

## Media Kit

### Background

The Jacques Delors Institute and the Paris School of International Affairs at SciencesPo are publishing a report titled **«The Road to a New European Automotive Strategy: Trade and Industrial Policy Options. Navigating the Trilemma of Decarbonization, Competitiveness, and Economic Security»**.

The report contains a diagnosis of the state of play of the EU automotive industry, as well as a series of policy options and an assessment of their advantages and disadvantages. The final part of the report describes potential scenarios for the future of the industry.

As the EU launches a [Strategic Dialogue on the Future of the European Automotive Industry](#) on Thursday, 30 January, the stakeholder consultations conducted for this report – spanning over 70 interviews and several events with industry representatives, policymakers, civil society, and other experts throughout the fall of 2024 – offer a blueprint for inclusive and informed deliberations. The insights and policy options identified in the report can support the Strategic Dialogue and contribute to shaping a competitive, resilient, and sustainable automotive industry that meets Europe's climate, economic, and security objectives.

The main messages of the report are:

- Europe's automotive sector must reconcile *decarbonization, competitiveness, and economic security* objectives, which requires difficult trade-offs.
- China's dominance of battery value chains and US leadership in digital technology (while walking back on climate commitments) highlight the urgency for coherent EU action.
- The potential social impact of the transition on an industry that employs 13 million EU workers necessitates a focus on reskilling and fair adjustment across the value chain.
- The report surveys a range of practical options – regulatory, trade, industrial, and infrastructure measures – that can drive a balanced transition and assesses their advantages and disadvantages.

The transition to zero-emission mobility is a critical opportunity for the EU to achieve its climate goals and maintain its industrial leadership. However, the window of opportunity is closing rapidly. The EU must act decisively to build a new automotive ecosystem that can rival those of its competitors.

The report results from a project of the Jacques Delors Institute and the Sciences Po Paris School for International Affairs that was supported by the European Automobile Manufacturers' Association (ACEA) but was conducted in a fully independent and autonomous manner, including for its findings and policy options.

## Quotes from the authors

According to Pascal Lamy, coordinator of the Jacques Delors Institutes in Berlin, Brussels, and Paris, and former EU Commissioner for Trade, *"the EU stands at a pivotal moment where we must balance our drive for decarbonization with the imperatives to maintain industrial competitiveness and ensure economic security. Successfully navigating this trilemma is essential for safeguarding millions of jobs and sustaining our leadership in the global automotive market."*

As Arancha González Laya, Dean of the Sciences Po Paris School of International Affairs and former Minister of Foreign Affairs of Spain, explains, *"the Strategic Dialogue is an opportunity to find a common European approach for a divided industry. The policy options outlined in our report can help to empower the EU automotive industry to achieve sustainable growth, foster innovation, and secure resilient supply chains so that Europe remains at the forefront of the global transition to electric mobility."*

*"The automotive supply chain is undergoing a structural shift from internal combustion engines to electric vehicles. With global ICE sales down nearly 20% since 2017 and EV sales quadrupling, the three most important automotive markets—the EU, North America, and China emphasize different focal points in their trajectories: the EU leads with sustainability, China focuses on competitiveness, and the United States prioritizes security",* says Sophia Praetorius, PhD Candidate in economics at Sciences Po Paris.

Nicolas Köhler-Suzuki, Associate Researcher at the Jacques Delors Institute in Paris and Trade Policy Advisor at International Trade Intelligence, emphasizes that *"Europe's ambition to decarbonize its automotive industry by 2035 is a cornerstone of its climate goals. But to achieve this, the EU must accelerate the transformations of its supply chains, scale up battery production, and implement more cohesive policies that facilitate the adoption of EVs."*

*"The EU automotive industry's legacy in internal combustion engines does not automatically confer advantages in the electric vehicle market. To sustain its competitiveness, Europe must address high production costs, focus on economies of scale, and accelerate innovation to rival China and the United States",* adds Victor do Prado, Lecturer for Geoeconomics and Diplomacy at the Sciences Po Paris School of International Affairs and former Director of the Council and Trade Negotiations Committee Division at the WTO.

