Automotive component – Driving EU competitiveness and value creation

September 2025

Roland Berger

A. Project Context & Executive Summary

The study's main objective was to provide fact-based analysis on competitiveness of the EU supplier base and an overview of potential support mechanisms

Context & Objectives

Context

- A **strategic dialogue** on EU Automotive Industry Competitiveness was initiated between Auto leaders and the EU commission
- In the context of this dialogue, **the EU Commission developed an action plan for the automotive sector published on March, 5th 2025 that mentioned Local Content policy**, with **3 focus areas** specifically mentioned so far – Electrification with a focus on Batteries, ADAS/Connectivity, and Cybersecurity
- Given the uncertainty around which components may be critical for EU sovereignty and value localization, CLEPA and its members seek to develop a fact-base of understanding of the **competitiveness gap versus other markets, a comparative review of methodology to define and apply local content policies**
- Hence, **Roland Berger, a reference consulting firm in the EU Automotive Industry**, has been requested to support CLEPA members in providing a **robust, confidential assessment** of the competitiveness gaps, associated risks, and potential local content methods to bring about positive change in priority areas

Objectives

1. **Assess the current state of local value creation** in Europe's auto component industry
2. **Assess potential risks and impact** of value transfer from Europe
3. **Identify key focus areas and outline potential mechanisms** to maintain or increase local value creation

Key caveats of the project approach

1. The results of this report are **based primarily on inputs from Tier 1 suppliers**, with a clear geographical scope (EU + EFTA), vehicle scope (primarily LV ICE & BEV)[1], and component scope (excl. Batteries)[2]

2. We have used **local value creation (in €)** – stemming from material, labor, R&D, etc. – as the **key metric for Local Content (LC)** in the EU

3. The study aims at supporting the case for **strategically maintaining EU's industrial footprint** and ensuring the **EU's sovereignty for critical technologies** – but, component prioritization is not included

4. Despite being a key industry concern, this study **does not focus on investigating the role of subsidies** in enabling higher competitiveness of low-cost suppliers outside of Europe

5. The **LC mechanisms outlined in the report are based on benchmarking** of global practices, and are provided in order to inform the debate on the possible implementation of LC mechanisms in the EU

Notes: 1) Although the analysis largely focuses on ICE and BEV passenger cars, certain insights have been gathered for PHEV passenger cars as well, as they will play an important role in the EV transition; 2) HV Batteries have been excluded from investigation as they are already a priority for the EU Commission

Extensive survey data indicate a loss of competitiveness of European automotive component production and an increasing risk of value transfer out of Europe

Executive Summary (1/2)

- Amid rising trade tensions and intensifying competition from non-EU countries in the automotive components sector, CLEPA has launched a study to **assess the competitiveness of the EU as a location for the manufacturing and development of automotive components**.
- According to survey data collected by Roland Berger from over 100 respondents, **85% of the components in an internal combustion engine (ICE) vehicle produced in Europe are still assembled within the region, with a share of value created in Europe for these components in the 75% range.**
- **For battery electric vehicles (BEV), the EU value share per component is in the range of 70%**. For key components for connected and automated vehicles themselves these values are higher, but for their subcomponents the respective values are lower as significant parts of their value chain are outside of the EU.
- The survey also highlights an **important competitiveness gap between European production and that of non-European Best-Cost Countries**, with **cost differences ranging from 15% to 35%, depending on the component category.**
- Moreover, the data indicates **an increasing risk of partial value transfer to other regions for a majority of components**, as non-European suppliers aggressively compete on price to import into the EU and / or Tier-1 suppliers and OEMs seek cost reduction opportunities, and as non-European suppliers capture market share via low-cost imports.
- The combined effects of geographical value transfer, shifts in the powertrain mix, and changes in component value per vehicle could **threaten up to 23% of Europe's per-vehicle value creation** over the next five years. This would have significant implications for Europe's industrial base and could put between **300,000 and 350,000 jobs at risk during the same period**.

A comprehensive Industry Competitiveness Program should be able to address structural causes of non-competitiveness while limiting immediate value transfer

Executive Summary (2/2)

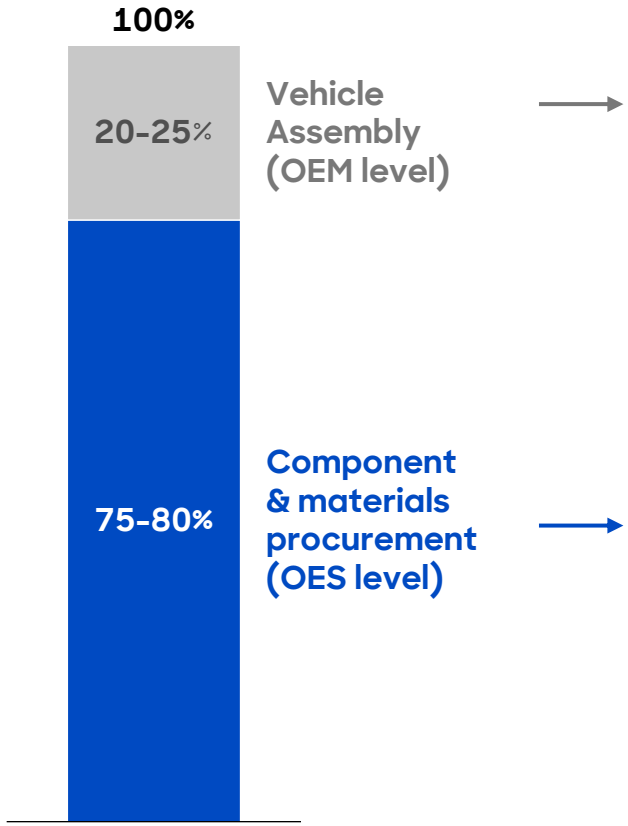
- To prevent value transfer from Europe, it is essential to **restore the overall competitiveness of the EU automotive manufacturing footprint**.
- This will require a comprehensive strategy, including:
  - **Structural measures** to address the root causes of declining competitiveness, as identified in the survey and reflected in key aspects of the Draghi Report. These include high labor, energy, and material costs; excessive regulation; and insufficient investment in critical technologies.
  - **Safeguards to maintain manufacturing volumes**, as further declines would directly erode the competitiveness of the EU's industrial base by inducing a mechanical increase of fix costs per car.
  - **Phase-in measures and support to built-up of a EU based value chain** for critical EV and electronic components.
- A benchmark of international support strategies highlights a dual-track approach adopted by countries such as China, India, the US, and Brazil to strengthen their automotive industries:
  - **Financial support** to boost local production competitiveness, including subsidies for operating costs (e.g. energy, labor), capital expenditure (CAPEX) support and active policies to attract foreign direct investment in strategic technologies
  - **Demand-side incentives** favoring domestic production through various forms of local content mechanisms (subsidies for vehicles that meet local production thresholds or incorporate key components produced or assembled domestically)
- **Global best practices** also reveal several common patterns:
  - A combined approach integrating both competitiveness-enhancing and protective measures
  - Flexibility and adaptability in implementation, ensuring that protective mechanisms do not hinder innovation or the ability to respond to evolving global trade dynamics.
- Finally, **the magnitude of the identified competitiveness gap strongly recommends against penalty-based measures** across the value chain as they would be counterproductive, further weaken EU industry competitiveness and reduce capacity to innovate.

B. WHAT – Assessing EU's competitive position

Although the auto components industry contributes to nearly 75-80% of vehicle value, only a few protection measures are in place today

Key facts of the auto component industry in Europe

Value share of an avg. c-segment car



Current state of the European industry

Industry under significant pressure from competitive, regulatory & consumer trends

c. 12 million
# of cars built in the EU + EFTA region (2024)[1]

Industry at risk of delocalization, with high economic and social stakes:

EUR 250 bn
Estimated economic value contributed to the EU by the auto component industry

c. 1.7 million
# of people directly employed in the EU's auto component industry

Existing policy measures

Some concrete measures to protect against unfair competition

- **Tariffs** or **bonus/malus schemes** (e.g. Green bonus in France) to incentivize local production and sale of European cars

Fragmented/partial protection of industry

- **Reactive rather than proactive measures** with isolated mechanisms to address unfair market practices (e.g., tariffs on wheel imports, etc.)
- **Absence of a unified policy** with limited long-term effectiveness to address strategic needs (e.g., semiconductor investments)

Note: 1) Based on latest data from S&P Global Mobility LV Production forecast by powertrain

Source: CLEPA, European Parliament, Eurostat, Roland Berger, S&P Global Mobility

Not Exhaustive

...despite the varied market dynamics that pressure industry margins, threatening the potential for long-term value creation in Europe

