



ADVANCED RECHARGEABLE & LITHIUM BATTERIES ASSOCIATION

RECHARGE position on DiversifyEU

October 2026

The European battery industry strongly supports the objectives of the forthcoming DiversifyEU initiative to strengthen the resilience of European supply chains and reduce excessive dependencies. As batteries are indispensable for Europe's energy and digital transitions, for its critical infrastructure, decarbonization objectives, industrial competitiveness, the defense sector, strategic autonomy and economic security, **the battery value chain should be explicitly recognised as a priority strategic ecosystem under DiversifyEU.**

Diversification policies must strengthen, rather than inadvertently undermine, Europe's battery ecosystem development. This requires a comprehensive approach covering the entire battery value chain, from raw materials and processing to manufacturing, recycling, and battery manufacturing equipment. DiversifyEU should focus on creating favourable conditions for investment, enhancing cooperation with Trusted Strategic Partners, and accelerating circularity, while avoiding additional regulatory burdens or blanket mandatory diversification requirements on companies. This should not preclude verifiable European content and resilience criteria in public support and procurement.

Batteries as a Strategic Value Chain

Batteries are a cornerstone of Europe's energy transition, industrial future and economic security. They are essential for electric mobility, renewable energy integration, grid stability, the health care system, for Europe's defense capabilities, future-oriented digital and robotic industries, the space industry and broader industrial decarbonisation efforts. As such, **batteries and battery materials should be explicitly identified as priority supply chains eligible for DiversifyEU measures and support.**



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Diversification strategies should not solely focus on reducing dependencies through geographic sourcing diversification. For the battery sector, supply chain resilience also requires maintaining a minimum level of European production, processing, manufacturing, and recycling capacity.

Diversification should therefore go hand-in-hand with localisation, ensuring that Europe retains and expands strategic industrial capabilities across the battery value chain.

DiversifyEU should address the full battery ecosystem, including:

- Critical and strategic raw materials;
- Processed materials, Active materials and key cell components;
- Battery cells, BMS, modules and battery systems;
- Recycling and secondary raw materials.
- Battery manufacturing equipment and manufacturing technologies;

Particular attention should be given to value-chain stages where the EU depends on a limited number of suppliers or countries.

Only a holistic approach can effectively strengthen Europe's resilience and reduce strategic vulnerabilities.

Context

The European battery industry stands at a critical inflection point. As the global race towards electrification accelerates, we have entered a “make or break” phase for Europe’s ability to compete. Despite years of strategic planning and investment, the continent faces mounting pressure. China now controls over 80% of global battery production, up from 50% in 2015, dominating not only manufacturing but also raw material processing, precursor and active materials production, recycling, and innovation. The dependencies along the battery value chain are extensively documented, with many essential parts of the value chain reliant on one single dominant supplier country. This industrial supremacy is increasingly leveraged for geopolitical influence, setting global standards and shaping market dynamics. Combined with significant overcapacity and state-backed industrial support, this dominance is placing growing pressure on European manufacturers and risks accelerating the loss of existing industrial capabilities across the battery value chain.



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Core principles:

- **Batteries and its value chain to be considered a strategic technology and value chain** to be addressed in through the DiversifyEU measures.
- Diversification policies should support both resilience and competitiveness, while **enabling continued investment** across the European battery ecosystem.
- **No duplicative reporting requirements:** DiversifyEU should use existing instruments, enabling proportionate verification without parallel reporting systems.
- **Diversification should support localisation** and not undermine the development of the European value chain.
- **Recycling in Europe to be considered a powerful diversification option.**

Key recommendations

Recycling - A Core Diversification Tool: Recycling should be recognised as a core diversification instrument rather than solely a waste-management activity. Secondary raw materials recovered from end-of-life batteries represent an increasingly important domestic source of critical materials and can significantly reduce Europe's dependence on imported resources.

Creating the conditions for a competitive and efficient European battery recycling industry is one of the most effective and achievable pathways to diversify Europe's metals supply chains. To unlock this potential, policymakers should address obstacles that limit the availability of recycling feedstock within Europe, including the leakage of black mass and recycling intermediates to third countries.

The forthcoming Circular Economy Act provides a timely opportunity to strengthen the functioning of the Single Market for waste and secondary raw materials. In this context, the review of the Waste Shipment Regulation should ensure simplified and accelerated waste shipment provisions for waste materials containing Critical Raw Materials, and that valuable battery recycling feedstocks remain available for processing within Europe, supporting both resource security and circularity objectives.

A stronger European recycling ecosystem will contribute simultaneously to supply chain diversification, strategic autonomy, emissions reductions, and industrial competitiveness.



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Priority should therefore be given to:

- a well-functioning European market for waste shipment and secondary raw materials;
- increased battery recycling capacity in Europe;
- improved availability of recycling feedstock incl. introducing measures preventing leakage of strategic recycling materials outside Europe.

Supporting Competitiveness, Investment and Trusted Strategic Partnerships

The battery industry supports policies that improve resilience while maintaining Europe's attractiveness for investment. Diversification measures should reinforce competitiveness and **create the conditions for continued investment throughout the European battery value chain.**

An effective way to diversify supply chains is to **accelerate investment in European capacity** while also strengthening partnerships with reliable trusted strategic supplier countries. DiversifyEU should therefore support trade and investment flows with Trusted Strategic Partner countries, aligned with the approach envisaged under the Industrial Accelerator Act (IAA). Such partnerships can promote sustainable sourcing, increase supply chain resilience, and facilitate access to critical materials while reducing concentration risks.

At the same time, the battery industry would strongly oppose blanket mandatory diversification requirements or duplicative regulatory obligations imposed directly on companies.