*"Europe's heavy reliance on Chinese supply chains for critical EV components presents significant economic and strategic vulnerabilities",* notes Elvire Fabry, Senior Research Fellow on the geopolitics of trade and rapporteur of the working group on EU-China relations at the Jacques Delors Institute in Paris. *"But since European automotive firms are also dependent on sales in China, a strategic focus on selective de-risking, rather than decoupling, is essential to safeguard the EU's automotive sector amidst escalating global trade tensions."*

## **About the authors**

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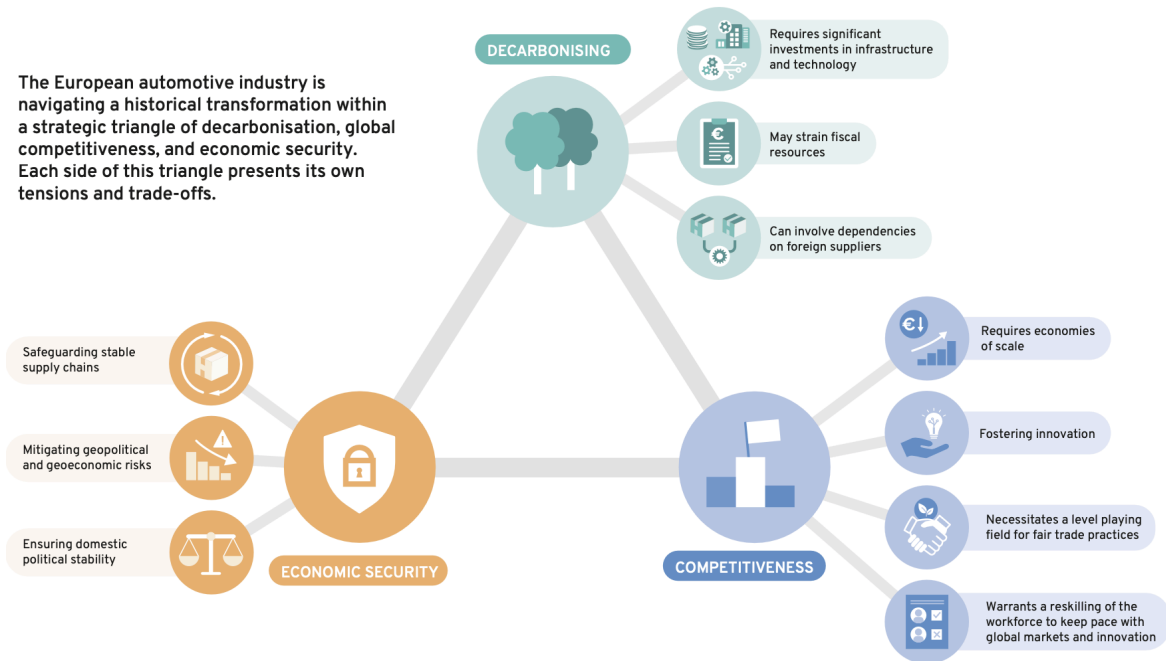
Pascal Lamy, Coordinator of the Jacques Delors think tank network and vice chair Paris Peace Forum; former Director General of the WTO.

Sophia Praetorius, PhD candidate at Sciences Po under supervision of Thierry Mayer, currently under a fellowship at the Globalization Chair at the Paris School of Economics.