Selection of key market dynamics

Key dynamics	Implication on delocalization risk for Auto component industry
Escalating production costs	Rising energy costs, high labor costs and material sourcing issues (i.e., cost and/or access), renders local production uncompetitive vis-à-vis nearshore (e.g., TR, RS, MA) or Asian best-cost countries (e.g., CN, IN, TH)
Dynamics of EU-based OEMs	Despite OEM interest in supply chain resilience, the growing pressure to reduce prices and the fall in component demand volumes is driving the delocalization of volumes and value towards nearshore or BCC locations
Low-cost Tier 1 supplier competition	Highly price-competitive new entrants from best-cost countries (BCCs) benefit from significantly lower cost structures, and direct access to Europe via nearshore sites
Market transition to new technologies	Electrification & Autonomy features, coupled with SDV adoption, are driving major investments and supply chain transition towards Asia for materials, technologies & talent
Influx of Asian OEMs into Europe	OEMs from best-cost countries (e.g., China) are reducing the share of cars assembled in Europe and leveraging their own tier 1-n supplier base
Evolving global dynamics	While trade policies emphasize “local for local” production, the focus on high growth markets and centers of innovation (e.g., N. America & S-E Asia) is driving the rebalancing of global production footprint

Increasing market pressure to delocalize value from Europe

Potential impact on delocalization risk from 2025-2030: ○ Low impact ● High impact

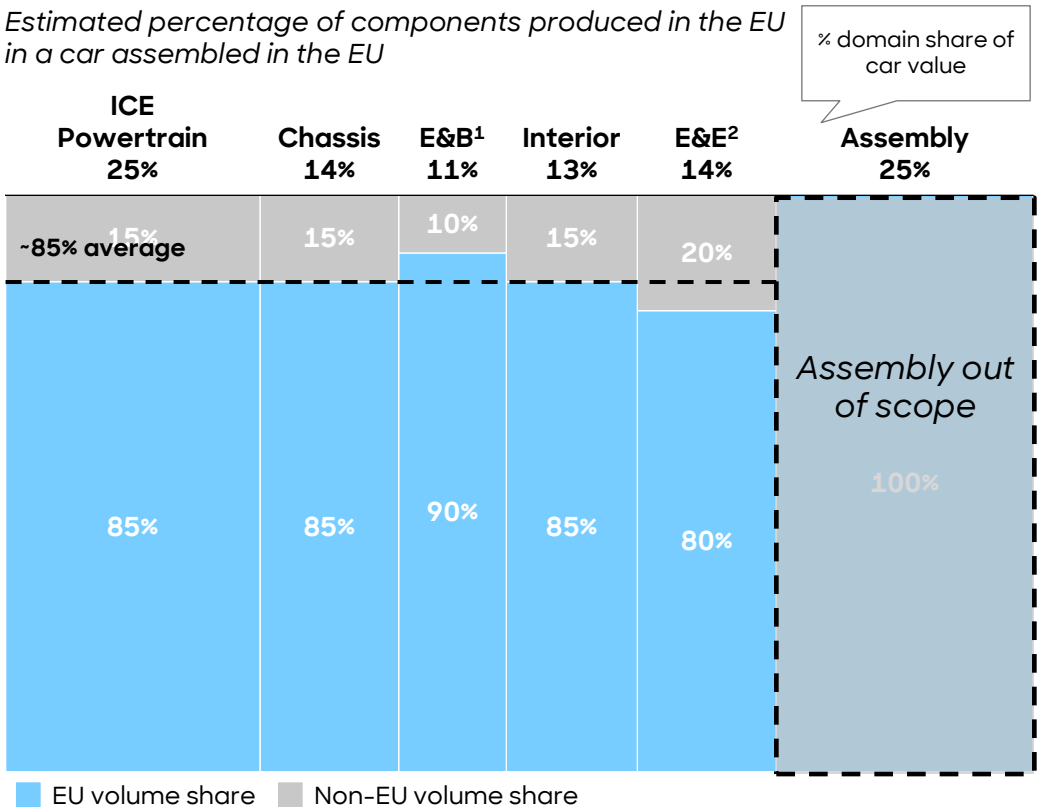
Source: CLEPA, Roland Berger

Today for ICE vehicles, about 85% of components are assembled in Europe and 75-80% of the value of these components is created in Europe …

Status quo – 2025 EU sourcing index for vehicles produced in the EU – **Focus on ICE**

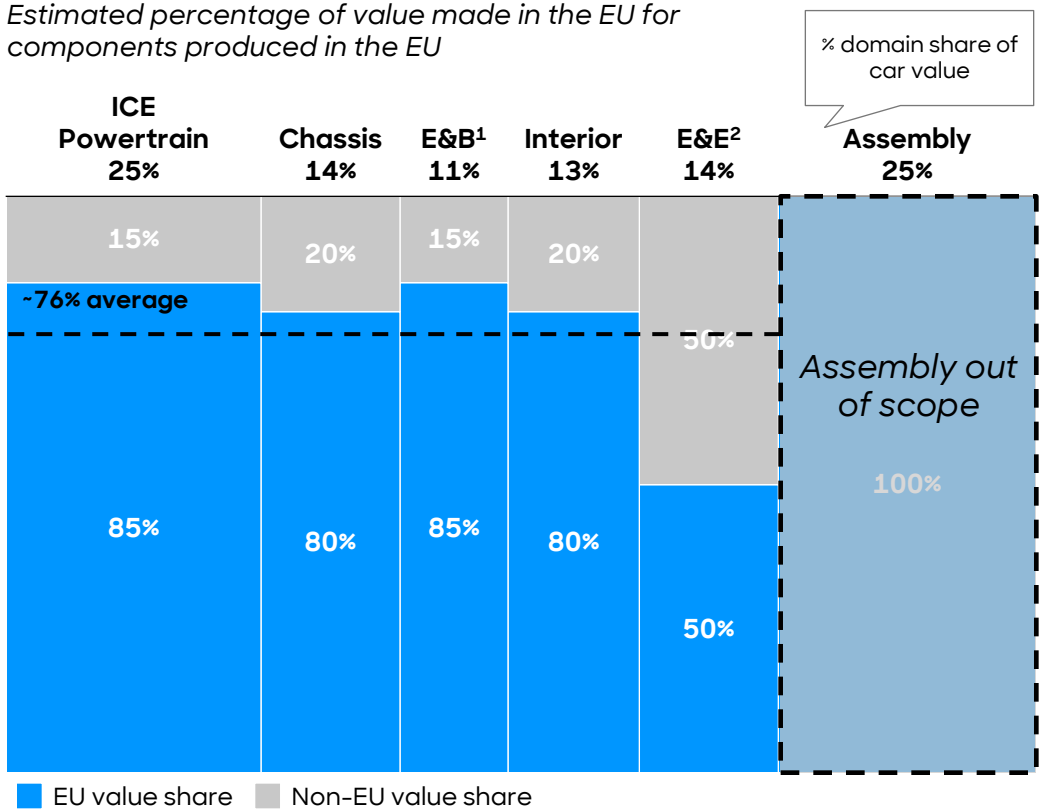
EU volume share of all components[3]

Estimated percentage of components produced in the EU in a car assembled in the EU



EU value share per component[4]

Estimated percentage of value made in the EU for components produced in the EU



Notes: 1) "E&B" = Exterior & Body, 2) "E&E" = Electrical & Electronics 3) This graph represents the share of components required for vehicles produced in Europe; 4) Refers to components manufactured in the EU

