ADVANCED RECHARGEABLE & LITHIUM BATTERIES ASSOCIATION

RECHARGE recommendations for upcoming IF25 Calls Proposals for Batteries

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RECHARGE, representing the European battery industry, welcomes the opportunity to share our sectoral insights regarding the Commission's upcoming IF25 Calls for Proposals with a specific focus on battery manufacturing.

The European battery industry is facing mounting pressure from an uneven global playing field that threatens its long-term competitiveness and strategic autonomy. Despite growing demand for clean technologies, several structural and systemic challenges are impeding Europe's ability to scale a resilient and profitable battery value chain.
Production costs in the EU remain significantly higher than in global competitors such as the United States and China - largely due to elevated energy prices and operating expenses. Meanwhile, massive industrial subsidy packages like the U.S. Inflation Reduction Act (IRA) and extensive state support in China have tilted the competitive balance, drawing investment and production capacity away from Europe.
In parallel, Europe's lagging electric vehicle uptake has led to weaker domestic demand for locally produced batteries, further reducing the investment appetite for industrial expansion. At the same time, the market has seen a sharp surge in imports of lower-cost battery products from China, putting additional pressure on European producers.
Crucially, many European battery projects continue to face serious financing hurdles. The lack of long-term funding certainty and bankable offtake contracts make them vulnerable to volatile market conditions. And even when investments materialize, ramping up battery production is anything but straightforward: the EU lacks sufficient operational know-how, has limited access to specialized manufacturing equipment, and suffers from gaps along the upstream and midstream supply chain, increasing reliance on external providers. The complex chemical processes involved are highly sensitive, difficult to scale, and prone to inefficiencies such as high scrap rates and quality delays during the learning phase.

While the Innovation Fund has been instrumental in supporting breakthrough technologies and large-scale demonstrators, its ability to bridge the critical ramp-up and scale-up phase - especially for battery manufacturing - is still limited. This phase, often referred to as the "industrial learning curve," or "valley of death" is where capital costs are high, production yields are volatile, and scrap rates can threaten project viability. It's also where Europe risks losing global ground if companies cannot move efficiently from pilot to full commercial scale.

To secure the future of Europe's battery industry, a dedicated funding instrument is therefore urgently needed; tailored to address the specific bottlenecks of industrial ramp-up as well as the temporary competitiveness gaps. Without such targeted support, even high-potential projects risk stalling before reaching commercial maturity.

In this context, **the Innovation Fund becomes a vital instrument, not only to support breakthrough technologies, but to de-risk industrialization and help European players overcome the valley of death between pilot scale and full commercial operation if designed fit-for-purpose**.

Key recommendations for the upcoming IF25 Calls Proposals for Batteries:

Our key recommendations for 2025 to ensure the growth of a resilient European battery industry with support from the Innovation Fund, presented at the stakeholder workshop on 27th of July are presented below (these were previously also mentioned in RECHARGE's input to the Clean Industrial Deal and the Automotive Action Plan):

1. **Development of FIT-FOR-PURPOSE Innovation Fund for Battery Industry with temporary, output-based production support for the ramp-up and scale-up phase**

Support during the industrial learning phase is critical to narrowing Europe's competitiveness gap in battery manufacturing. During this early phase — marked by unstable yields and high scrap rates — well-calibrated public support can help manufacturers reduce costs and accelerate operational maturity. Output-based production aid, calculated in €/kWh, offers a direct and transparent link between financial support and verified industrial output. This approach not only reduces marginal production costs, but also rewards efficiency and ensures accountability.
The €1.8 billion allocated under the Automotive Action Plan provides a strong foundation for launching such a mechanism in 2025, with funding disbursed against measurable output benchmarks. Looking ahead, an expanded financial envelope for the post-2027 period would enable the continued deployment and scale-up of this support model. Structured as time-bound support with defined tapering mechanisms as operations mature, this approach provides a stable and predictable framework for investment—bolstering confidence in Europe's capacity to ramp up clean battery production at scale.

