Open letter to the leaders of the EU institutions, 31 January 2023

Why we should shape the future, not regulate the past

Dear President of the European Commission,

Dear President of the European Parliament,

Dear Ambassadors,

As I start my mandate as President of the European Automobile Manufacturers' Association (ACEA), I would like to share with you the mindset driving me, as well as my colleagues, the CEOs of the EU auto industry. Because a constructive exchange between policy and industry is more necessary than ever to come up with solutions for preserving this sector, which is so crucial for Europe's economy and society.

Over a 30-year long career, I have had the opportunity to hold executive positions in French, Japanese, Italian, German, and Spanish manufacturers. I had the time to live through several market crises, the transition to new regulations, the arrival of new competitors…

One thing is certain: today, with the transition to zero-emission mobility, this industry is at a turning point. European policymakers have set the trajectory, and the industry is determined to deliver.

However, in the context of rapid technological and industrial change and the energy transition – and as the free-trade model that has shaped the world for 30 years is giving way to growing geopolitical tensions – **your response to the challenges facing us is of paramount importance**.

Put in place an ambitious and structured industrial policy

Now is the time for decisive action to avoid the risk of de-industrialisation of our continent.

Over the last 20 years, the European automotive industry has been gradually losing ground to its main global competitors. Car production and sales in China for instance have risen more than 25-fold since 2003, while they have dropped by some 25% in Europe. Over the same period, European carmakers' domestic market share dropped by 7 points, down to 70%. And recent political decisions risk putting Europe's automotive industry in an even more unfavourable situation compared to its Chinese and American competitors.

While Europe's approach is to regulate the way to zero-emissions, other regions are incentivising the way. The United States and China are massively supporting and stimulating their industry, notably through the **Inflation Reduction Act (IRA)** and the **Made in China 2025 (MIC)** plan.

The shift to electric cars also places Europe at a disadvantage in terms of control of the **value chain**, especially vis-à-vis Chinese players. This is true both upstream, when it comes to sourcing and current capacity, and downstream, when it comes to infrastructure, green energy availability and economic support to consumers. By 2030, no more than 5% of the raw materials needed for battery production will be sourced in Europe.

The automotive sector is a key driver of Europe's prosperity, competitiveness, and innovation. It is in all our interests that it remains so. We are therefore urgently calling on Europe to put in place **an ambitious and structured automotive industrial policy, to rival those of other world regions – while safeguarding and promoting free trade across the globe.**

Do not give up on technological neutrality

Under the 'Fit for 55' climate package, we are asked to reduce passenger car emissions by 100% by 2035: a far greater effort than any other sector. By contrast, the power generation industry is asked for a 70% reduction between 2021 and 2035. Industry and the overall transport sector are asked for 50% emissions cut.

Make no mistake, the **auto industry is unequivocal and fully committed to decarbonise road transport as fast as possible**, working with all partners. Over 60% of the global production of road vehicles is generated by companies with net zero pledges. And European truck manufacturers are committed to provide the right vehicles to move Europe's road freight industry to fossil-free solutions by 2040. All this puts us way ahead of most other industries.

It is the responsibility of the people like us – people that 'do' and invest – to commit to the targets and, at the same time, to transparently state the consequences. We note that Europe is now the only geographical area abandoning technological neutrality as a pillar of its regulatory framework. Considering it in the light of **the decarbonisation objective**, it remains to be seen if this choice is the best one. Today, from a scientific point of view, high-tech, hybrid technology can compete in terms of CO2 footprint.

Adopt a consistent and holistic regulatory approach

Despite the challenging environment, **all our efforts and investments are geared towards decarbonisation**. Policies and regulations should align with and support this goal. We therefore need the regulator to speak with one coordinated voice, considering the specific rhythms of industry, research and investments.

This is unfortunately not the case with the recent **Euro 7/VII** proposal, which would force manufacturers of light- and heavy-duty vehicles to invest billions of Euros in engine and exhaust aftertreatment technology, for minimal environmental gains. This means moving substantial engineering and financial resources from battery and fuel-cell electric vehicles back to the internal combustion engine. These funds could be better used for zero-emission technologies that will not only tackle CO2, but also pollutant emissions.

The Euro 7/VII proposal in its current form would also expose us to damaging industrial, economic, but also political and social impacts. For example, it could lead to the closing of at least four plants over a short timeframe for a carmaker like Renault. Over our continent, there is a significant risk of jeopardising the jobs of up to 300,000 people if the transition is not managed well. This again highlights the need for coordination between governments and industry.

Ramp up infrastructure

The lack of charging and hydrogen refuelling infrastructure, both private and public, is another major concern. We need **more commitment and coordination**, among member states and with other sectors, to ramp up a dense EU-wide network of charging and refuelling stations, for both cars and trucks.

Despite many announcements and recent progress, infrastructure development is lagging behind the industry efforts. The auto industry is moving fast: in 2012, 10 automotive brands offered around one electric model each. Now, 25 brands propose a total of 40 models. Yet, only 2,000 public charging stations are set up EU-wide every week, while 14,000 would be needed weekly to ensure our continent's transition to electric mobility.

Ensure affordable mobility for all

With 80% of inland journeys made by car, we should not forget the critical issue of **access to mobility** for our fellow citizens. The cost of batteries and electricity is bound to remain high, for reasons that we do not control. Electricity consumption will have to be heavily taxed to compensate for the shortfall in tax revenues. Battery costs, being controlled outside of Europe (mainly in China), will remain high, preventing car prices from going down. And purchase incentives are already being reduced everywhere in Europe for obvious budgetary reasons. Notwithstanding all this, demand for electric cars already remains insufficient to reach the critical mass we need to make the system work in the time we are given.

Today, just 1.5% of the 250 million cars on the roads of Europe are full-electric. It is estimated that this proportion should be around 25% already by 2030. If we really want to have an impact on climate change, there is no doubt that we will also have to find solutions for the existing vehicle fleet, without limiting the mobility of our fellow citizens.

Open a constructive dialogue

Today, key choices are being made for shaping the mobility of Europeans in decades to come, as well as the industrial future of our continent. It is fundamental that the collective choices before us are made in the full light of technological, industrial, economic and societal facts, to the benefit not only of the players of this industry, but also of our continent and its citizens.

What we are asking for today, is a strategic approach, an open vision, time and, above all, the opportunity to partner and bring the voice of the auto industry into the debate.

What we are offering, is our determination to achieve the objectives we are given, transparency, and a facts-based approach, in addition to the daily work of millions of people.

ACEA will be there to drive the change, engaging with policy makers and all stakeholders.

These principles will drive my action at the helm of ACEA.

Yours sincerely,

Luca de Meo

ACEA President and CEO of Renault Group

About the automotive industry

- 13 million Europeans work in the auto industry (directly and indirectly), accounting for 7% of all EU jobs.
- 3.4 million of them have manufacturing jobs, accounting for 11.5% of EU manufacturing jobs.
- Motor vehicles are responsible for €374.6 billion of tax revenue for governments across key European markets.
- The automotive industry generates a trade surplus of €79.5 billion for the European Union.
- The turnover generated by the auto industry represents almost 8% of the EU's GDP.
- Investing €58.8 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 32% of the EU total.