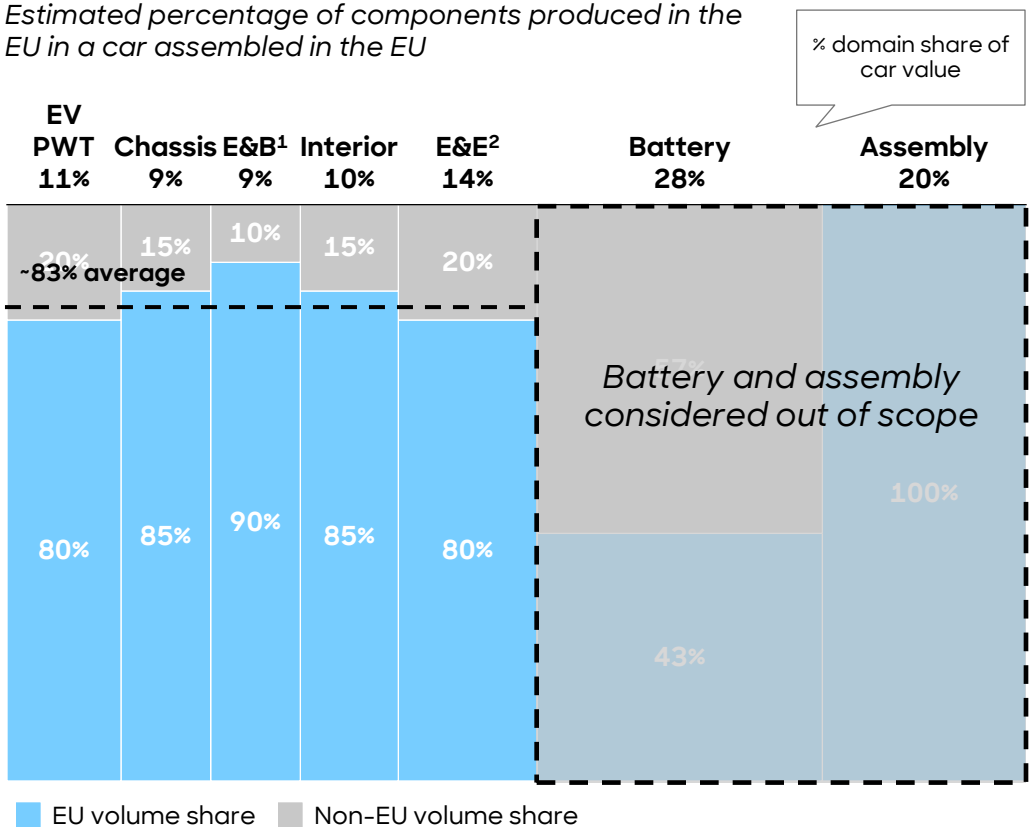
Source: Supplier survey, OEM interviews, CLEPA, Roland Berger

…while for BEV vehicles, the level of value generated in Europe is lower due to the importance of Battery and Electronics in the total component value

Status quo – 2025 EU sourcing index for vehicles produced in the EU – **Focus on BEV (incl. battery)**

EU volume share of all components[3]

Estimated percentage of components produced in the EU in a car assembled in the EU



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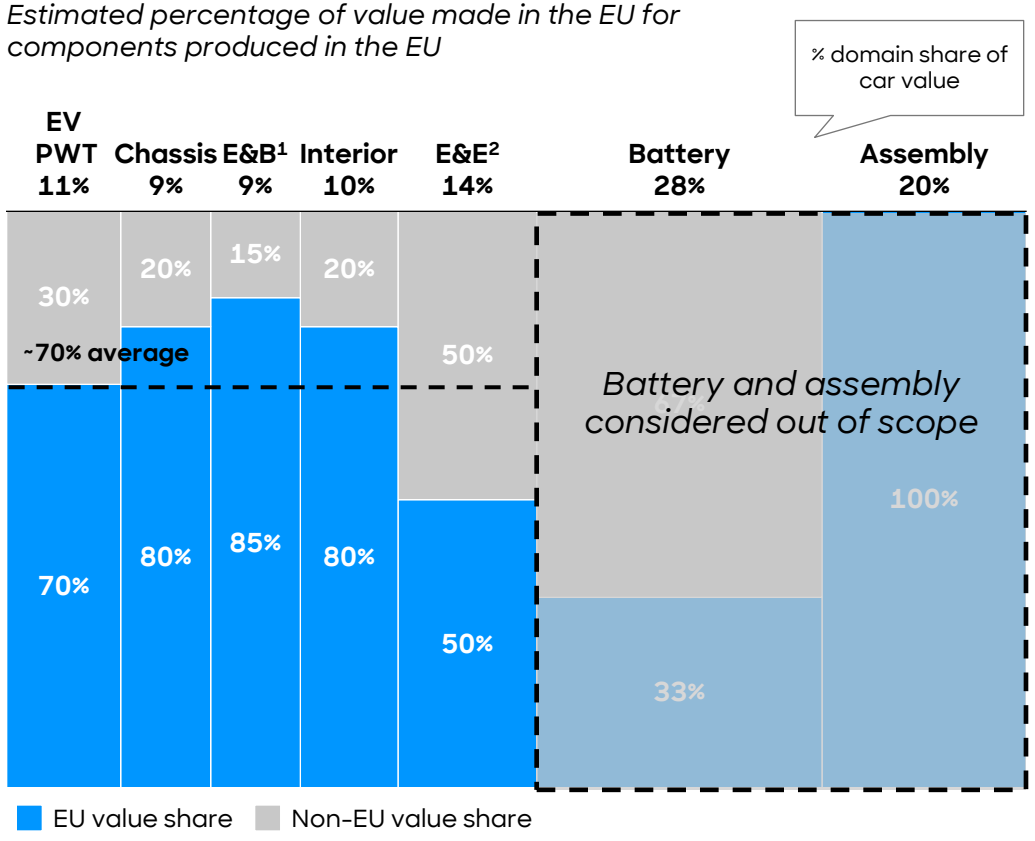


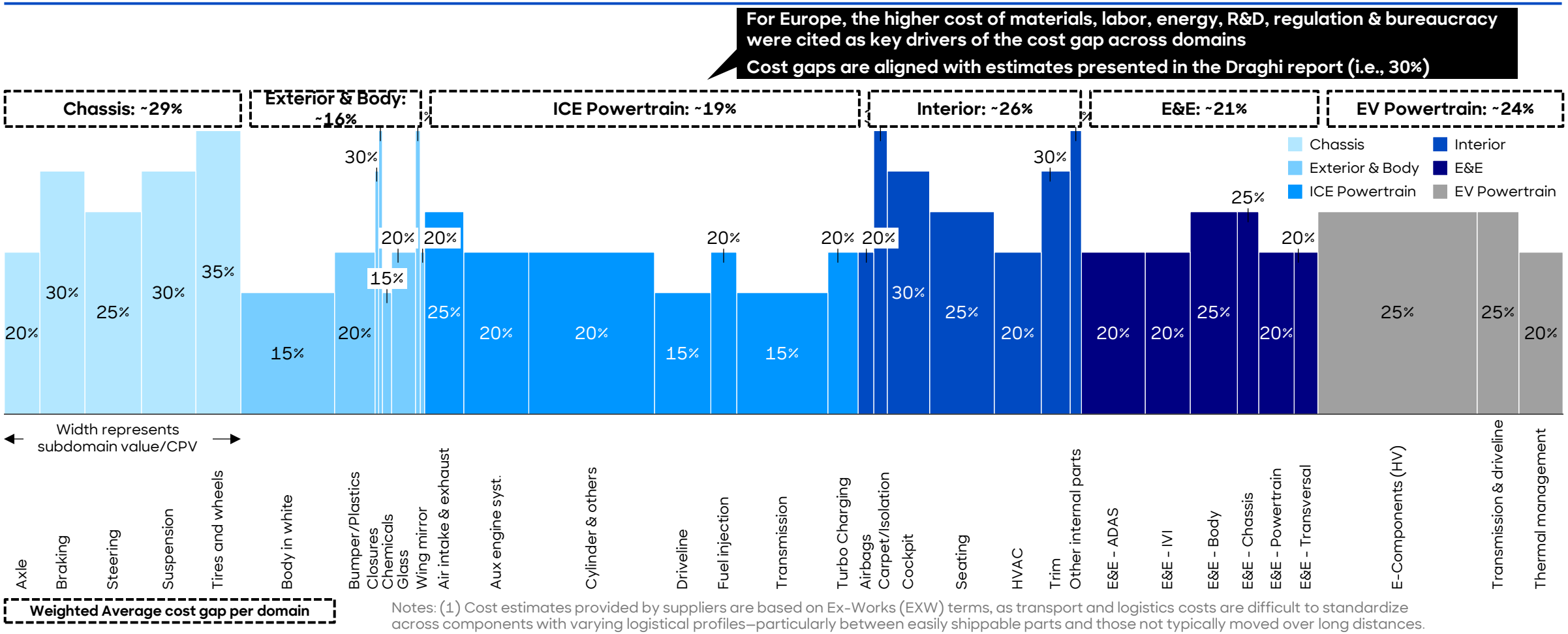
Notes: 1) "E&B" = Exterior & Body, 2) "E&E" = Electrical & Electronics, 3) Refers to the volume share of components required for vehicles produced in Europe; 4) Refers to components manufactured in the EU

Source: Supplier survey, OEM interviews, CLEPA, Roland Berger

Based on survey data, an average cost gap range of 15% to 35% was witnessed between a component produced in Europe vs. the best cost option

Cost competitiveness gap

Subdomain cost gap of European average cost vs. best-cost option (Nearshore/Asian) [1]

