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EUROBAT Position on the proposal of the Industrial Accelerator Act

EUROBAT believes that the Industrial Accelerator Act (IAA) is a vital and necessary step in European industrial policy and supports its core ambitions: strengthening Europe's industrial competitiveness, reinforcing supply-chain resilience and reducing strategic dependencies.

Batteries are mission-critical infrastructure. While serving as the backbone of electric mobility, they have for decades supported energy grids, stationary storage, telecommunications, data centres, critical infrastructure and defence, and their strategic importance continues to grow as societies accelerate digitalisation, electrification and the energy transition. A strong, diversified and resilient European battery industry, covering all battery technologies is essential to Europe's industrial and strategic autonomy.

EUROBAT believes that the IAA's success should be measured by whether it makes manufacturers investing in Europe genuinely more competitive than they are today. To achieve this, the framework must reward real European industrial value creation, provide legal certainty and realistic, application-specific transition pathways, differentiate industrial batteries and Battery Energy Storage Systems (BESS) from automotive batteries, and remain technology-neutral across battery technologies and chemistries at different stages of industrial maturity.

This paper sets out EUROBAT's priorities and specific asks on the provisions of greatest relevance to the battery sector.

Priorities

1. Clarify and strengthen the Union-origin test for batteries and BESS, with auditable, technology-appropriate criteria.
2. Introduce BESS localisation requirements progressively and in line with verified European manufacturing capacity, recognising the Power Conversion System (PCS) as a strategic BESS component in the early phase.
3. Ensure technology neutrality across established and emerging battery chemistries and apply component requirements only where relevant.
4. Differentiate industrial batteries and BESS from automotive batteries in implementation timelines and derogations.
5. Provide clear transitional treatment for contracts, qualified products, advanced projects and committed investments.
6. Pair demand-side measures with targeted, performance-based support for European manufacturing, innovation, resilience and recycling.

Executive summary

Differentiate industrial batteries and BESS from automotive batteries

- Ensure the IAA appropriately differentiates industrial batteries and BESS from automotive batteries, with implementation timelines that reflect their distinct qualification and supply-chain realities.

Industrial batteries for material-handling applications

- Recognise the specific competitive pressures on industrial batteries for material-handling equipment (e.g. forklift trucks) and support a progressive "Made in EU" framework covering system assembly and integration, BMS software development and coding, testing and validation, and EU-based storage and control of remote-communication data.

Union origin for third countries: define "relevant obligations" and provide predictability

- Clarify which countries and technologies qualify for origin equivalence, define "relevant obligations" precisely, and publish an early, transparent list of eligible partners to give industry planning certainty.

Union origin for BESS: a clear definition and a realistic, phased approach

- Define Union origin clearly for a complete stationary BESS and avoid an uncertain customs-origin interpretation, so that legitimate EU-assembled systems are not excluded.
- Introduce a phased BESS localisation pathway that prioritises components where European capability is available, and sequence cell-level requirements to Europe's realistic capacity trajectory.

Recognise the Power Conversion System as a strategic BESS component

- Recognise the PCS — the critical interface between the battery system and the electrical grid — as a strategic component within the European localisation framework for BESS, subject to appropriate technical and economic assessment and transitional arrangements. Any resulting requirements should be evidence-based, proportionate, phased and reflective of the actual availability and competitiveness of European supply. Compared with battery cells, relevant European engineering and manufacturing capabilities in power conversion appear comparatively more mature, and the PCS is directly connected to energy-security and cybersecurity concerns for critical energy infrastructure.
- Support recognising the PCS (or equivalent) as a main specific component for battery technologies — for example by adding it to the component list in Commission Implementing Regulation (EU) 2025/1178.

Emerging technologies and technology neutrality

- Apply Union-origin requirements to commercially scaled chemistries in a technology-neutral manner, avoid stifling innovation in emerging technologies, and ensure component-specific rules apply only where the component is present in the final product.

Competitiveness requires more than public procurement

- Complement demand-side "Made in Europe" criteria with production incentives and sustained funding, and strengthen the competitiveness of European manufacturers across the broader industrial market, not only in public procurement.

Supply-chain resilience as a competitive advantage

- Embed measurable, verifiable resilience criteria in the framework so that investment in resilient European supply chains is recognised and rewarded.

Third-country operators and EU-established manufacturers

- Ensure that the exclusion rule targets genuine circumvention and security risks and does not disqualify EU-based manufacturers solely on the basis of their ownership structure, while remaining fully consistent with the IAA's resilience and security objectives.

Legal certainty and a realistic transition

- Ensure the framework delivers legal certainty and predictability for committed and existing European projects, provides realistic and progressive transition pathways, and designs any investment obligations to remain workable and proportionate.

Differentiate industrial batteries and BESS from automotive batteries

Industrial batteries and BESS differ substantially from automotive batteries in their supply chains, qualification and certification processes, product life cycles, safety requirements and customer needs. Unlike the standardised, high-volume platforms typical of automotive production, industrial and BESS products cover a wide variety of configurations — engineered to project-specific voltage, capacity, footprint and grid-code requirements — each carrying its own qualification, certification and safety-approval cycle, and supplied under long-term continuity-of-supply and service commitments that extend well beyond automotive model cycles. Implementation timelines and derogations should therefore reflect actual component availability, supplier qualification, certification lead times, technical compatibility, safety, performance and continuity of supply rather than automotive production cycles.

