



Strengthening the automotive sector of Germany and Europe with a clear agenda that safeguards jobs

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The automotive sector of Germany and Europe finds itself under enormous economic pressure and the situation is at times dramatic. Competition is **extremely challenging in all international markets** and presently characterised by excess capacity. This is affecting the European market as well as production sites across Germany and Europe. Shifting geopolitical conditions, a weak economic situation and trade tariffs are afflicting the automotive sector, which is highly intertwined on a global level with target markets spread around the world. High location costs add a further burden. Sales of **cars and trucks** in Europe are below those recorded prior to the onset of the Covid-19 pandemic. And developments in purchasing behaviour are defying expectations. As a result, the **sale of battery-powered vehicles** is making only slow progress in the German market and across large parts of the European Union. In contrast, electric mobility has come to dominate the Chinese market.

The European Union must strengthen the **international competitiveness** of the automotive sector and ensure optimum **local conditions** given the drastic changes in the geopolitical framework conditions, all while powering the transition and competitiveness of the automotive sector with real ambition. The automotive sector is the **driver of innovation, research and prosperity** in Europe. We warmly welcome the decision of the European Commission to draw inspiration from the strategic dialogue in Baden-Württemberg and establish a **strategic dialogue for the automotive sector**.

In particular, we must work together to improve the framework conditions for an accelerated rollout of electric mobility in Germany and Europe – and where necessary **act more flexibly to prevent structural breaks**. To ensure the necessary ongoing thorough analysis and evaluation of the framework conditions, the general progress of this ramp-up in electric mobility, and the development of further measures, **regular monitoring** must be conducted at EU level and the German federal level. In addition, we must not lose sight of the importance of **renewable fuels**.

The points outlined below represent the contribution Baden-Württemberg wants to make to the strategic dialogue of the European Commission, with the state also intending to incorporate the network formed as part of its own Baden-Württemberg strategic dialogue. We request that the

European Commission account for this within the previously announced **Clean Industrial Plan for the Automotive Sector**.

(1) Quickly bringing forward review dates by starting the strategic dialogue/ensuring clarity/preventing structural breaks

Further requirements for maintaining compliance with fleet limits will take effect in **2030 and 2035**. We need a **prompt assessment of the current progress** made towards achieving the CO₂ fleet targets. We want to begin a dialogue with the European Commission as soon as possible with a view to bringing forward the **fleet limit review by one year to 2025/2026** and establishing a **more flexible penalty payment system** – right through to the potential suspension of such payments. The corresponding decisions must be **taken quickly** and be addressed in the new **strategic dialogue with the automotive sector**. Our companies need **planning security**. While the goal of **climate neutrality** must remain beyond dispute, we require **more flexibility** regarding how to get there.

Our automotive sector, its workforce and the consumers must receive **swift clarity** as to whether the framework conditions for achieving the fleet targets, as stated in Article 15 (1) of the corresponding regulation, are in place and which supporting measures the European Commission is set to implement. The review and the strategic dialogue of the European Commission should also examine whether the **scale of these penalties is appropriate** considering the changed geopolitical situation in target markets such as China and the USA.

(2) Accelerating the rollout of charging and refuelling infrastructure across Europe

60 per cent of the public car charging infrastructure in the European Union is currently located in **three countries: Germany, France and the Netherlands**. To achieve an accelerated ramp-up of electric mobility, we must be more ambitious in **expanding the charging infrastructure** and the H₂ refuelling infrastructure throughout the entire European Union. The expansion of electric mobility and its charging infrastructure must be guided by the CO₂ reduction goals that have been agreed in law. In Germany, the LIS II charging infrastructure masterplan must be implemented with consistency. In the European Union, the **ambition** of the Alternative Fuels Infrastructure Regulation (AFIR) must quickly be increased – and its **deployment in all EU states must be subject to regular monitoring**. To this end, efforts to **finance the charging and refuelling infrastructure for electric cars and trucks** must be strengthened on every level. Baden-Württemberg has already rolled out a comprehensive charging network for electric cars via its strategic dialogue. Finally, **grid connections** must be expanded in line with demand to promote the electric mobility rollout.