# Infographics<sup>1</sup>

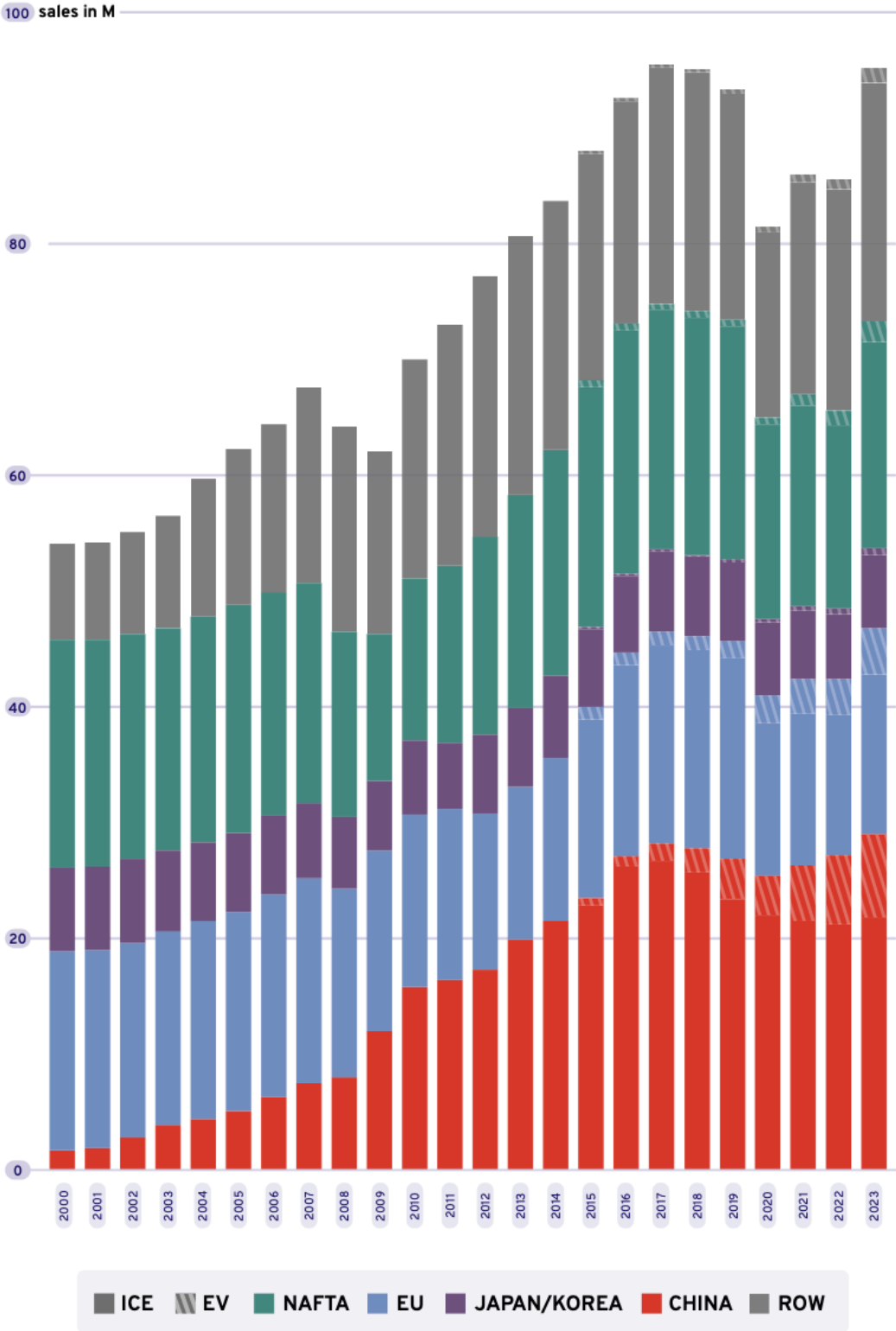
**FIGURE 2: The trilemma of Europe's automotive industry: trade-offs between decarbonisation, economic security, and competitiveness objectives**

The European automotive industry is navigating a historical transformation within a strategic triangle of decarbonisation, global competitiveness, and economic security. Each side of this triangle presents its own tensions and trade-offs.

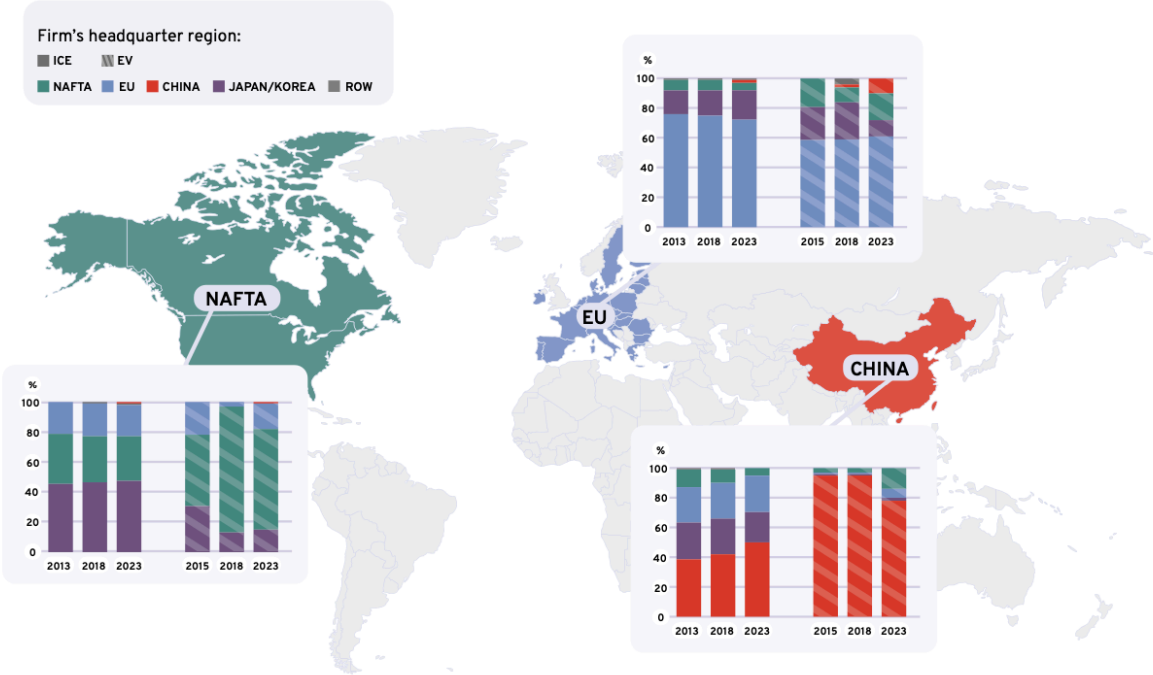


<sup>1</sup> Please get in touch with [kohler-suzuki@delorsinstitute.eu](mailto:kohler-suzuki@delorsinstitute.eu) for reproduction data