2. **Create spillover effects with sustainability and resilience criteria to drive domestic market demand**

The introduction of sustainability and resilience criteria under the Innovation Fund 2024 (IF24) Call for Batteries was a welcome step toward building a more resilient and future-proof battery value chain in Europe. These criteria not only guide the allocation of funding toward projects with greater environmental and strategic value — they also help catalyze broader industrial transformation.
Embedding sustainability and resilience criteria in support schemes creates positive spill-over effects with lasting, systemic benefits. This approach stimulates innovation across the entire value chain, encourages local sourcing and circularity, and accelerates the development of domestic capabilities.
Crucially, increased local content and transparency around sourcing build public trust and political legitimacy for ongoing funding. In a competitive global landscape, smart demand-side policy, combined with well-designed local content requirements (LCRs) can tip the scales, anchoring value creation and job growth within the EU while reinforcing long-term industrial resilience.
RECHARGE recommends that LCRs be used as positive incentives, not market access barriers. Projects that deliver local employment, skills development, and industrial capacity should be rewarded with preferential access to public support tools such as grants, procurement contracts, and financing mechanisms. This approach should span the entire battery value chain, including components, equipment, manufacturing machinery, and related services, to maximize economic impact and strengthen Europe's industrial base.

3. Ensure sufficient funding for the growth of a resilient battery ecosystem

Despite its strategic role in Europe's green transition and industrial competitiveness, the battery sector has received only about 5% (€600 million) of the Innovation Fund's total disbursements to date; a significant under-investment given the strategic importance of the sector.
To better serve the battery industry, the Innovation Fund design should be restructured to include separate, dedicated calls - one for carbon capture technologies and another for renewable energy and energy storage solutions, including battery manufacturing. This would ensure more targeted support for technologies that directly contribute to emissions reduction and industrial competitiveness. To fully realize the potential of clean mobility, energy storage, digital innovation and circular value chains, our recommendation is that dedicated support be explicitly earmarked for the battery sector including:

- Battery upstream activities within Regular Grants - including materials processing, precursor development, and active component manufacturing - to ensure strategic autonomy across the supply chain.
- Next-generation battery technologies, such as solid-state and sodium-ion batteries, through Clean-Tech Manufacturing and Pilot Project Grants. These projects often face steep development and scale-up costs and will be key to ensuring Europe's technological edge.
- Enabling technologies that underpin industrial scale-up and sustainability — including AI-driven battery management systems (BMS), high-efficiency production equipment, advanced recycling solutions, and second-life applications — to drive system-wide innovation.

4. Development of a dedicated, standalone "Battery Industrial Accelerator Facility" if production support is not feasible due to "Start of Work" limitations under the Innovation Fund

To support Europe's strategic goal of scaling domestic battery manufacturing, new financial tools must address the limitations of existing aid frameworks. One such limitation is the restriction on production support due to the "Start of Work" rule under EU State aid law and the Innovation Fund framework, which disqualifies projects from receiving certain types of funding once capital expenditure has begun.
RECHARGE calls therefore for the urgent deployment of a dedicated EU-level funding instrument tailored to the needs of battery cell producers in the early stages of industrial ramp-up such as the introduction of **output-based financial top-ups.** This is a performance-linked mechanism that disburses support only after production has started, based on verified industrial output (e.g. €/kWh of cells or modules produced). This model ensures timely support without breaching aid rules and addresses critical challenges faced by early-stage manufacturers.

Such a mechanism would:

- Incentivize efficiency and yield optimization, as support increases with improved production outcomes.
- Reduce marginal costs during early operations, strengthening project viability and accelerating competitiveness.
- Improve bankability, with financial institutions able to account for future post-production support when evaluating investment risk.
- Offer a transparent and performance-based model, aligned with EU goals for accountability and effective public spending.
- Open the possibility for sustainability, resilience and local content requirements to be introduced in the design of the fund.

This instrument should include clear eligibility criteria, robust monitoring and verification procedures, and a tapering mechanism that gradually reduces aid as plants mature.
With €1.8 billion still unallocated from the Automotive Action Plan's Battery Booster Package, this model presents a timely and strategic opportunity to de-risk investment, strengthen industrial confidence, and secure a competitive European battery ecosystem.

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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