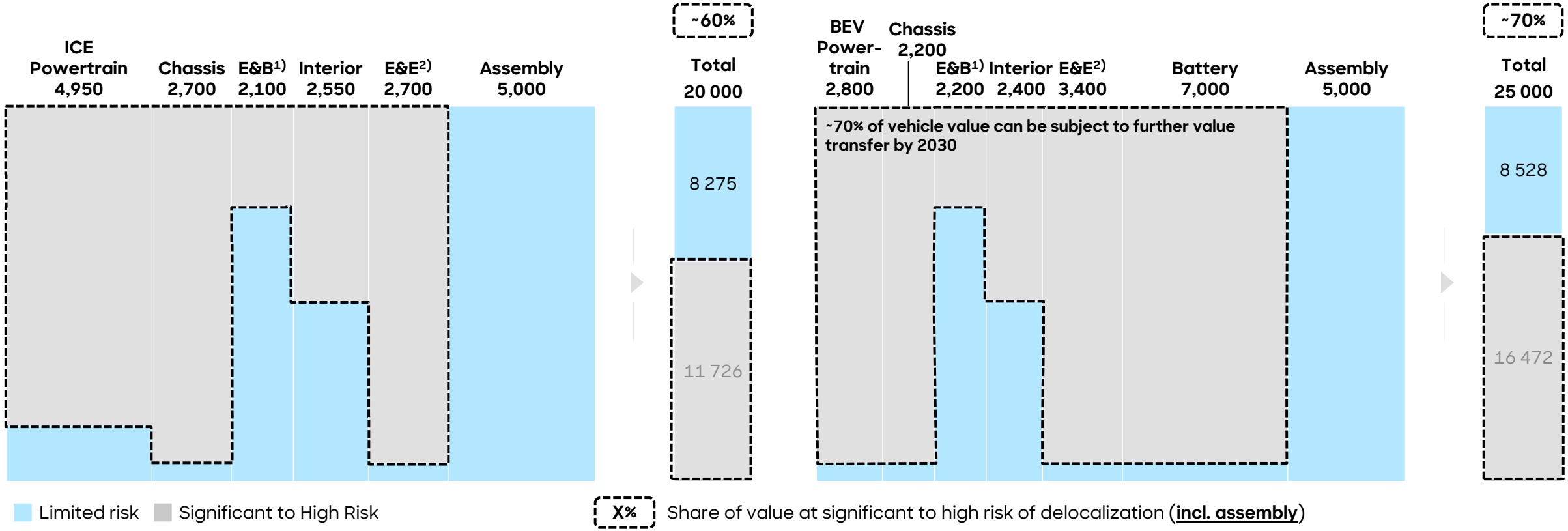


Notes: (1) Cost estimates provided by suppliers are based on Ex-Works (EXW) terms, as transport and logistics costs are difficult to standardize across components with varying logistical profiles–particularly between easily shippable parts and those not typically moved over long distances.

Source: Supplier survey, CLEPA, Roland Berger

On aggregated view, subdomains at risk of further value transfer account for 60% of a ICE vehicle and 70% of a BEV vehicle

Value share of vehicle by domain and type of risk [EUR]

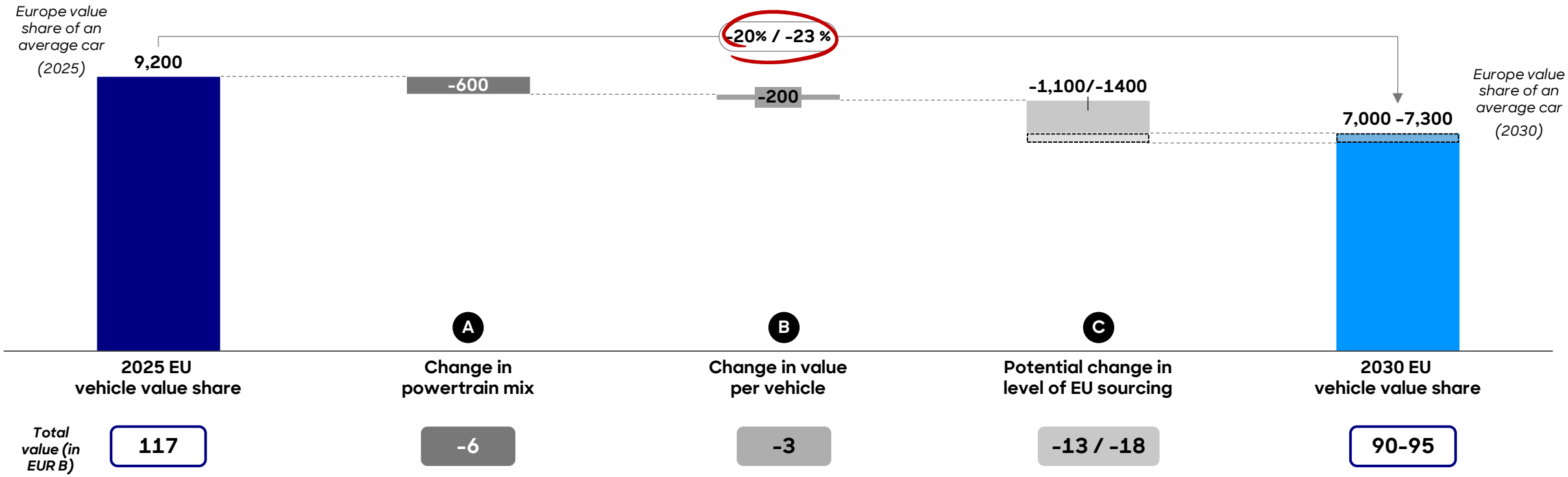


Notes 1) "E&B" = Exterior & body", 2) "E&E" = Electrical & Electronics

Source: Supplier survey, OEM interviews, CLEPA, Roland Berger

Assuming "status quo", value transfer, powertrain mix change & CPV change can put at risk up to 23% of the EU value creation in components (excl. battery)

Drivers of evolution in EU value creation per car by 2030 [EUR]



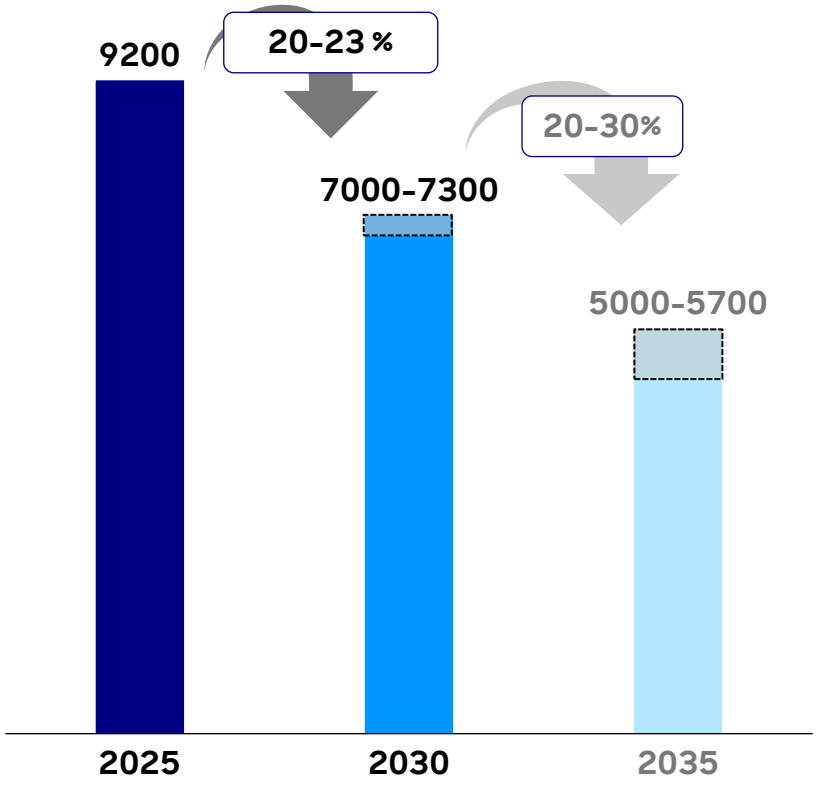
Source: Supplier survey, OEM interviews, CLEPA, Roland Berger

Projections to 2035 are subject to further uncertainties, both industrial and regulatory, but the value transfer trend is likely to continue

