THE AUTOMOTIVE INDUSTRY'S POSITION ON THE INDUSTRIAL ACCELERATOR ACT

The automotive industry in Europe supports the objective of the Industrial Accelerator Act: to safeguard EU manufacturing and reduce our dependence on other regions for clean technologies. The risk of hollowing out the EU industrial base is real, and smart, targeted measures to support homegrown manufacturing are justified.

But the scale of the challenge for our sector must not be underestimated. As drafted, the proposal risks rupturing established value chains and undermining a wide range of current investments. We therefore need a pragmatic implementation plan — one that strengthens EU industry rather than weakens it, and safeguards existing investments and jobs rather than destroying them. Only then does the IAA become an effective industrial-policy tool.

Our industry is already in the midst of a profound transformation towards zero-emission mobility, made harder by intense global competition, rising manufacturing costs and shrinking consumer demand in Europe. A shift towards explicit "EU27 preference" is legitimate, but it should be gradual, and it should include justified, targeted exemptions. Excluding the existing factories of ACEA members, for instance, would strand European investments and weaken our competitiveness at the worst possible moment.

To deliver a workable framework, we ask co-legislators to address the following issues:

1. **Create viable incentives to reward localisation**. Requirements to localise assembly and components will raise vehicle manufacturing costs. Without a corresponding incentive, the IAA risks raising the cost of manufacturing in Europe without improving the business case for doing so. These requirements should therefore be paired with measures that meaningfully offset the additional cost, such as super-credits for battery-electric cars and vans under the CO2 Regulation or direct financial support schemes for public entities to offset the additional costs associated with procuring “made in the EU” trucks and buses.
2. **Measure content from the finished vehicle, not just its parts**. The currently proposed method calculates "made in the EU" content on components alone. This overlooks the substantial value created in Europe by vehicle manufacturing itself — a vehicle is far more than the sum of its parts. Its value also lies in the R&D, advanced engineering and highly skilled workforce behind it. The calculation should instead begin with the full price of the finished vehicle and subtract whatever value originates outside Europe[1]. This captures the true European contribution and follows a method already established in the EU's free trade agreements, giving manufacturers a tested approach they can apply with confidence.
3. **Recognise the UK as an equal partner under the "Made in the EU" framework**. The European automotive industry operates a deeply integrated value chain with the UK, even post-Brexit. The EU–UK Trade and Cooperation Agreement contains comprehensive Level Playing Field provisions guaranteeing equivalent standards on competition, labour and environmental protection. Vehicles, components and batteries made in the UK should

[1] In line with the last-substantial-transformation rule proposed by the Commission in the draft proposal

therefore hold the same status as those made in the EU27 — with equal access to every policy instrument.

4. **Protect existing investments of European vehicle manufacturers.** All policy instruments of the IAA should recognise the existing operations of ACEA members established in the EU's closely integrated neighbourhood — Turkey and Morocco — so as not to strand investments made in good faith under the framework prevailing at the time. To prevent circumvention, this targeted 'grandfathering' would apply only to capacity already established before a fixed cut-off date (e.g. the publication of the proposal for the Industrial Accelerator Act), and would lapse if the operation in question were acquired by a new owner.
5. **Create a simple fleet-level compliance target with unambiguous geographic scope**: if 70% of an OEM fleet complies with the “Made in Europe” requirements (batteries, components, vehicle assembly) in a given year, 100% of the fleet gets the related benefits the year after. The geographical scope for this fleet-level calculation should be strictly EU27+EEA+the UK (including an exemption for existing operations in Morocco and Turkey). The fleet booster calculation should also recognise the important economic role of vehicles manufactured in the Europe destined for exports. Safeguards could be considered to prevent business models that would undermine the general objectives of the IAA.
6. **Apply realistic timelines** for battery localisation and remove requirements for low-carbon materials as the respective definitions are not available yet. The requirement to source “made in the EU” e-powertrain and electronic components merits further examination as definitions and practical application are unclear; this rule may not be fit for supply chain shocks that require immediate changes in procurement.
7. **Drastically simplify reporting.** Vehicle manufacturers will bear the burden of soliciting and educating potentially thousands of suppliers and bear the ultimate legal responsibility for collecting evidence with the "Made in EU" criteria. Compliance must be easily auditable, and reporting must be as lean as possible.
8. **Reflect the real differences between vehicle segments**. The current proposal treats cars, vans, trucks and buses identically. In practice these segments differ significantly in development timelines and value chains, and the IAA should reflect the distinct needs of trucks and buses rather than applying a single template to all. For example, it is impossible to even set up a realistic timeline for mandatory battery localisation in this segment because of the lack of suitable supply: the battery demands of the heavy-duty vehicle segment alone are expected to outstrip the entire EU battery manufacturing pipeline by 2030. Mandating 'made in the EU' battery components under these conditions would significantly raise battery assembly costs, adding a substantial premium to truck batteries that subsidies or public procurement would be unlikely to fully offset.

The Industrial Accelerator Act alone will not reverse Europe's weakening competitiveness as a manufacturing location. We must keep working on energy costs, permitting times and skills shortages, and sustain consistent CAPEX and OPEX investment in battery production.

Regulatory simplification must remain a central lever: the revision of the EU vehicle type-approval framework, scheduled for next year, is the right moment to cut unnecessary red tape and streamline processes.