(3) Lowering energy costs for charging electric vehicles and creating incentives for electric mobility

The prices paid at charging stations are a very important part of the decision to purchase electric cars. We argue that the energy costs for charging electric cars must be permanently lowered. **Long-term incentives** such as a permanent lowering of charging costs (e.g. by cutting either the electricity tax or the underlying network charges) should quickly be implemented. As a purchasing incentive, the **lowering of energy costs** has a more lasting impact than bonus-based models. We need clear, **sustainable and reliable market signals** in the direction of electric mobility, which should receive more long-term support across the EU to promote planning security. **To this end, EU-wide measures such as free parking must be promoted by the Commission or corresponding incentives must be established**. Examples of **incentives** include the introduction of a **special write-off** for newly registered fully electric and comparable zero-emission vehicles, a funding programme for the expansion of public and private charging infrastructure, fair competition conditions in terms of charging tariffs, and the reduction of obstacles relating to bidirectional charging.

(4) Accelerating approvals and reducing bureaucracy

Baden-Württemberg will abolish building approvals for auxiliary technical facilities (e.g. transformer stations) that are associated with the charging infrastructure. The construction of charging stations in the state is already free from any special procedures and these relief measures should be rolled out for all of Europe. Further simplification and acceleration measures should be examined and implemented in order to boost the attractiveness of the location and make it easier to invest.

(5) Regaining citizens' trust in electric mobility

The automotive sector and the field of politics must both bear major responsibility for strengthening **citizens' trust** in electric mobility. This includes positive communication on the part of politics and the economy, while the automotive sector is likewise responsible for making an important contribution by offering affordable electric cars. We also need measures to boost demand, for example by implementing tax breaks and establishing long-term market signals via a reduced electricity charging price lasting for a period of at least 10 years. Such measures must be imposed EU-wide.

(6) Strengthening free trade and avoiding trade wars

Asian vehicle manufacturers and suppliers **have significantly caught up** in recent years when it comes to vehicle production and especially electric mobility, adding to market pressure. It is not unusual for Chinese vehicles to be cheaper than those from European manufacturers. Free trade between the USA and China is becoming increasingly restricted: this trade war poses a further obstacle for the sales markets of the future. Europe and Germany must demand equal competition conditions based on parity and fairness, together with a strengthening of the WTO. It is important that the European Union agrees new **bilateral and multilateral trade deals** such as with Mercosur and that it boosts fair, free and rules-based trade. **In the negotiation process, we must avoid trade tariffs with China**. The EU could nevertheless indicate its willingness to impose countervailing duties as an extreme measure. Negotiations must also serve to prevent the imposition of trade **tariffs by the USA**.

(7) Staying on course with innovation

The German automotive sector is among the most innovative in the world. Our companies invest billions in the research and development of **new drive technologies, digitalisation and connected mobility**, and in technologies for **autonomous driving**. Looking beyond the various drive types, it is the aspect of digitalisation that will be decisive for the future of a competitive automotive market. The automotive sector leads the way with its R&D investments, which amount to 31 billion euros. The cost of contract research has risen by 19.1 per cent in the automotive sector, with the ICT field witnessing the highest increase. This demonstrates that we must increasingly network the various fields and promote collaborative research and development – including cooperation with universities and non-university research institutes.

Our companies require support, for example in the form of **easier access to loans** and guarantees as well as funding programmes run by the German federal government for the transition to climate-neutral production and products.

We need to have endurance when funding cutting-edge battery cell technologies. Within the scope of the action plan for a competitive **European battery industry**, we urge the European Union to draft measures in such a way that companies in economically strong transition regions can benefit from them. Beyond this, **raw material partnerships** aimed at safeguarding supply chains also play an important role.

