proposed rule to only allow for application for State Aid if related works are not started will unavoidably lead to investment delays, investment rationalization or investment leakage.

The concept of demonstrating that without the aid the investment would not take place in the EEA in 6.2 (134) can be maintained but it should be carefully reviewed to ensure that output-based production support is compatible.

Furthermore, the section 6.2 is a very important part of the measures to ensure sufficient manufacturing capacity and determines Europe's future competitiveness in clean tech. This section needs to be significantly simplified by removing a number of built-in obstacles for aid application such as providing proof of not negatively impacting other regions in the EEA which is almost impossible. The main objective of State aid should be to create leverage for global competitiveness and localisation and such obstacles need to be avoided.

## **5- Alignment of maximum amount of aid to the TCTF:**

The draft CISAF maintains the TCTF aid intensity (e.g. 15%), but has reduced the max. amount. RECHARGE recommends aligning the maximum aid allowed to the levels of the TCTF. While Europe launched an ambitious Clean Industrial Deal and Automotive Action Plan in the context of the Competitiveness Compass, we do not see a valid reason why the maximum amount of aid possible is lowered in the current CISAF text compared to the TCTF. To support the clean transition and boost the deployment of energy

storage in the EU, we would suggest proposing an increase of the max amount, at least to be maintained to the same level as in the TCTF (e.g. €150M).

## 6- Alignment with the Net Zero Industry Act technologies:

RECHARGE supports the alignment of the scope of section 6 of the CISAF with the scope of the Annex of the Net Zero Industry Act (NZIA) eligible for possible State aid for clean tech manufacturing activities. More than reference to identifiable market failures in ensuring resilient supply of such technologies, the coherence between the objectives of different pieces of EU legislation and simplification needs to be guiding principle - in line with the announced objective of the new mandate of the Commission. The list of relevant technologies should align with the NZIA and the upcoming implementing act on final products, main specific components and primarily used components.

Output-based production support needs to allow support of the ramping-up and the scaling-up at battery producers as well as producers of battery components (cathode active materials and precursors, anode active materials, separators, electrolytes ...) and the associated battery-grade critical raw materials.

At the minimum the approved 'Strategic Projects' under the NZIA and the Critical Raw Materials Act (CRMA) need to be eligible for State aid to ensure sufficient manufacturing capacity in clean technologies. As such State aid could be channeled in supporting achieving the NZIA and CRMA objectives for EU-based manufacturing/production.



### 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](http://www.rechargebatteries.org)

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