**FIGURE 3: Global car sales recovered to pre-Covid levels, with EV sales picking up in China and the EU**  
*Global passenger car sales by market, in million units.*

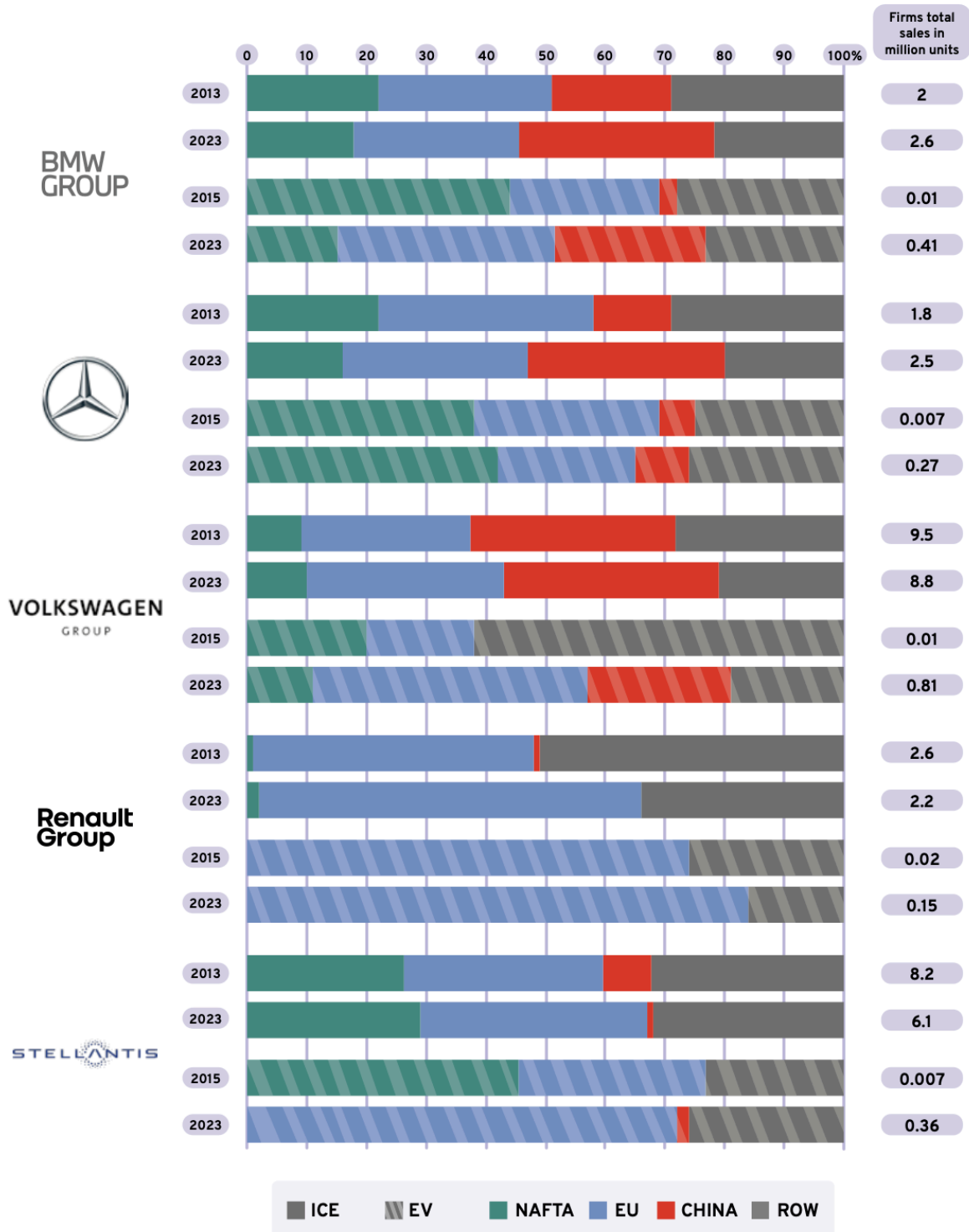


**FIGURE 4: China's foreign expansion accelerates in both EV and ICE sales, albeit from low levels.**  
*Market shares in main sales markets by firm's headquarter regions.*



