

PRESIDENT

Brussels, 16 January 2025

## **Boosting Europe's automotive competitiveness for renewed economic growth**

Dear President of the European Commission,  
Dear President of the European Parliament,  
Dear Ambassadors,

Towards the end of last year, the world witnessed the impressive reopening of Notre-Dame de Paris – a French icon and a true European cultural treasure. This was just five years after French President Emmanuel Macron pledged that within this short amount of time, the European landmark would be restored more beautifully than ever. This was achieved thanks to a joint effort, an ambitious mindset, optimism and boldness as well as the willingness of everyone involved to work towards this goal with the utmost consistency.

We need the same approach and attitude when it comes to the European economy. This is all the more important when you consider the situation in which we find ourselves – where geopolitical and macroeconomic challenges, a complex and unprecedented transformation, and intensified global competition threaten Europe's status.

At the heart of the European economy – and thus also at the heart of the current repositioning efforts – is the European automotive industry. Since its creation in 1886, it has reinvented itself over and over again. Our industry will do whatever is necessary to successfully transform itself so that it can continue to shape sustainable transport and individual mobility, secure jobs and prosperity, and contribute to strengthening Europe's competitiveness compared with China and the U.S. As I start my mandate as President of the European Automobile Manufacturers' Association (ACEA), I would like to share with you the most important priorities of the European automotive industry and indicate where political support would be beneficial.

The European automotive industry is inherently global, with our cars, vans, trucks and buses sold and driven worldwide. As a key part of this, the European manufacturers stand out in essential fields as global leaders in technology and innovation embodying European

excellence. As one of Europe's most important and cutting-edge sectors, we provide jobs to roughly 13 million Europeans along the value chain and contribute seven percent of the EU's GDP. Our industry generates around a third of Europe's private research and development expenses. Additionally, we bring in well over 390 billion euros in government revenue. Being deeply interconnected with other sectors across Europe, we also positively influence their businesses. And being based on the continent where the car was originally invented, our industry has written a success story like no other. With Europe's economy and our industry at a crossroads, it is now crucial to set the right framework conditions to enable us to keep adding new chapters.

As an automotive executive, I strive to maximise the opportunities presented by the transition, maintaining an optimistic and future-oriented outlook while simultaneously minimising the associated risks.

**First, we need a realistic pathway to decarbonising the European automotive industry – one that is market driven, not penalty driven.**

The European Green Deal must be subject to a reality check and a realignment – to make it less rigid, more flexible and to turn the decarbonisation of the automotive industry into a green and profitable business model. Let me be clear: the EU auto industry remains committed to the EU's 2050 climate neutrality goal as well as the shift to zero-emission transport and mobility. However, the decarbonisation strategy for the automotive sector must create economic growth and competitiveness – not curb it. After all, we're the "venture capitalists" of our own transformation. We must stay competitive and economically successful to finance it.

The European automotive industry already offers a wide range of attractive electrified vehicles. From January to November of last year, approximately two million of them were sold. However, the transformation in Europe is not progressing at the pace required. That pace is set by customers and market conditions. For zero-emissions mobility to flourish, the ecosystem as a whole must become more attractive to customers. Promoting the purchase and use of electric and electrified vehicles with fiscal and non-financial incentives would certainly help to move towards a self-propelling market.

In addition to promoting more market-based approaches to decarbonisation, we also need to revise the current regulatory framework. This ranges from pushing for renewable energy and more charging infrastructure to effective CO<sub>2</sub> pricing and adjusting the current penalties-based regulations. We need a clear idea by the European Commission regarding CO<sub>2</sub> targets for cars and vans in 2025 and the following years. The automotive industry especially needs to know how to mitigate the risk of significant non-compliance. In a critical phase of the transformation, the risk of paying heavy penalties for CO<sub>2</sub> non-compliance would divert necessary funds from R&D and other investments.

Very few forecasts predicted the current geopolitical and macroeconomic realities. Yet, the majority of European political goals and guidelines are based on forecasts that have not materialised. That's why these goals and guidelines must now be adapted to the changed reality. Beyond the 2025 compliance issue for light-duty vehicles, a comprehensive review of the CO<sub>2</sub> regulations for both light- and heavy-duty vehicles is necessary with regard to the roadmap towards 2030 and 2035. This review should outline how to develop the necessary

framework conditions to enable the transition to zero emission mobility and, at the same time, improve our industry's long-term competitiveness.

Besides the necessary political support, we also need more cross-sectoral cooperation to achieve this. We must bring energy providers, grid operators, and telecommunication and IT companies on board, to name just a few. Politics and industry must make progress together when it comes to further expanding comprehensive charging and hydrogen refuelling infrastructures across the entire EU, increasing affordable and abundant green power flowing through smart grids, and ensuring access to a secure and sustainable supply of critical raw materials.