Potential value transfer impact by 2035

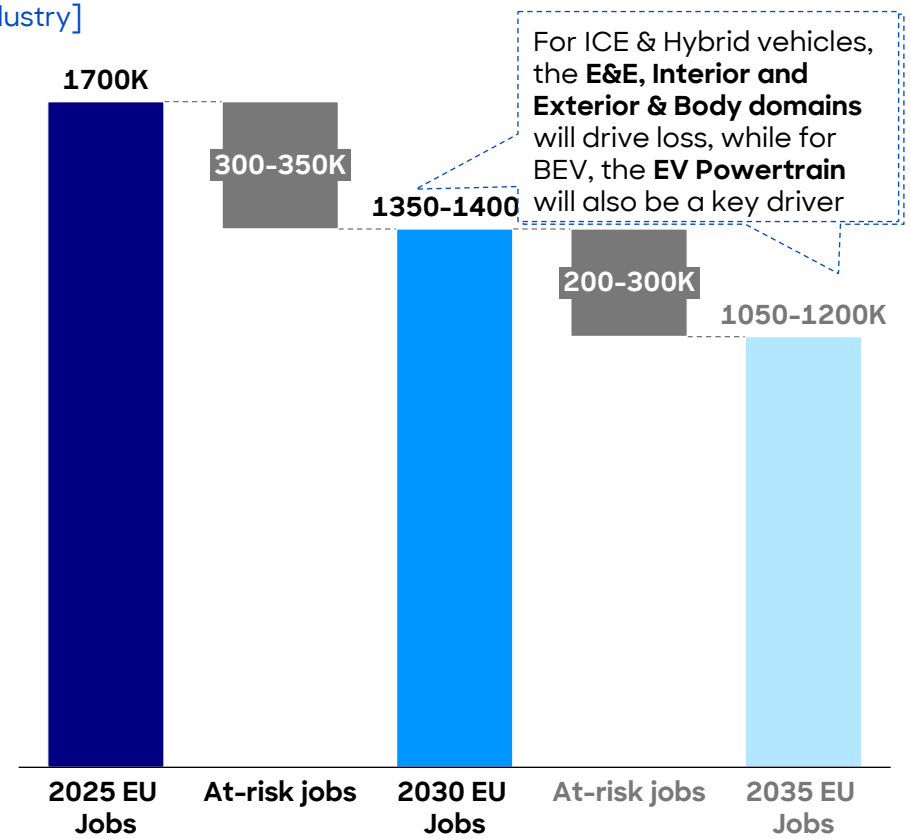
Potential evolution of EU value creation[1]

[Average European value creation per car]



High level estimate of at-risk jobs

[General estimate of the number of jobs in Europe's auto component industry]



Key caveats

- 2035 ICE ban has been assumed in the projection despite the possibility of change due to the 2026 review clause defined in the Fit for 55 package
- Projections for 2035 cover predominantly vehicle programs that have not be launched adding further uncertainties to the projection
- Potential value loss consists of both loss of volumes & value per component
- High-level estimate of potential value loss by 2035 is based on extrapolating 2025-2030 trends[1]

1) An alternative high-level estimate based on hypothetical net sourcing index reduction based on subdomain risk levels (20% for low to moderate, 40% for high, 60% for very high) indicates a potential conservative value loss of ~40%

Source: Supplier survey, OEM interviews, CLEPA, Roland Berger

C. HOW – Enhancing EU competitiveness and value creation

Addressing the competitiveness challenges may require the combination of structural competitiveness measures and temporary protection measures

Root causes for competitiveness gaps and rationale for specific measures

Several non-competitiveness factors have been identified in the course of the study…

General drivers of competitiveness gaps

- Cost gaps identified in the present study are of the same magnitude as the cost gaps identified in "The Draghi Report on European Competitiveness" (*The Draghi Report, 2024*)
- Explanations provided by survey responders, even if they vary significantly by component, tend to align with the cost-gap drivers mentioned in the Draghi Report[1)]
  - Energy costs
  - Labor costs
  - Material costs
  - Regulations at national and European levels that increase the SG&A costs and purchasing costs even if it is complex to exactly assess the impact

Additional drivers of competitiveness gaps for new tech.

On top of these generic factors, there are additional factors, also described in the Draghi report, related to investment in technologies that can explain specific gaps related to EV components, such as:

- Overall R&D spending in the EU which is at a lower level than direct competitors in percentage of GDP[2]
- Less focus on spending on critical technological value chain, especially EV value chain[2]
- Support focused on early phase of projects with less support on industrialization phases[2]
- Absence of massive investment plans to support the industry such as “Made-in-China 2025”, which involved an estimated 110 to 150 B euros spend[1] on the EV value chain, based on the Draghi Report

… that have been addressed by other geographies through a combination of structural competitiveness measures and temporary protection measures

Schemes for Competitiveness and Protection measures

- Other geographies have often combined the necessary structural competitiveness measures (subsidies to OPEX, support to R&D and manufacturing investments, Guidelines for Foreign Direct Investments) with specific sectorial protection measures, often structured around local content requirements with two objectives :
  - Maintain demand for local production in case of established products (e.g. USMCA)
  - Develop demand for local production in case of more emerging technologies such as EV (e.g. IRA)
- A similar dual-track approach applied in Europe could limit immediate value transfer in the short term while ensuring that long term sustainability of the automotive supplier industry is preserved through more structural measures addressing the root causes of competitiveness gaps presented above

1) Competitiveness gaps mentioned in the Section 1. Chapter 6. Automotive of the Draghi Report on EU Competitiveness
2) Competitiveness gaps mentioned in the Section 2. Chapter 1 Accelerating Innovation & Sustaining Investments of the Draghi Report on EU Competitiveness

Source: Roland Berger

C HOW – Potential implementation mechanisms

Across the world, Industry Competitiveness Programs combining competitiveness and protection measures have been launched to support local auto industry

	Name	Description	Rationale	WTO compliance	Conclusion
	BAA (1933) & BABA (2021)	U.S.-made goods required in public projects	**DS –** Increase vehicle demand & local sourcing	**GATT Art. III**: Justified under government procurement exception	Ensures local sourcing in public fleet & infrastructure
	IRA – Clean Vehicle Purchase Credit	Tax credit up to $7,500 per new EV	**DS –** Increase EV demand & local sourcing	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	150k p.vehicles in 2024 1st sem. / investments in local EV plants
	IRA – Manufacturing Production Credit	Tax credit for cells and modules production	**SS –** Reduce cost gap with Asia; dev. local industry	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	Industrial boom in the BEV sector, $70bn projects announced in 1 year
	DOE Loans/BIL – Infra. Investments	Funding prio. For projects with U.S. ownership & loc	**SS –** Crowd-in private capex for supply chains	**WTO's Subsidies & Countervailing Measures agreement (SCM[2)])**	Surge in U.S.-based clean-tech projects
	USMCA local content measures	Mandates LCR for tariff-free vehicle exports	**DS –** Consolidate North American supply chain	Governed by a regional trade deal, authorized by WTO	No results so far
	Battery Whitelist Policy (ended in 2019)	Rebate only for EVs using whitelisted cell makers	**DS –** Shield infant battery champions	**GATT Art. III** and **SCM[2)] Art. 3.1(b)** (subsidies & domestic sourcing)	Excl. existing KR/JP firms; ended due to foreign pressure
	Made in China 2025 Industrial P&G Funds	State funding, low-interest loans,	**SS –** Develop local production capabilities	**WTO's Subsidies & Countervailing Measures agreement (SCM[2)])**	Surge in production of EV components and technology leadership
	Inovar-Auto (ended in 2017)	Rebate on 30 % IPI surcharge	**DS –** Reverse import surge, support local production	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	Delivered localisation & investment but clearly WTO-inconsistent
	Rota 2030	Corporate-tax deductions for R&D spend	**MS –** Maintain tech upgrading post-Inovar	**GATT Art. XI:** Breach of import discrimination	WTO-safe replacement; weaker LC but innovation driver
	FAME II	Purchase subsidy for EVs with large dom value add	**DS –** Stimulate EV demand	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	Boosted 2W/3W EV uptake, but limited impact on car segment
	PLI Scheme – Auto & Auto Components	Incent. granted per unit of Indian-made parts sold	**SS –** Anchor domestic manufacturing & comp.	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	Attracted major invest. pledges; used to attract global OEMs & Tier 1 supp
	Public Procurement Order	≥50% local content required in public tenders	**DS –** Leverage state demand	**GATT Art. III**: Discrimination through National-treatment & MFN[1)]	Widely applied across sectors; unclear specific impact on auto

1) Most-Favored-Nation; 2) Subsidies & Countervailing Measures agreement; **MS:** Market Stimulation; **EB:** Ecosystem Building

Existing measures Past measures No explicit measures

Supply Stimulation / Competitiveness Demand Stimulation / Protection

Source: Roland Berger

On top of a combining supply and demand stimulation mechanisms, Industry Competitiveness Programs share similar patterns

Key patterns for Industry Competitiveness Program

- Industry Competitiveness Programs **leverage both supply stimulation /competitiveness measures** that improve the competitiveness of the local supplier ecosystem and **demand stimulation / protection measures** that direct demand towards local production

- The **optimal mix of demand & supply measures depends on several factors**, including:
  - Ability to **mobilize public funds** to support measures
  - Evolutions of **protection measures taken by trade partners** (e.g., tariffs, local content and subsidies)
  - The **evolution in the competitiveness** of the local supplier ecosystem, which is impacted by several factors (e.g., fiscal incentives, technology evolutions, energy prices, productivity.)