▲ Source: own calculations by Sophia Praetorius

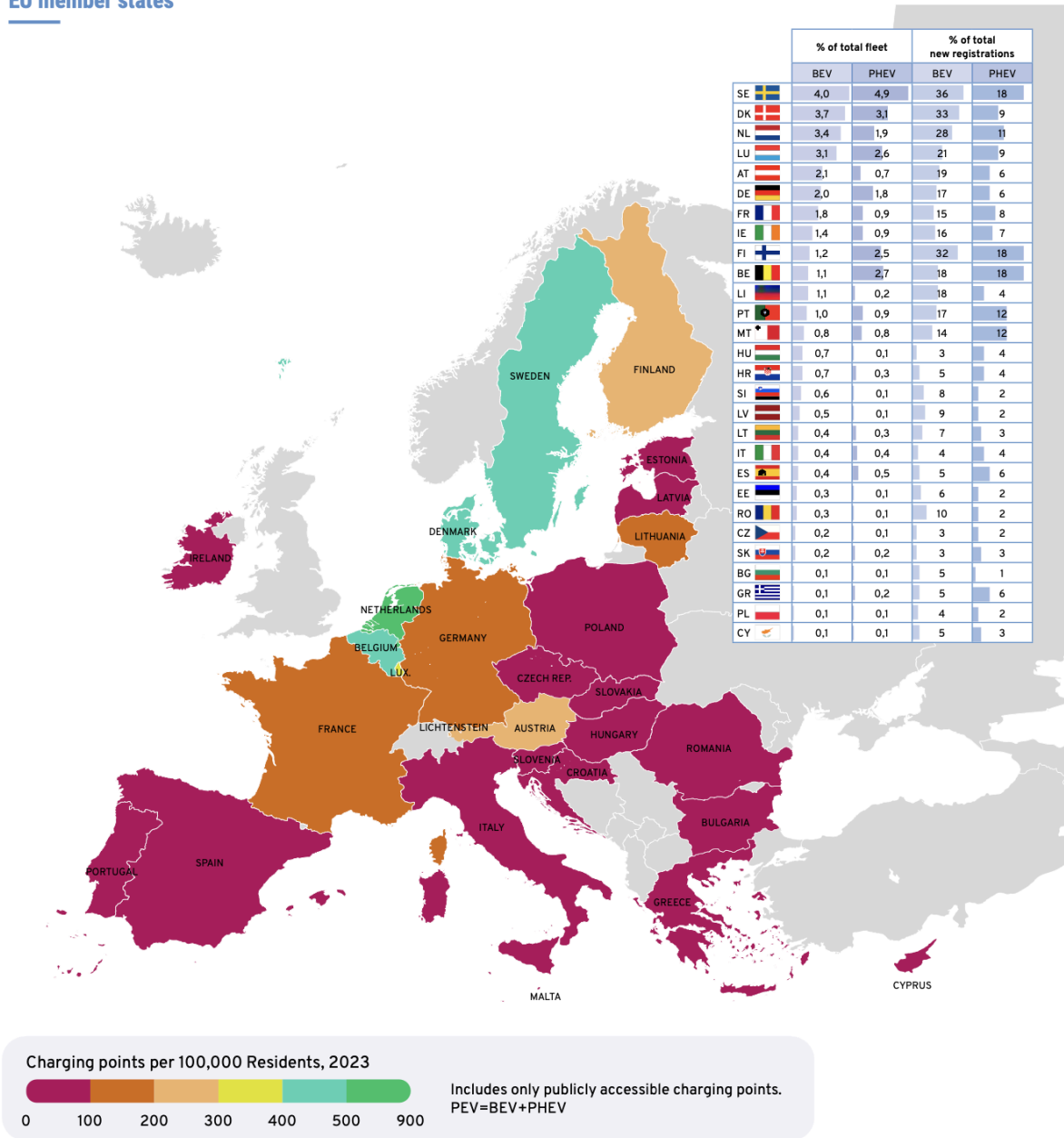
**FIGURE 5: The sales strategies of European firms diverge, especially for the Chinese market**



▲ The brands associated with each automotive group are as follows: BMW Group includes BMW, Mini, and Rolls-Royce; Mercedes-Benz Group includes Mercedes-Benz, Mercedes-Maybach, Mercedes-AMG, and Smart; Volkswagen Group includes Volkswagen, Audi, Porsche, SEAT, Škoda, Bentley, Bugatti, and Lamborghini; Renault Group includes Renault, Dacia, and Alpine; and Stellantis includes Abarth, Alfa Romeo, Chrysler, Citroën, Dodge, DS Automobiles, Fiat, Jeep, Lancia, Maserati, Opel, Peugeot, Ram, and Vauxhall.

