Five steps towards a
360° e-mobility industry strategy

February 2024

In the context of the forthcoming EU legislative mandate, the Platform for electromobility endorses the overall shift in European policy priorities set by the European Green Deal as a welcome long-term compass. Recent institutional declarations[1] aligned with Platform's EU Election Manifesto[2] support the development of a robust industrial policy. This is essential to ensure Europe's competitiveness, resilience in a rapidly evolving global landscape, and maintain its leadership in climate change mitigation. Any "Green Deal Industrial Plan" would not be complete without a strong chapter on the electromobilities manufacturing ecosystem. To achieve these goals, we propose a multifaceted approach that considers the entire value chain's competitiveness in green transport solutions while revitalizing their financial support. Such policies must be implemented within a framework of regulatory stability and close international cooperation with other regions.

We will set out these proposals below under 5 headings:

- Ensuring regulatory stability for industries and investors
- Enhancing value chain competitiveness and resilience
- Financing the transition in the short term: the "low hanging fruits"
- Financing the transition in the long term: Net Zero Investment Plan
- Strengthening international cooperation

We welcome questions and cooperation with the Platform for Electromobility on our proposals.

[1] President von der Leyen's State of the Union, European Commission's Work Programme. Executive Vice President Sefcovic's speech at Environment Council.
[2] "2024-2029: Five years to make e-mobility transition a success", Platform for electromobility, September 2023.

1. Ensuring regulatory stability for industries and investors

A stable regulatory system is crucial. Attracting investment to create the net-zero industrial ecosystem for electromobility will be facilitated by maintaining **a consistent, clear regulatory framework** and climate objectives. This means first and foremost ensuring that the European Green Deal legislations as voted in the 2019-2024 mandate remain steady over time. We strongly warn against disruption of the Green Deal and their long-term planning notably by limiting the scope of major reviews. At a more granular level, we call for stability in the regulatory frameworks of all transport modes. It is a key element for successful risk management. A consistent, clear regulatory framework secondly means performing sound impact assessments before proposing new legislation. Potential legislations should be in line with the direction taken by the Green Deal as voted during this mandate. Thirdly, regulatory stability means focus on proper implementation through the swift adoption of all necessary complementary acts In a nutshell, implementing before reviewing.

2. Enhancing value chain competitiveness and resilience

a) A 360° e-mobility industry strategy

While recent European industrial policy initiatives, such as the Net Zero Industry Act (NZIA), have focused on key components and sub-systems[3], we have observed that an emphasis and consideration of full value chain competitiveness is lacking. It is crucial that these policies **take into account the comprehensive nature of mobility industry value chains across sectors** and support their global competitiveness as they navigate the green transitions. We call for a **360° e-mobility industry strategy,** widening the focus from specific components to a more comprehensive approach, spanning from raw materials to end products and from individual to all modes of sustainable transportation.

b) Upstream and downstream

While the presence of gigafactories is fundamental for the development of green industries in Europe, with production capacity on some parts of the value chain (so far mostly focused on end products), it is important to highlight that they alone do not guarantee a competitive and non-dependant industry[4]. Indeed **future industrial policy should go beyond the end-product** and also consider upstream (refining) and downstream (recycling), both sectors being, so far, not located in Europe. A European industrial network of innovative companies from all sizes would help securing all stages of e-mobility value chains for the manufacturing and recycling of key components. The EU should channel purchases toward "made in Europe" products and increase production chains within Europe. Given the high demand for strategic raw material to manufacture electric vehicles, securing the value chains also includes a strong focus on security of supply of such materials and other available alternative technologies, as well as the recyclability of engines and batteries. The creation of new industrial hubs in Europe should go hand-in-hand with this strategy.

[3] A "sub-system" refers to a specialized and interconnected set of components that collectively perform a specific function within the overall system.

[4] "How to Meet the Industrial Challenge of Electric Mobility in France and in Europe?", Notes de l'Ifri, Ifri, November 2023.

c) Energy-cost efficient strategy

Energy costs play an integral part of manufacturing competitive transport solutions. The availability of **affordable, decarbonised energy is paramount** to maintaining Europe's competitiveness in the global **low-carbon** technology competition. We ask policymakers to work urgently on mitigating electricity prices disparities between the Union, China and the US, which are severely disadvantaging EU manufacturers. We endorse other calls[5] for the introduction of incentives that reward low-carbon technology producers favouring local materials and components.