- Therefore, the mechanisms tend to **maintain flexibility** while trying **to ensure transparency for companies** and giving them **the capacity to adapt over time**.

Source: Roland Berger

To mirror these international examples, a European Industry Competitiveness Program would have to propose a similar dual structure

Considerations for Made-in-Europe Industry Competitiveness Program

Objective

Similarly to other mechanisms implemented in other markets, a "Made-in-Europe" (MIE) policy would have two roles:

- **Ensure that the long-term viability** of the automotive supplier industry is preserved through structural measures addressing the root causes of competitiveness gaps.
- **Prevent immediate value transfer** in the short term **to maintain volume in order to avoid** further deterioration of competitiveness.

Key levers

Made-in-Europe policy levers

Supply stimulation / Competitiveness

Measures that enhance the competitiveness of existing production ecosystems (e.g., Chassis, Interior, etc.) and that encourage investment/ development of nascent production ecosystems (e.g., Electronics) in Europe

+

Demand stimulation / Protection

Measures that drive purchase of "Made-in-Europe" (MIE) cars by European customers, and drive purchase of "Made-in-Europe" components by OEMs selling cars in Europe

Key measures

Supply stimulation / Competitiveness + **Demand stimulation measures**

Competitiveness enhancement

OPEX & CAPEX support for well-established components to improve cost competitiveness vs. nearshore/ Asian BCCs

Ecosystem building

Support to development and industrialization programs, FDI policy favoring IP and know-how transfers

Direct car incentives

Subsidies for OEMS producing and consumers purchasing "Made-in-Europe" cars

Fleet procurement guidelines

Procurement guidelines to public and corporate fleets in Europe in favor of "Made-in-Europe" cars

Local Content[1] Targets

Evolving targets on % share of "Made-in-Europe" components to qualify as an MIE car

Notes: 1) Local Content (LC) is defined as the proportion of value of a vehicle and/or its components that is generated within a given region, covering parts, materials, engineering, & labor (NB: Europe = EU + EFTA)

Source: Roland Berger

To support the supply side, certain ecosystem building incentives need to be launched to drive investments and improve local competitiveness

Categories of supply stimulation incentives

		Underlying objectives	Examples of possible measures
Direct support to local production	**Support to Operational Competitiveness**	**Address the cost gap between Domestic production and BCC production** (for existing production capacities)	• Energy or utility rebates • Wage subsidies • Funding of training programs • Operating cost tax credits • Initiatives to reduce bureaucracy and administrative load
	Support to Capital Expenditures	**Favor installation of new/more modern production facilities** and **upgrade of existing facilities**	• Investment grants/funding for upgrades (automation & digitalization) and transformation of facilities • Preferential loan terms for upgrades and transformation of facilities • Accelerated tax depreciation
Transversal measures	**Support to development of critical component supply chain in the EU**	**Develop an holistic integrated approach to accelerate innovation and industrialization of key technologies**	• Funding primarily directed towards the development of key EV and E&E technologies and projects led by reliable industrial players. • Financial support to cover all project phases, from initial R&D to large-scale industrialization.
	Policy regarding Foreign Direct Investments	**Condition installation of foreign funded production capacities** and public financial support to FDI to **transfer of manufacturing and product development capabilities and industrial partnership with local supply base**	• Definition of eligibility criteria for FDI based on support to development of local supply base (technology transfer, localization of R&D, partnerships with local suppliers) • Support to eligible FDI (fast tracking licensing, guarantee on policy and tax treatment stability, accelerated tax depreciation, subsidies)

Source: Roland Berger

To support the demand side, Local content requirement need to be designed to protect local production and favor development of technology critical subdomains

Framework for Local Content Requirement (LCR) targets

LCR mechanisms	Car-level LCR target	+	Critical subdomain LCR targets
Rationale	*Reinforce footprint stability for relatively safe components and offer a temporary protection for components that are more at risk*		*To incubate innovation & develop critical subdomain ecosystems*
Considerations based on international benchmark	**Two-layer calculation method** In benchmarked mechanisms, the vehicle-level target is often calculated as the total value of components classified as "locally produced" divided by the total value of all components in the vehicle. This calculation relies on a definition of component origin that may vary depending on the component type and criticality (cf. USMCA – 2020) . **Definition of locally produced components** The definition of "locally produced" often considers where the last substantial transformation occurred and, in some cases, where subcomponents are sourced, with a minimum required value to be sourced locally (cf. USMCA – 2020). **Car target level** Using the methodology described above, thresholds in the 70–75% range are commonly observed in trade agreements or other local content mechanisms related to the automotive industry.(cf. USMCA -2020)		**Specific subdomain targets** To promote localization or ensure the retention of critical components, specific targets can be set for defined groups of components (cf. battery in IRA – 2022). **Increasing target levels** As the purpose of this target is to increase local production for a specific group of components, the targets are often designed to increase gradually over time, following a predefined schedule shared from the outset (cf. battery in IRA – 2022). **Targeted support measures** Targets for specific component groupings are usually associated with targeted support measures to promote the development of related activities, such as facility installation, industrial capability building, and R&D programs. (cf battery in IRA – 2022)

Source: Roland Berger

Threshold levels need to be calibrated to find the right balance between protection of local production and cost/non-cost competitiveness

Key guidelines for LCR criteria and methodology (1)

Feasibility & viability guidelines

- Define criteria that are relatively **simple to implement and limit the administrative burden** of each player of the value chain
- Define a **methodology that rely an accessible and reliable data** to allow fast and effective implementation
- Offer sufficient **freedom to OEMs regarding their sourcing strategy** (make or buy and choice of suppliers), to limit competitiveness impact on EU-produced vehicles
- Provide sufficient **freedom to Tier-1 suppliers regarding their sourcing strategy** (make or buy and choice of tier 2+ suppliers)
- Ensure **achievability of LCR through a gradual evolution of targets**, especially for critical technologies with less-mature local ecosystems in 2025

Threshold Structure

- **A methodology that defines EU value at vehicle level as the ratio of the the total price of Made-in-EU components over total price of car components** would create the lowest administrative burden for OEMs, as it obviates the need for a detailed breakdown of each component to assess its contribution to the overall EU value
- **The definition of a Made-in-EU component, aligned with existing methods of origin determination, would minimize additional administrative burdens for both OEMs and suppliers.**
  - **A methodology based on the last substantial transformation of a component** (as used in non-preferential origin determination) appears both technically and administratively viable for determining EU origin.
  - **This could be possibly complemented by minimum thresholds for locally sourced materials–particularly for critical technologies where the EU footprint is still underdeveloped**–in order to support the development of the local ecosystem. These thresholds – which cannot be estimated as part of the present study – should take into account local availability and variations between components, and could be gradually increased over time.
- **The analysis conducted on the share of components assembled in the EU suggests that a EU value threshold in the range of 70% to 75% could be feasible** - subject to the assumptions and methodological parameters outlined in the study.

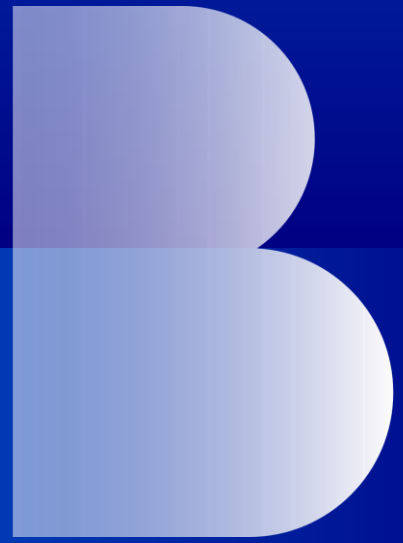
Source: Roland Berger

The demand for "Made-in-Europe" cars can be stimulated by various mechanisms at the car, final buyer and fleet levels