▲ Source: own calculations by Sophia Praetorius

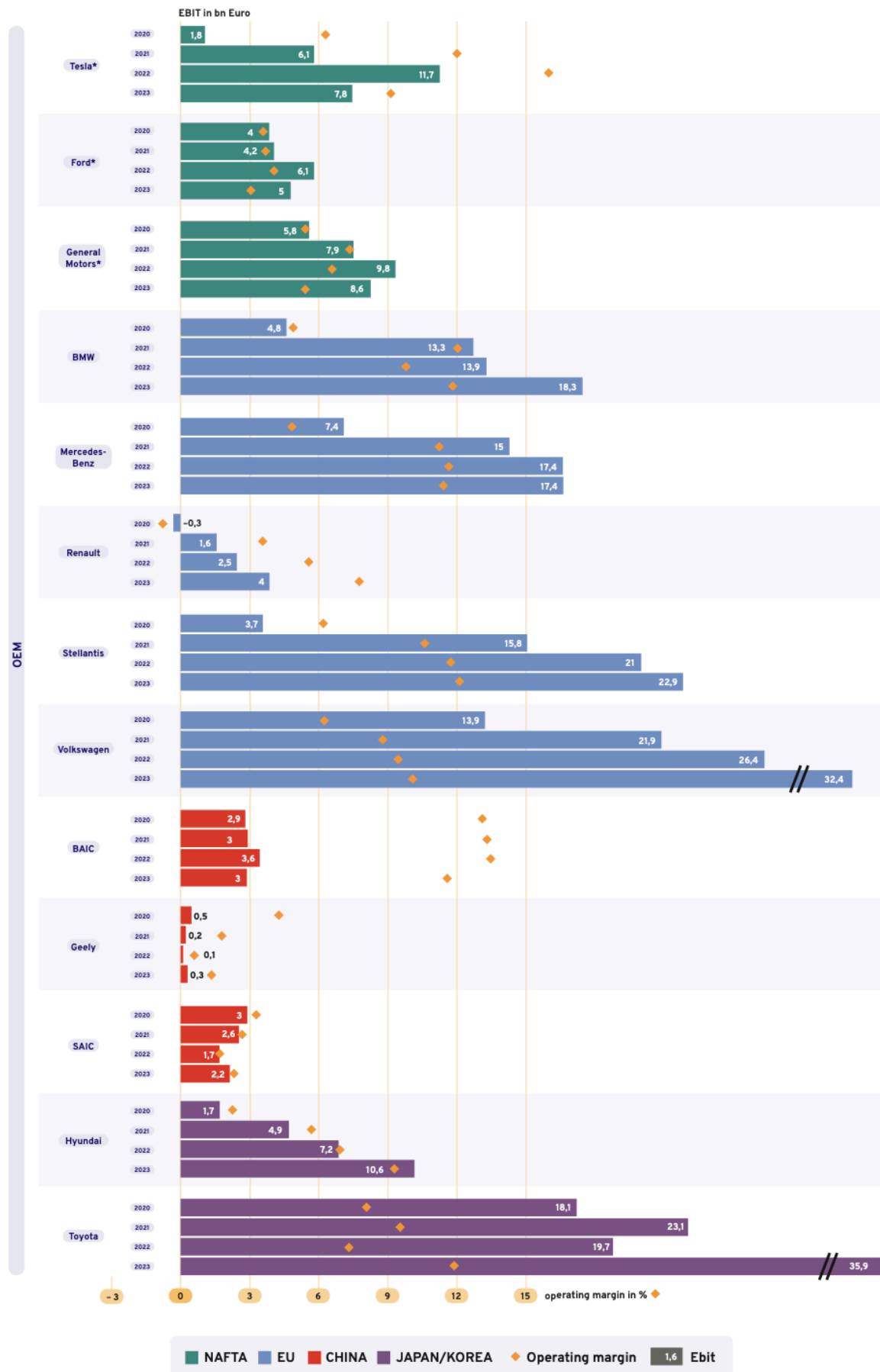
**FIGURE 9: EV and PHEV adoption is correlated with uneven distribution of EV charging points across EU member states**



▲ Source: European Alternative Fuels Observatory (2024). Map reflects the most recent available data from 2023. Table data represents figures from January to October 2024.

