Securing the Future of Europe's Automotive Supply Chain

The future of Europe's automotive industry depends on the strength of its suppliers. As the sector undergoes an unprecedented transformation, Europe must preserve the industrial ecosystem that drives innovation, investment and high-quality employment across the continent.

Automotive suppliers are the backbone of the automotive industry: they are responsible for 75% of the content value of vehicles, represent 1,7 Million direct jobs and are one of the biggest private investors in R&D with 30EUR Billion per year.

Since 2024, more than 100.000 jobs have been lost or announced to be cut across the sector. Roland Berger estimates that 300.000 to 350.000 jobs are at risk over the next 5 years, while up to 23% of the sector's value could be lost by 2030. Profit margins for the average supplier are currently at unsustainable levels.

Parts, components and systems are the only unprotected part of the value chain, leaving them most vulnerable during this critical phase of the transformation. The technological transition has been particularly challenging for suppliers. Bosch, Forvia, OPmobility, Schaeffler, Valeo and ZF ask decision-makers to recognize the distinct value suppliers contribute to the European economy and society at large. The EU needs to act now to secure industrial leadership and technological sovereignty.

The draft legislative proposals on the Automotive Package and the Industrial Accelerator Act are closely interconnected and require broad political agreement. **Bosch, Forvia, OPmobility, Schaeffler, Valeo and ZF urgently call for a political deal to safeguard jobs and competitiveness.** The following key messages on both files aim at supporting the policy debate.

The Industrial Accelerator Act

Local content is the right instrument to create a level-playing field for the EU automotive value chain. While safeguards and anti-subsidy duties are in place for upstream (steel) and downstream (vehicles), these measures are neither practical nor feasible for suppliers due to the large number of different components. The IAA should therefore treat automotive suppliers as priority and urgently create a level-playing field.

The 70% component threshold (excluding batteries) and specific targets for strategic components must be preserved.

New data published by Roland Berger show that the thresholds can be achieved with existing industrial capacities in the EU. Applying the IAA methodology, 83% of BEV and 89% of PHEV components respectively would qualify as made in EU. Regarding strategic components, 95% of e-powertrain and 65% of electronic components meet

the made in EU criteria. This demonstrates that the proposed thresholds underestimate the depth of today's supply chain – and what we stand to lose.

Including the OEM value added within the 70% target would significantly reduce the protected supplier value, bringing it well below current industrial realities. OEM value creation should thus be recognized separately from suppliers'.

Specific localization targets for strategic components, i.e. electronics and e-powertrain must remain a key part of the proposal, as they are technologies of strategic relevance for the EU and future value drivers for suppliers beyond the battery.

The geographical scope should include EU27 + EEA + UK to reflect the high level of regulatory alignment, reciprocity and integration of automotive value chains. An **opt-in mechanism** for other trading partners should be risk-based and apply objective criteria such as reciprocity, regulatory alignment, fair competition conditions and mechanisms to prevent circumvention.

Until the opt-in is completed, the scope should remain as above, alongside **a safeguard or grandfather clause for existing European industrial capacity of companies with a solid EU footprint,** taking into account, inter alia, employment and R&D spending over the past ten years.

The fleet booster should remain at 85%. This provides flexibility for fleets and the opportunity to recognize EU value added in vehicles that are exported while ensuring sufficient market coverage for the IAA related incentives.

We support maintaining the "last substantial transformation" principle as an established methodology. There is no need to reinvent the wheel, and relying on an established methodology supports simplification. Any open questions should be clarified urgently. We stand ready to discuss with our experts to work on practicalities of the implementation.

The Automotive Package

The draft package recognises the concept of flexibilities and local sourcing incentives. These initial ideas require further development to be effective and bring the regulation more in line with market realities.

Plug-in hybrids should be recognized as value driver and job motor for Europe. Roland Berger data shows that 89% of Plug-in hybrids components are manufactured in the EU, underlining their importance for European industrial value creation and employment. As a key transformation technology, Plug-in hybrids continue to see high global demand and offer considerable innovation potential. They have an important role to play in supporting the automotive sector's transition towards decarbonization.

We ask for the Utility Factor to remain at current levels while paving the way for innovative solutions that increase the electric driving share and preserve Europe's industrial know-how and technological leadership.

Corporate fleets are the most important lever for local content provisions. Corporate vehicles covered under the Regulation make up 60% of new registrations. The low emission vehicle category must be kept in the corporate vehicle proposal to ensure market coverage of local content provisions remains impactful for plug-in hybrids as well.

Additional flexibilities are needed to support the transformation and decarbonization of the automotive supply chain:

- **Extension of super credits to all battery-electric vehicles "Made in the EU."** This is needed to create a clear and sufficiently strong incentive to drive the market uptake of battery-electric vehicles manufactured in the EU.
- **Recognition of vehicles powered by renewable fuels as zero emission vehicles:** A technology-neutral regulatory approach should support all effective pathways to achieving the climate targets and acknowledge and promote the contribution of sustainable fuels to decarbonization.
- **Early introduction of flexibility options to promote low-carbon and sustainable materials and extension to additional sustainable materials:** This would provide urgently needed flexibility and foster innovation across the entire lifecycle of a vehicle. We stand ready to discuss the implementation criteria and timeline.

Conclusion

The choices made in the coming months will have lasting consequences for Europe's industrial future. We therefore call on the co-legislators to conclude their negotiations swiftly and deliver a balanced political agreement across the Automotive Package and the Industrial Accelerator Act. Every month of delay increases the risk of further investment leakage, industrial decline and job losses. We remain committed to working constructively with policymakers to ensure that the final framework provides the certainty needed for companies to invest, innovate and manufacture in Europe.