d) Public procurement driven sectors

Similarly, for mobility sectors where investment decisions are predominantly the responsibility of public authorities, such as rail, the relevant EU legal framework must be properly enforced. That starts with public procurement**, ensuring that tender evaluation criteria set the right focus on the sustainability** of the selected solutions but also include all available tools to ensure fair competition, such as the foreign subsidy regulation. We strongly support the NZIA's non-price criteria proposal in public procurement supporting sustainable development and resilient European industries. Those criteria will help favour European industries in public auctions and ultimately promote technologies produced in Europe.

e) Accompany workers and employers in skills transition

Industrial sectors must be supported in their skills development and employment policies for a successful decarbonisation of its values chains. For this purpose, EU institutions and Member States should undertake a **mapping of skills shortages**. This should consider both traditional and new skills. That way, we can assess the needs for jobs and skills in each sector, developing tools to identify and publicise available training, and highlight those that need to be created. Based on the identified needs, measures should be undertaken by the EU - such as NZIA's initiative for "Net-Zero Academy" - and the Member States to support existing training structures in Member States as well as to ensure that the trainings are conducted by practitioners from companies.

3. Financing the transition in the short term: The "low hanging fruits"

Existing EU funds can already serve as valuable assets if they are distributed efficiently and intelligently, notably by streamlining access to finance, particularly for net-zero industries, through instruments such as the Innovation Fund and InvestEU. To do so, we have identified five "low-hanging fruits" measures that can be taken without further delay:

- *Low hanging fruit 1: Guarantees.* As a matter of priority, public investment tools should crowd in private investments by increasingly making use of instruments like guarantees. Firstly, the InvestEU Fund should be further mobilised in support of a 360° e-mobility industry strategy. Secondly, the European Investment Bank (EIB) Group should strengthen the provision of commercial bank guarantees for investments by companies across the EV value chain, replicating the recently announced €5 billion guarantee facility for the wind sector[6].

[5] "Call for EU Clean Industrial Deal and urgent actions to keep Europe in the world's clean technology race", Eurofer, October 2023.

[6] Press Release, EIB, December 2023

- *Low hanging fruit 2: Innovation Fund.* We welcome the recent initiative under the Innovation Fund to dedicate €3 billion to the EV battery value chain. This new mechanism needs to focus on the most sustainable EU battery and components manufacturers[7]. A robust mechanism needs to be built, including for channelling increased funding from Member States to match EU funding.
- *Low hanging fruit 3: Capacity building.* To enhance accessibility, we propose that EU or national administrations train and appoints specific staff to provide advisory services to both applicants and national authorities responsible for distributing EU funds. A substantial portion of these funds, especially in the case of Recovery funding, may remain unallocated due to the constrained administrative capacity of Member States[8] to prepare projects or process applications. Supporting project preparation and speeding up authorization procedures at the national level would thus benefit both the applicants and the authorities involved.
- *Low hanging fruit 4: Mid-term MFF revision.* The mid-term revision of the MFF is the opportunity for European institutions and Member States to significantly raise funds of strategic programmes (STEP but also CEF) to provide appropriate financing instruments to support a competitive decarbonisation of the EU industry and support investments in clean, sustainable mobility solutions.

4. Financing the transition in the long term: Net Zero Investment Plan

f) Why a Net Zero Investment Plan now?

The climate investment gap is deepening by the day and the way to fill the gap will be a major challenge for decision-makers in the coming years. European elections are the democratic the window of opportunity to set priorities about where EU funds should flow and the level of support that EU will provide to shift the continent to clean mobility. 2024 is thus a milestone year for the green transition. The STEP platform, although welcomed, unfortunately far from the pan-European response to global competition on cleantech that the EU needs. Therefore, **we support the creation of a major Net-Zero Investment Plan** after the EU elections.

g) Predictable and upfront support for op-ex

The EU should ensure that financial instruments do not exclusively prioritise innovation but also consider the importance of providing strategic **support for operating expenses and production, for a limited duration**. We highlight the fact that operational expenses (op-ex) are **not covered by the current InvestEU** funding framework. This means that in addition to promoting innovation, financial support should be directed towards sustaining and optimizing day-to-day operations and the production processes of net-zero industries, thereby creating a more balanced approach to funding allocation. Beyond deciding the level of support that will be provided to the green and digital transition of the transport sectors, upfront **predictability and certainty** about possible funding should also be provided. A rulebook for financing should make sure op-ex support is both **predictable and upfront.**

h) Consider ventures with higher risk profiles

[7] Press Release, European Commission, December 2023
[8] "How Europe should answer the US Inflation Reduction Act", Bruegel, February 2023