Where trade measures are considered necessary to address market distortions, they should be carefully targeted, proportionate, and based on robust evidence. Any trade-related action must avoid increasing costs or undermining the competitiveness of battery manufacturing in Europe.

Ensuring Policy Coherence

DiversifyEU should complement and reinforce existing European legislation and industrial strategies, including:

- The Batteries Regulation;
- The Critical Raw Materials Act;
- The Net-Zero Industry Act;
- The Industrial Accelerator Act.

The new instrument should avoid creating overlapping obligations, duplicative reporting requirements, or additional administrative burdens for companies. Instead, it should focus on addressing remaining gaps and strengthening the overall resilience of strategic value chains.

The key asks:

- 1. Batteries should be recognised as a priority strategic value chain. Batteries are a strategic asset for Europe – they are central to Europe's energy and digital transitions, economic security, defence preparedness, strategic autonomy and decarbonisation.**
- 2. DiversifyEU needs to ensure that the EU's diversification strategy strengthens, rather than inadvertently weakens, Europe's battery value chain. Diversification should not mean simply outsourcing this strategic value chain or shifting dependencies from one third country to another, nor should it undermine investment in Europe's strategic battery ecosystem. Diversification measures should be designed in a way that they support the development of a competitive and resilient battery value chain in Europe. They need to support creating lead markets for EU-made batteries, components, recycled content and battery materials. It should strengthen industrial production, technological know-how and intellectual property within Europe.**
- 3. Diversification measures must address the entire battery value chain, from raw materials to recycled materials, and include battery manufacturing equipment.**
- 4. The full range of strategic battery applications are to be considered, reflecting the diversity of strategic battery applications beyond electric mobility and BESS, including aviation, rail, nuclear installations, data centres, defence, space and other critical infrastructure.**
- 5. Resilience should be assessed also at battery-system level, incl. BMS, software/cybersecurity and other critical system components considerations.**
- 6. Implementation of existing tools (CRMA benchmarks, CRM Centre) are key to strengthen the EU's security of supply.**
- 7. Recycling is diversification: Recycling must be considered a key diversification tool, not only a waste-management activity. In this context the issue of recycling feedstock, and leakage of black mass and recycling intermediates needs to be addressed. Recycling**

and secondary raw materials should be treated as an integral part of supply-chain diversification, as it contributes to reduced import dependency, enhanced resource security, lower exposure to geopolitical risks and increased strategic autonomy.

8. Creating the conditions to accelerate recycling within the EU is an important way to diversify Europe's metals supply chains: The Call for Evidence refers to Article 114 TFEU and the functioning of the Single Market, which provides a timely opportunity to highlight the importance of a genuine European market for waste and secondary raw materials. The Review of the Waste Shipment Regulation should be foreseen under the upcoming Circular Economy Act (or under DiversifyEU).
9. Technology diversification (based on battery chemistries diversification, as well as different battery technology families diversification) should become a core enabler. DiversifyEU should support a diversified European technological base and resilient supply chains across battery chemistries and technology families, without prescribing particular chemistries, technologies or technology mixes.
10. Part of diversifying supply chains is to accelerate investment in European and 'Trusted Strategic Partner'-country capacity.¹
11. The instrument should promote sustainable sourcing and facilitate trade and investment flows that help diversify supply chains. Such trusted strategic partnerships should complement and not substitute European industrial capacity.
12. Any trade measures should avoid undermining the competitiveness of battery manufacturing in Europe. These may be appropriate where market distortions undermine diversification efforts, and any measures should be targeted, proportionate and based on robust evidence.
13. The batteries industry would strongly oppose any blanket mandatory diversification requirements and duplicative obligations, without prejudice to verifiable European local content and resilience criteria in public support and procurement schemes (e.g. as already proposed under the Industrial Accelerator Act).
14. DiversifyEU should complement existing frameworks, including the EU Batteries Regulation, the Critical Raw Materials Act, the Net-Zero Industry Act and the Industrial

¹ Trusted Strategic Partners countries would represent reliable supplier countries. The list of Trusted Strategic Partner countries should align with an opt-in list of trusted strategic partner countries under the Industrial Accelerator Act (IAA), under defined strict requirements, require full reciprocity and include safeguard measures.



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Accelerator Act, and avoid overlapping obligations and duplicative reporting. It should use existing instruments wherever possible rather than create a standalone reporting system. For batteries, the digital battery passport should serve as the harmonised verification tool..

DiversifyEU should strengthen the resilience of the battery value chain while preserving the competitiveness needed to deliver Europe's clean industrial transition and strategic autonomy. DiversifyEU should explicitly recognise batteries and the complete battery value chain as a priority strategic sector. Persistent dependencies in cells, active materials, components, production equipment and critical raw materials constitute a direct risk to Europe's economic security and industrial resilience.

Support Measures Needed:

- Strategic investment support for European manufacturing projects, including CAPEX and, where necessary, temporary OPEX support to bridge structural cost disadvantages;
- Risk-sharing mechanisms and financing guarantees for industrial scale-up;
- Support for first industrial deployment of innovative technologies;
- Financing instruments for recycling and circular economy projects;
- Simplified state aid frameworks allowing for output-based production support;
- Demand-side instruments and lead markets creation through the IAA.

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 by enabling decarbonised electricity and mobility, and cutting-edge consumer products. RECHARGE's unique membership covers all aspects of the advanced rechargeable battery value chain: from suppliers of primary and secondary raw materials, to battery and original equipment manufacturers (OEMs), to logistic partners and battery recyclers. www.rechargebatteries.org

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RECHARGE EU Transparency Reg. 673674011803-02