Possible Demand Stimulation mechanisms

	Incentives for OEMs	Bonus for final Buyers	Purchasing Guidelines for fleets
Reference legal framework	• USMCA (2020) – Local Content measures for cars	• IRA (2022) – Tax Credit on EV	• BAA (1933) & BABA (2021)
Objective	• Incentivize OEM to choose local production of components	• Incentivize final clients to buy "Made-in-Europe" vehicles	• Increase share of "Made-in-Europe" vehicles into fleets
Mechanism	• Target level of European content per vehicle defined at EU level • Direct incentives for the OEM based on car positioning vs. target level of European content • Incentives proportional to the difference between target level and actual level achieved by cars	• Target level of European content per vehicle defined at EU level • Bonus paid to final buyers who buy car that meet the European content target • Malus paid by final buyers who buy car that are below the European content target	• Minimum percentage of "Made-in-Europe" vehicles in corporate fleet and public purchasing • Penalties for fleeters and public institutions whose fleets are below the target percentage • Potential compensation for corporate entities that meet the target
Advantages / Drawbacks	• Possibility to define a standard Europe-wide mechanism (e.g., similar to CAFÉ) • Room for flexibility (bundling, exempted quota) • Cost increase for OEMs in case penalties are part of the mechanism	• Implementation at member state level leading to difference by country • Important budget impact and/or political cost for member state • Limited room for flexibility and bundling for OEMs	• Implementation at member state level leading to difference by country • Implementation limited to vehicles purchased by corporate and public institutions (50% in average in Europe with major national variations) • Implementation highly dependent on fleet legal status and size distribution

Source: Roland Berger



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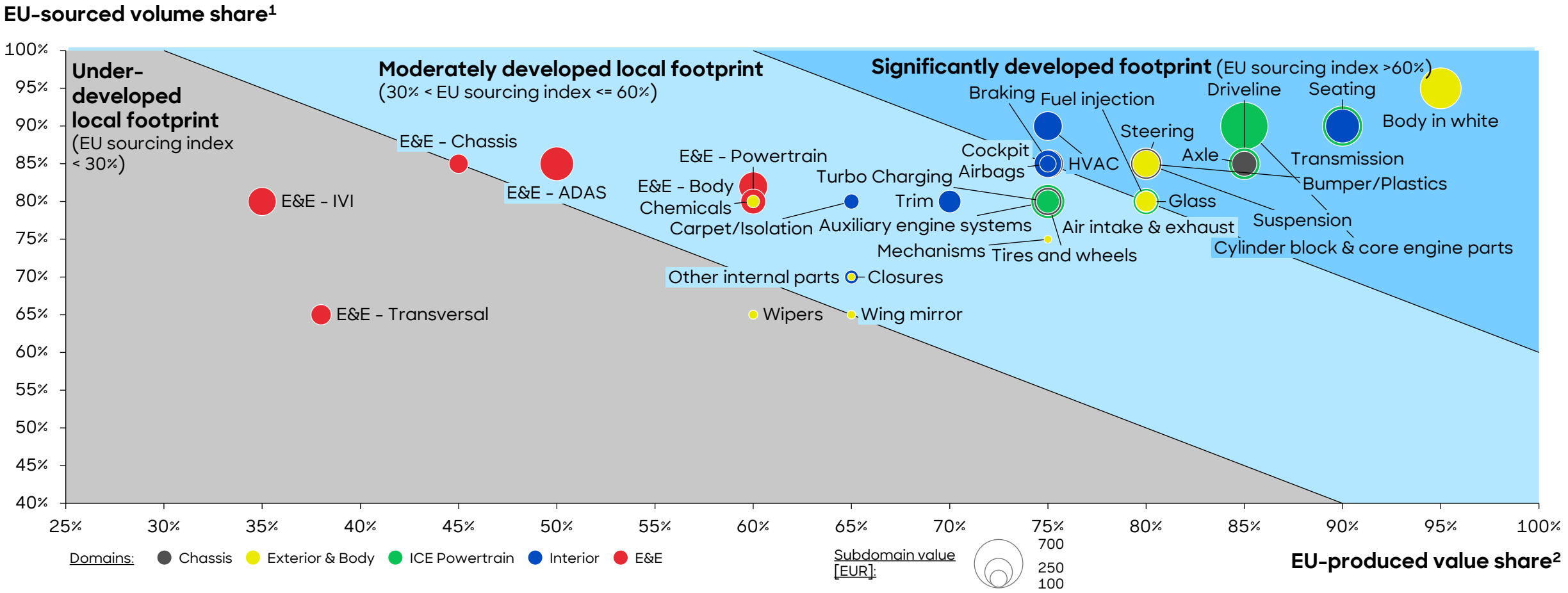
D. Annex – Detailed view by subdomains

While traditional technology subdomains have a high volume and value share in Europe, key subdomains such as E&E remain under-developed in Europe

Classification of subdomains based on presence in Europe – **Focus on ICE**

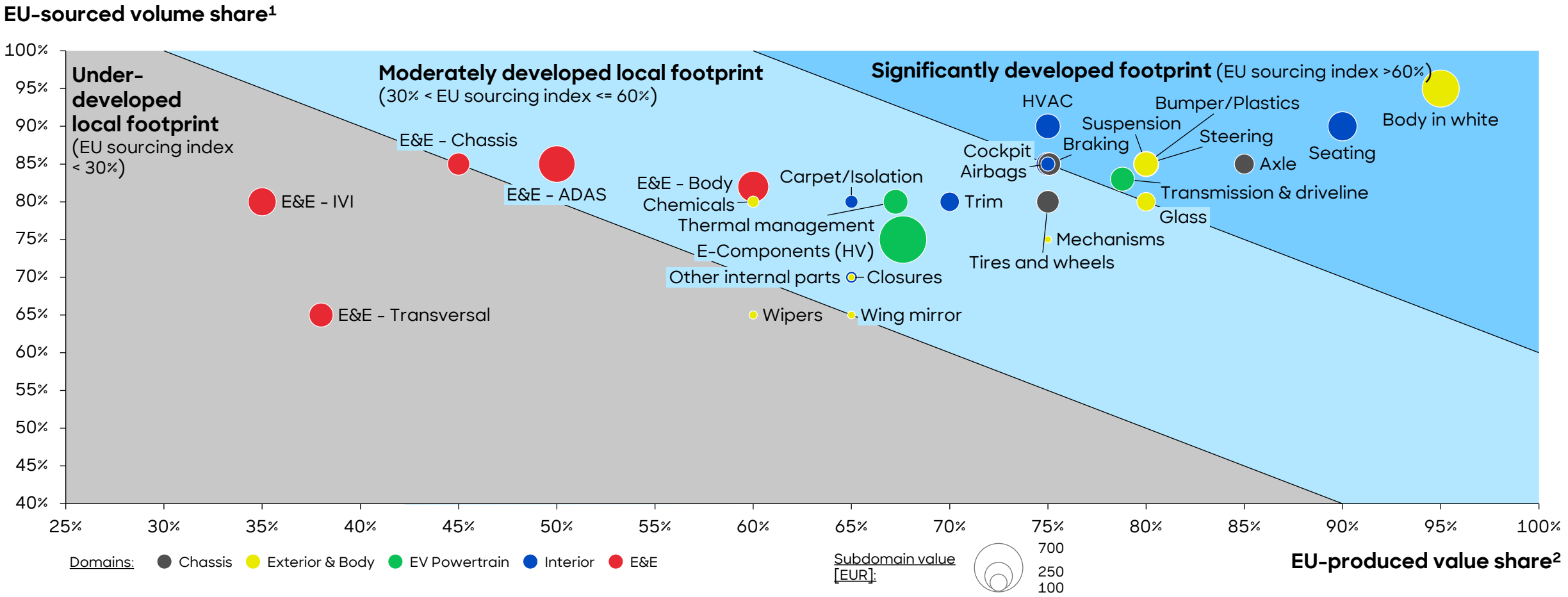


Notes: 1) Share of EU OEM demand sourced from production facilities in the EU , 2) for an EU-produced component, this represents the share of value actually created in the EU

Source: Supplier survey, OEM interviews, Roland Berger

In the case of BEV-related subdomains, the core subdomains of an EV powertrain are relatively less developed vs. ICE

Classification of subdomains based on presence in Europe - **Focus on BEV (excl. battery)**