**Secondly, the EU needs a regulatory framework that enhances the competitiveness of European industries.**

It is not enough to simply revise the European Green Deal. It must go hand in hand with a holistic industrial strategy that will help European industries sharpen their competitive edges. The report on European competitiveness by Mario Draghi, which was initiated by the President of the European Commission, Ursula von der Leyen, lays out a clear and comprehensive roadmap towards improving the overall competitiveness of the entire EU. Now, it is all about ensuring that the suggestions from this report will be turned into decisions and reforms. Therefore, we urge European leaders to take a series of coordinated actions. Foremost, do what is necessary to complete the European single market, including the capital markets union. It is also important to simplify the regulatory calendar by grouping automotive regulations into batches, ensuring that new regulatory requirements apply only to new and not to existing type approvals, and establishing a task force to assess regulatory consistency. This will create a more streamlined and predictable regulatory environment.

Additionally, industrial policies should be fostered that enable European manufacturers to be highly competitive in the global automotive markets. This includes stimulating R&D and innovation as well as translating them into commercialisation, while attracting workforce talent from across the globe to drive growth. Providing available, accessible and affordable energy is also important. Moreover, it is essential to address the high costs of labour and its inflexibility as well as the issue of overregulation. By tackling these cost factors and giving our industry more room for entrepreneurship, we can enhance the overall affordability and competitiveness of vehicle production in Europe. It is also crucial to secure an agile and competitive value chain. This should encompass automotive components, battery development and manufacturing, software development, and semiconductors. ACEA will keep pushing for these issues.

**Thirdly, the EU must promote new approaches to create worldwide, mutually beneficial trade relations.**

The political and trade gaps between the EU, the U.S. and China are at risk of deepening even further. The EU and our industry must consider how we navigate between cooperation and competition. We Europeans have, over the last decades, gained significantly from markets opening up and free trade expanding worldwide. And thus, quite naturally, we also have much to lose if this development is reversed.

While many paint a grim outlook for global trade, the EU's leadership is crucial to reviving it, maximising its opportunities, and finding a way forward to establishing long-lasting trade relations. There is something to learn in that regard from another major global event in Paris last year, one that I was able to attend myself: the Olympic Games. I was fortunate enough to see one of the basketball semi-finals, the U.S. vs. Serbia. Just like sports, international trade is also about fierce competition – but always fair and conducted according to the rules.

To a certain degree it is understandable that the EU must protect its domestic market and its economy against players not following the WTO rules. But experience has also shown that potential trade wars have no winners. Protectionist measures are not necessarily the best solution.

With regard to China, the level playing field should not be used in a way to cut off markets and endanger long established, well-functioning supply chains. Rather than raising walls, the European internal market should be strengthened and made more resilient. Both regions, the EU and China, want to protect jobs in their home markets, while reaping the benefits of free international trade. In that regard, both sides have an interest in finding an agreement. That's why we acknowledge efforts by both EU and Chinese policymakers to find a mutually acceptable solution in the EU anti-subsidy case. These negotiations must come to a positive conclusion as soon as possible.

With regard to the EU-U.S. trade relations, there is a strong interdependency between both regions that has grown over centuries. It is also manifested in the substantial long-term investments of EU automakers on the other side of the Atlantic. To this day, European automotive companies support the creation of prosperity, employment and growth in the U.S. As employers of choice and good corporate citizens, ACEA members are an integral part of the American economy and the local communities they call home. We look forward to working with the incoming administration on policies that help to grow and develop the U.S. manufacturing and auto industries, as well as EU-U.S. trade relations. Christine Lagarde, President of the European Central Bank, got to the heart of how future trade relations are best developed when she said to the Financial Times that “retaliation was a bad approach” and that “you have to adjust to the other side of the table”. The EU should seek a grand bargain with the U.S. and attempt to avoid a potential trade conflict.

The free-trade agreement concluded between the EU Commission and the Mercosur states at the end of last year is a positive signal for international trade. Similarly, closing the deal with Australia is crucial for the same reasons, particularly in securing access to the critical raw materials needed for the green transition. Finally, using instruments such as the Global Gateway to establish partnerships with resource-rich countries will be important. These interconnected measures will sustain our industry's growth and ensure its future success.

Overall, it is essential to recognise that trade with China and the U.S. is the most vital for the prosperity of the European economy.

### **Europe and its economy are at a crossroads.**

This can be unsettling. And it creates uncertainty. But I'm a firm believer that if we follow the right path, one which balances regulatory guidance and a market-driven business environment, this transformation offers us new and exciting opportunities to grow and

become even stronger. It's up to us whether we succeed! Let's move forward, let's seize the moment and let's embrace bold reforms.

The Strategic Dialogue between the automotive industry and the European Commission under the leadership of President von der Leyen is planned to start soon and will be a great opportunity to discuss such reforms and measures.

I was born and raised in Sweden, have been living in Germany, the U.S. and the UK for more than 30 years, have obtained German citizenship and am a European at heart. I've been working for a global automotive company for just as long, so I'm also very at home in the automotive world. That's why it's important to me that we advance both the automotive industry and Europe jointly. We at ACEA are ready for this endeavour – for the benefit of Europe, its people and its economy.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Ola Källenius', with a long horizontal line extending to the right.

President of the European Automobile Manufacturers' Association (ACEA) and CEO of Mercedes-Benz