To complement this new approach and move closer to a truly comprehensive funding allocation, it's essential to also **consider ventures with higher risk profiles**. For instance, when it comes to the Alternative Fuels Infrastructure Fund, the current financing terms are notably stringent. These terms often exclude high-risk endeavours, as they require a minimum of 50% funding from national banks or partners, effectively limiting opportunities for investment in riskier projects. This, in turn, disproportionately affects emerging industries and initiatives in Central and Eastern Europe. To address this issue, **the EIB should explore investments in riskier ventures, and InvestEU should be equipped to provide loans and equity for such undertakings.** The InvestEU Program, designed to offer guarantees to both public and private banks, can play a pivotal role in enabling them to take more substantial risks in their lending and equity operations. This approach can facilitate the inclusion of 'investments in riskier ventures' and contribute to a more diverse and dynamic investment landscape.

i) How to finance a Net Zero Investment Plan?

This Net-Zero Investment Plan should be structured under the **EU Multi Financial Framework on the one hand, and via new bond issuance programme replacing the Next Generation EU programme on the other hand.** In addition, this broader investment plan should ensure that sufficient European and national funding resources, leveraging private sector investment, are available to achieve Europe's objectives as set in the Climate Law and in the Smart and Sustainable Mobility Strategy. On top of the achievement of dedicated programs such as the TEN-T, it should include a dedicated Green Industry fund. State Aid measures should be re-designed and local supports coordinated at EU level to ensure a level playing field at European level. The future State Aid regime should mandate EU governments to integrate environmental and social considerations to their support schemes, so that only best-in-class projects benefit from public support at regional and national level.

5. Strengthening international cooperation

Stability also requires robust international cooperation. Strengthening ties with diverse regions would diversify sources, reduce geopolitical risks and uncertainties, ensure a secure supply chain, enhance global industrial collaborations, and uphold a fair competitive environment for all clean transport industries.

j) Proactively setting a Level Playing Field

The EU response to other regions' recent green industry support program should be prepared with care, to avoid provoking a global subsidy race. The goal should be to create an international **level playing field between all economies, aimed at reaching Paris Agreement climate targets** (COP21) together and aligned on WTO rules. For certain industries, level playing field can only be reached by matching competitors' support: for examples, for battery manufacturing, the US IRA provides a significant op-ex support per kWh produced; for reskilling workers, massive support for training automotive workers is proposed. We call for EU policymakers to match such support in some manner to help its European battery industry compete on more equal terms. Without such matching, there can be no global level-playing-field for e-mobility related manufacturing.

k) Cooperation to avoid trade disruption

With several studies by the OECD[9] highlighting the challenges faced by European railway producers in the Chinese market, as well as the public assistance received by their companies, the question of China's undisclosed subsidies benefiting its products is not new for the railway industry. Cooperations should be reinforced to ensure there are no such practices risking unbalancing global competition.

I) Cooperation to diversify sources

Dependence on one single third country for green transport technologies is tangible[10] and should also be mitigated. China dominates the production of solar panels, batteries for EVs and part of the world trade in wind turbines. To diversify sources, we support proposals to form a green technology partnership between governments and businesses of the major economic powers to reduce strategic dependencies. Such partnership would be intended to complement, not replace, existing supply chain. Beyond cooperation with third countries, cooperation should also be within European countries and industrial partnerships to multiply joint purchases and thus secure supply of strategic raw materials at advantageous prices.

For further information, we encourage you to reach out to the Platform for Electromobility.

[9] "Measuring distortions in international markets: The rolling-stock value chain", OECD, February 2023

[10] "De-risking and decarbonising: a green tech partnership to reduce reliance on China", Bruegel, October 2023.

More about the Platform for Electromobility

The Platform for Electromobility is a unique alliance of Europe-based producers, infrastructure managers, operators, transport users, cities and environmental civil society organisations from across industries and transport modes. Our overarching goal is to reach a sustainable, multimodal transport system in which people and goods are moved across land, inland waterways, sea and air in Europe using exclusively fossil-free electricity. To reach its vision, the Platform unites all sectors constituting the electromobility ecosystem to pragmatically ensure the conditions for the full electrification of new light-duty vehicles by 2035, and build a sustainable European zero-emission transport system by collectively sharing their expertise, challenges and solutions.

For more information about the platform and its members, please visit: [*https://www.platformelectromobility.eu/*](https://www.platformelectromobility.eu/)