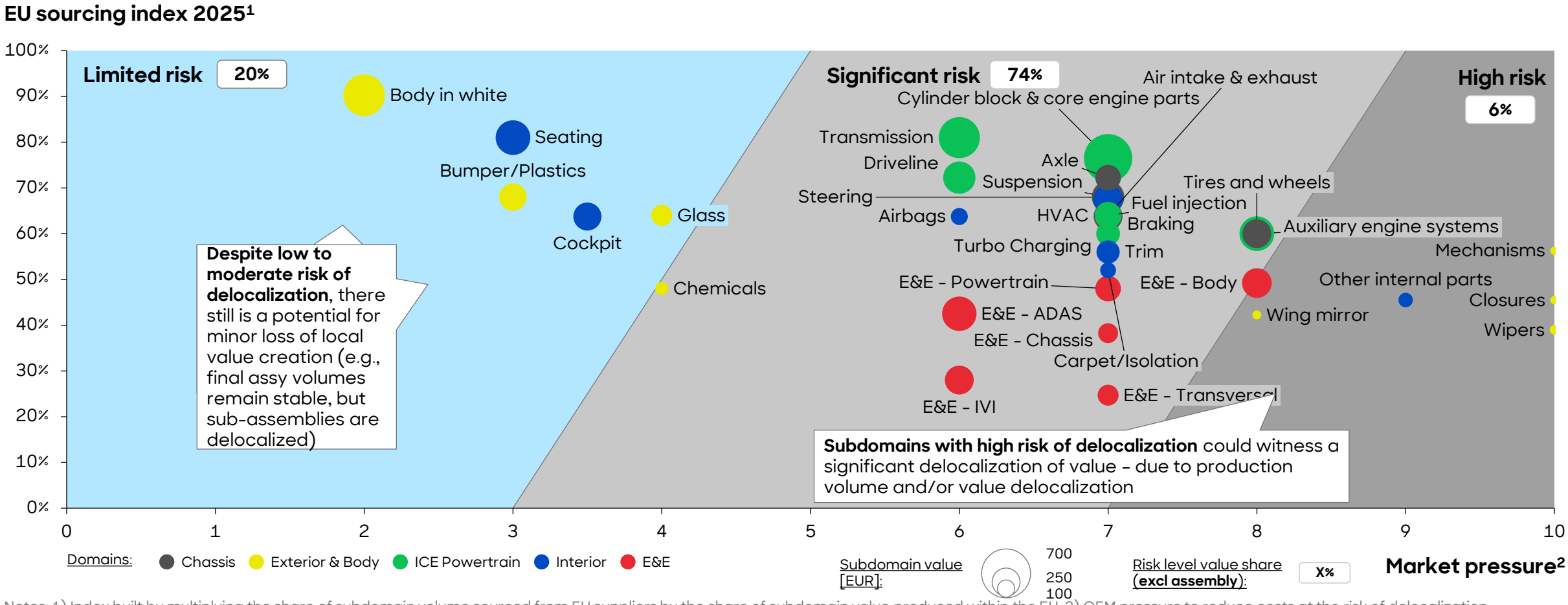


Notes: 1) Share of EU OEM demand sourced from production facilities in the EU , 2) for an EU-produced component, this represents the share of value actually created in the EU

Source: Supplier survey, OEM interviews, Roland Berger

Based on survey data, a large share of component subdomains could be subject to further value transfer from Europe to Asian BCCs and Nearshore countries …

Synthesis: Sub-domains with risk of delocalization - **Focus on ICE**



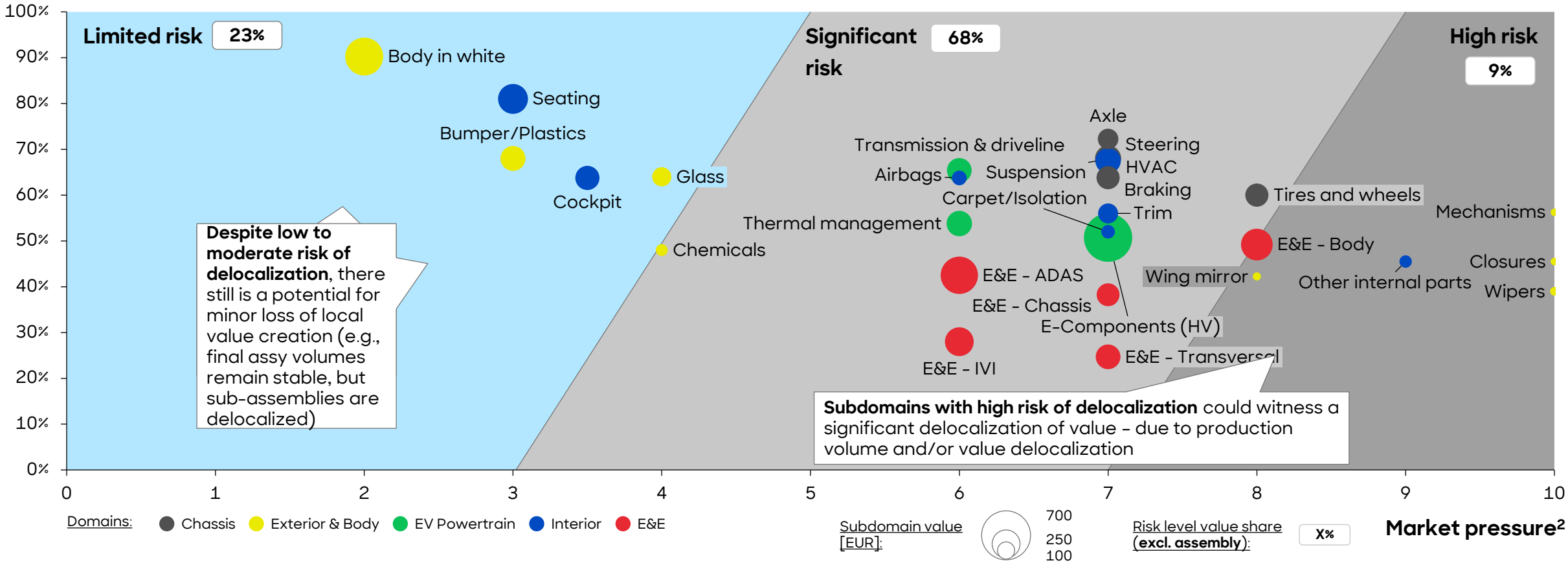
Notes: 1) Index built by multiplying the share of subdomain volume sourced from EU suppliers by the share of subdomain value produced within the EU, 2) OEM pressure to reduce costs at the risk of delocalization, balanced by the technical need for localized production (1-10 index)

Source: Supplier survey, OEM interviews, Roland Berger

...while a similar level of risk can be seen with subdomains of the EV Powertrain, despite the slightly lower risk for core EV subdomains

Synthesis: Sub-domains with risk of delocalization - **Focus on BEV (excl. battery)**

EU sourcing index 2025[1]



Notes: 1) Index built by multiplying the share of subdomain volume sourced from EU suppliers by the share of subdomain value produced within the EU, 2) OEM pressure to reduce costs at the risk of delocalization, balanced by the technical need for localized production (1-10 index)
Source: Supplier survey, OEM interviews, Roland Berger

To support the demand side, Local content requirement need to be designed to protect local production and favor development of technology critical subdomains

Framework for Local Content Requirement (LCR) targets

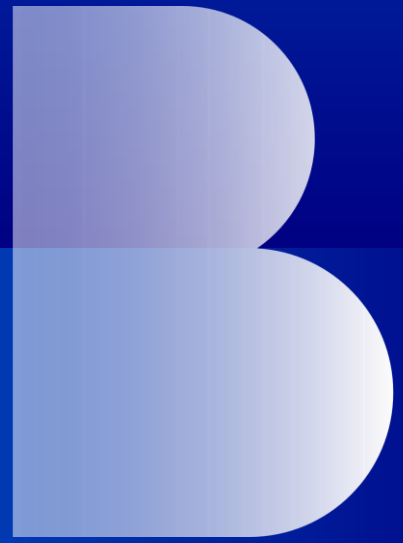
LCR mechanisms	Car-level LCR target	+	Critical subdomain LCR targets
Rationale	*Reinforce footprint stability for relatively safe components and offer a temporary protection for components that are more at risk*		*To incubate innovation & develop critical subdomain ecosystems*
Identified subdomains by subcategory	**Low risk subdomains** • Body in white • Bumper/Plastics • Chemicals • Cockpit • Seating		**Critical subdomains** *Subdomain that are especially critical for development of electrical and connected vehicle* • E-Components (HV) • EV Transmission & driveline • EV Thermal management • E&E - ADAS • E&E - IVI • E&E - Transversal (e.g., Central compute.) • E&E - Chassis (e.g. brake-by-wire, steer-by-wire)

Significant to High-risk subdomains

- Axle
- Airbags
- Braking & Steering
- Suspension
- Tires and wheels
- Closures
- Mechanisms
- Chemicals
- Glass
- Wipers
- Wing mirror
- Air intake & exhaust
- Auxiliary engine systems
- Cylinder block & core engine parts
- Driveline
- Fuel injection
- Transmission
- Turbo Charging
- Carpet/Isolation
- HVAC
- Trim & Other int. parts
- E&E - ADAS
- E&E - IVI, Body, Chassis, Powertrain
- E&E - Transv.
- *EV Powertrain*[1]

Notes: 1) EV Powertrain is a domain representing subdomains E- components, EV Transmission & driveline, EV thermal management - all of which are at high to very high risk of delocalization

Source: Supplier survey, OEM interviews, Roland Berger



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