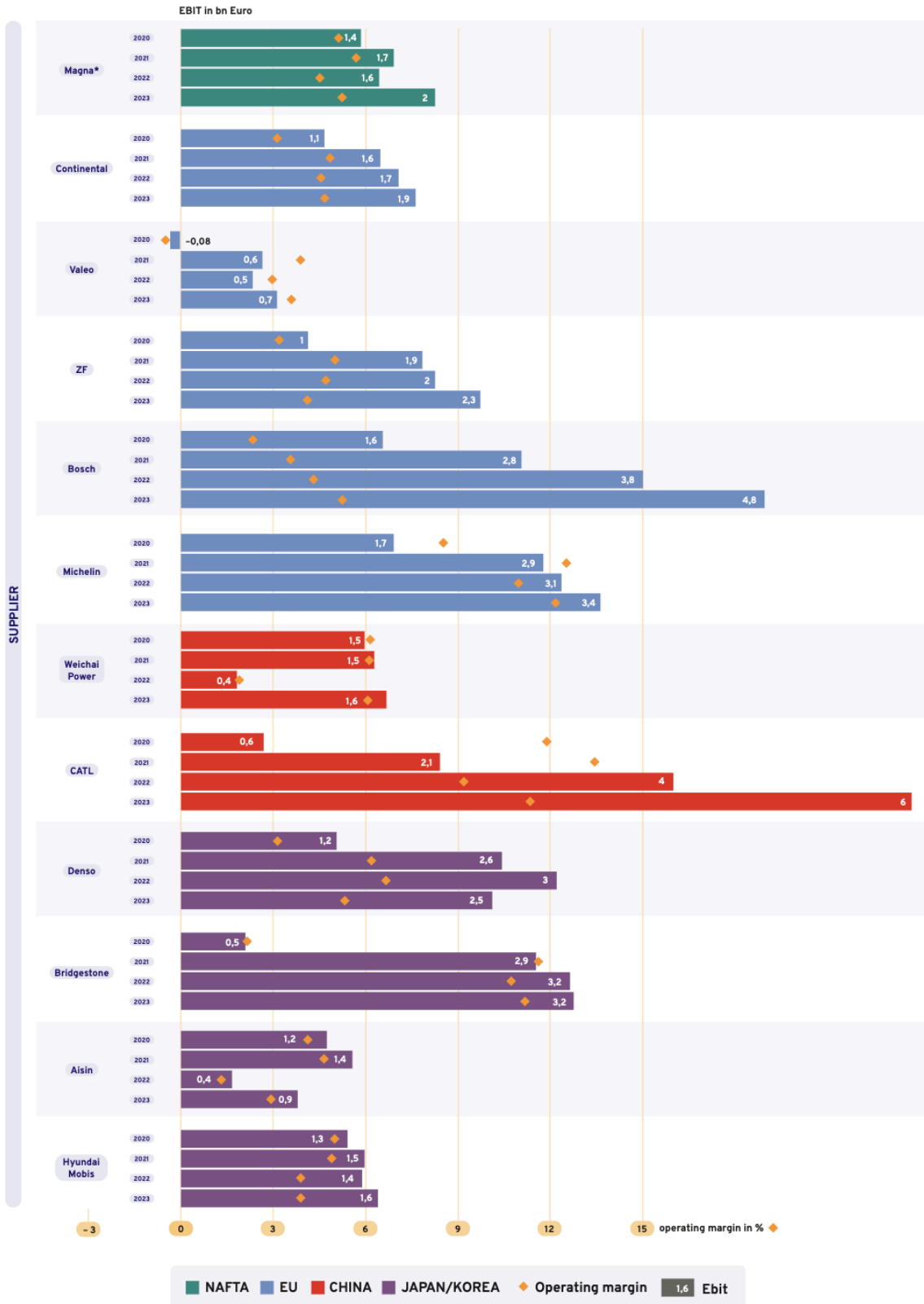


**FIGURE 10: European OEMs remain profitable, both in absolute and relative terms**



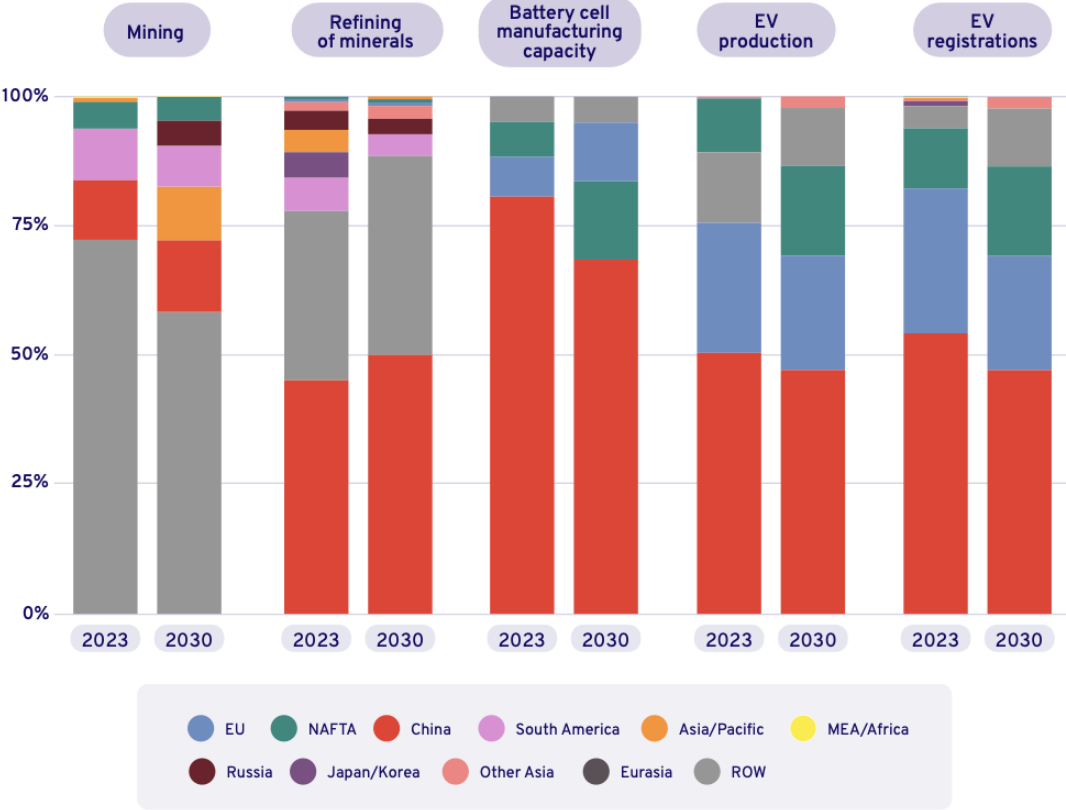
▲ Source: Moody's BvD-ORBIS (2024), \*annual income statements. National currency values are transferred into euros based on average yearly exchange rates.

**FIGURE 11: Suppliers have low profit margins and may be most affected by the transition**



▲ Source: Moody's BvD-ORBIS (2024), \*annual income statements.  
National currency values are transferred into euros based on average yearly exchange rates.

**FIGURE 13: China's dominance in global EV supply chains is projected to continue in the mid-term**  
*Share of global production in % in 2023 and pledged scenario 2030.*



▲ Source: IEA 2023/2024

## Policy options

The report does not present recommendations but a range of policy options designed to support the sector's transition while aligning with the EU's strategic objectives. Each policy option is evaluated based on its rationale, advantages, and disadvantages. This list is intended to serve as a guide for policy options that can provide a common ground for discussion for the Strategic Dialogue launched by the European Commission.

### 1 • Regulatory Measures

- 1.1. Increase regulatory coherence across the EU
- 1.2. Decarbonisation targets 2035 and reduction of CO<sub>2</sub> emissions regulation
- 1.3. Regulatory incentives for EV adoption
- 1.4. Public awareness campaigns
- 1.5. EU-wide framework for Autonomous and Automated Vehicles
- 1.6. Minimum Taxation Directive for ICE Vehicles