Chip design and chip production should be further promoted in Europe, with the **Important Project of Common European Interest** as a particularly suitable tool in this regard. The focus is on new, highly integrated energy-saving chips for the software-defined vehicle, as well as on safeguarding supply chains and ensuring resilient production. A good EU-level funding framework has been established with the European Chips Act.

Despite the strained budgetary conditions, the German **states** can also make their own contribution. Baden-Württemberg is investing billions in an **agenda for innovation and the future**. The European Union, Germany and the German states must **stay on course with an ambitious agenda for innovation**. On a European level, we call for the expansion of the **Important Project of Common European Interest** concept to incorporate additional areas of the automotive sector such as autonomous driving and in-vehicle software – a leading European industry. In this way,

increased funding should be awarded to small and medium-sized enterprises in particular.

We also require a **modernisation of EU state aid law**. In order to strengthen the global competitiveness of the EU, European state aid law should be adapted to meet the transition-related needs of economically strong and innovative ecosystems. Europe must be in a position to safeguard the development and production of future technologies, especially at a time in which the pressures of the transition are particularly tangible in regions such as Baden-Württemberg. Highly innovative transition regions are currently put at a disadvantage by EU state aid, with its focus on economically weak regions in the EU ultimately impeding the transition process of their more innovative counterparts. These strong regions are absolutely essential for efforts to reconfigure the global industrial value creation process in favour of climate-neutral production.

(8) Open to different technologies, focused on the future and needs-based

Renewable energies are expensive and in short supply, with the lack of alternatives making them particularly necessary for air, maritime and in some cases truck-based traffic in order to meet climate goals. They also offer potential for the existing car fleet. All participants must provide clear support for the prospect that efficiency advantages will make **electric mobility the dominant drive type in the car sector** (95 per cent efficiency). This is also important for the purpose of combating uncertainty among consumers. Discussions of potential **regulatory adjustments** must not be misunderstood as a departure from electric mobility. In this paper, we explicitly wish to avoid pre-empting corresponding discussions that review the matter in terms of social acceptance and a **successful industrial transition** with potential **flexibilisation**. An **openness to different technologies** plays a substantial role in establishing a **sound regulation** for climate-neutral mobility. Therefore, the German federal government and the European Union must draft new funding programmes for the manufacture of **synthetic fuels** and adapt the regulation so as to enable **market development**. The **excessively tight European-level regulatory framework** is currently the largest obstacle hindering the ramp-up of renewable fuels. And the ramp-up of electric mobility also requires **consumer-friendly prices**.

(9) Powerfully tackling the perennial issue of improving local conditions

The European Union and its member states must take further steps to make Europe a **competitive location on the international stage**. When it comes to **attracting the settlement of companies and start-ups**, Europe must once again become ‘the place to be’. Corresponding measures include affordable, internationally competitive energy prices as well as a clear and tangible reduction in bureaucracy. Europe must pursue an **innovation-friendly regulation** that offers much greater leeway in terms of its implementation. The transfer of innovations into the economy, the funding of talent and an improvement of venture capital remain hot-button topics that demand swift solutions. In addition, there must be a **considerable purging of European Union regulations**.

(10) Promptly starting the strategic dialogue of the European Union

Europe needs an innovation-friendly regulation that works alongside the climate goals to strengthen the international competitiveness of our automotive sector. A strategic dialogue of the European Union must now promptly be introduced.

Drawing on the network established in the course of its own state-level strategic dialogue, Baden-Württemberg aims to participate in this planned European-level strategic dialogue with practical concepts for strengthening the **international competitiveness** of the automotive sector. Baden-Württemberg also welcomes the announcement of a **Clean Industrial Plan** for the automotive sector. The focus must once again be on the innovative strength of our companies, optimum local conditions and innovation-friendly regulation. Every effort must be made to support the automotive sector during the transition as a **driver of jobs and progress**. Decarbonisation, digitalisation and competitiveness alike must guide our thinking – and we will dedicate our efforts to achieving this.

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