- 1.7. Revising Safety and Insurance Regulations to Promote Smaller Vehicles

### 2 • Trade Policy Instruments

- 2.1. Negotiate new trade agreements and deepen existing agreements
- 2.2. Accelerate the adoption and implementation of Critical Raw Material Agreements
- 2.3. Deepen cooperation with Japan and South Korea on battery supply chains
- 2.4. Trade Remedies and enforcement actions
- 2.5. Tariffs on Chinese EV components and knock-down kits
- 2.6. Price undertakings
- 2.7. Voluntary Export Restraints
- 2.8. Establish Conditions for Foreign Direct Investment in the EU
- 2.9. Political arrangements with China against the weaponization of EV supply chains

### 3 • Industrial Policy Measures

- 3.1. Consumer subsidies
- 3.2. Decarbonizing corporate fleets
- 3.3. Phase out fossil fuel subsidies
- 3.4. Research and Development subsidies
- 3.5. Direct subsidies for transforming SMEs in the lower-tier of the supply chain
- 3.6. Support workforce transition
- 3.7. Accounting for Lifecycle Carbon Content of EVs
- 3.8. Local Content Requirements (LCRs)
- 3.9. National security restrictions on connected vehicles
- 3.10. Decarbonizing the existing fleet
- 3.11. Standardised Residual Value Calculations for EVs
- 3.12. Scaling and commercialization of battery technology
- 3.13. Affordable EU EV Platform
- 3.14. Production-Based Subsidies
- 3.15. Unified EU Battery Manufacturing Support Scheme

### 4 • Infrastructure Measures

- 4.1. Improve charging infrastructure and electricity grids
- 4.2. Increase recycling of battery materials
- 4.3. Hydrogen Refuelling Infrastructure

## Scenarios