Industrial batteries for material-handling applications

Particular attention should also be given to **industrial batteries used in material-handling equipment** (incl. forklift trucks), where European manufacturers face increasing competitive pressure from imported lithium battery systems, particularly from Asia, offered in some cases at prices significantly below those of equivalent products manufactured in Europe.

To preserve European industrial and technological capabilities while maintaining access to competitive battery cells, a specific and progressive **“Made in EU” framework** should be considered for these applications. Such a framework could require that key value-creating and security-relevant activities are carried out in the European Union, including battery system assembly and integration, development and coding of the BMS software and control algorithms, BMS integration and configuration, final testing and validation of the complete battery system.

Specific importance should be given to the **BMS software**, as it increasingly represents a core element of the battery’s functionality, safety, performance, diagnostics and integration with the vehicle and charging infrastructure. European development and control of this software should therefore be recognised as a significant element of genuine European industrial and technological value creation.

Furthermore, where batteries are connected through **Wi-Fi, 4G/5G or other remote communication systems**, the collection, transmission, processing, access and storage of all data **must necessarily take place within infrastructure located inside the European Union and under its control**. (NIS 2)

Reward genuine European industrial value creation

The credibility of the IAA depends on the robustness of its "Made in Europe" / "Union Made" criteria. A definition that is too broad risks creating loopholes, allowing products with limited European value creation to benefit from the same support as those making a substantial contribution to Europe's industrial ecosystem. European industrial policy should reward **meaningful industrial contribution and not rely solely on the location of final assembly**.

This concern is directly relevant to the proposal's stated aim (Recital 15) that public procurement, which amounts to 15% of the Union's GDP, should favour beneficiaries that make a greater contribution to strengthening the Union's resilience.

This matters particularly for batteries. Battery manufacturing is not a light-touch assembly activity: it involves complex electrochemical processes, long qualification and certification timelines, steep learning curves and deep process know-how that cannot be relocated overnight. Real European value is created across a wide ecosystem — active-material and component production, cell and module manufacturing, system engineering and BMS/EMS integration, the equipment and supplier base upstream, and the recycling and closed-loop infrastructure that returns critical materials to the European value chain. A definition centred only on final assembly would capture

very little of this, and would leave the door open to products that are largely manufactured elsewhere and merely finished in Europe.

Beyond clear and auditable origin requirements, the framework should therefore recognise measurable value creation across the full industrial ecosystem. This includes manufacturing, engineering and R&D — within which software development deserves particular recognition, as it increasingly determines system architecture, performance and integration in modern battery systems. It should equally reflect European employment, supplier ecosystems, and local service and support capabilities, including on-the-ground technical presence throughout the product lifecycle, alongside recycling and circular-economy capabilities. A stronger, value-based definition would encourage long-term industrial investment while limiting circumvention through third countries and avoiding unintended barriers for manufacturers progressively localising their value chains in Europe.

Union origin: clarity and a robust, verifiable test

The proposal establishes Union origin by reference to the Union Customs Code (Article 7(2)). EUROBAT is concerned that non-preferential rules of origin — determined on the basis of the last substantial transformation — may be ill-suited to batteries and their components, as minor transformations could confer "Union origin" without meaningful European value added

A component-based, process-focused approach, defining the key manufacturing steps that must take place in the Union — including not only cell and system production but also the software development that governs battery management and system control — better reflects the specificity of the battery industry and supports transparent, verifiable enforcement.

Union origin for third countries: define "relevant obligations" and provide predictability

The proposal allows origin equivalence for certain FTA/GPA partners (Article 8(1)), but the "relevant obligations" attached to that equivalence are not clearly defined. This creates uncertainty for international battery supply chains and long-term procurement planning and, if left unaddressed, a circumvention risk — for instance, where a product undergoes only limited transformation in an FTA partner yet accesses EU support and procurement as effectively "Union-made." The interaction with countries benefiting from equivalent treatment should therefore be carefully calibrated to ensure reciprocity, preserve resilient and diversified supply chains, and prevent preferential treatment from being extended to products that have undergone only limited processing in third countries — while maintaining openness to reliable and diversified trading relationships.

Union origin for BESS: a clear definition and a realistic, phased approach

Definition. The proposal requires BESS to meet Union-origin criteria (Article 28d, mirroring Article 7), but it is currently unclear whether this refers to final assembly or to a stricter customs-origin test. It is important that this be clarified, as this ambiguity could have significant implications for

the sector, potentially setting a de facto localisation threshold nearly as stringent as full cell-level requirements.

Phased localisation (Annex II). Applying Union-origin requirements to the full BESS stack — system assembly, Power Conversion System (PCS), Energy Management System (EMS), Battery Management System (BMS) and cells — within a compressed timeline risks creating a supply-demand gap that would slow Europe's energy-storage deployment, precisely when grid-scale storage is urgently needed to integrate renewables and ensure grid stability. A phased approach that prioritises components where European manufacturing capability already exists or is developing, while matching cell localisation to Europe's actual capacity build-out, would better serve both industrial and energy-transition objectives:

1. **Early phase** — Union-origin requirements for BESS assembly, the PCS and the EMS. The PCS and EMS sit at the interface between the storage system and the grid: the PCS controls power conversion and the flow of power to and from the grid, while the EMS handles grid compliance, dispatch and cybersecurity. Prioritising their localisation addresses system-level security and grid-integration concerns first, in areas where relevant European engineering and manufacturing capabilities appear comparatively more mature.
2. **Subsequent phase** — extension to the BMS, electrical systems (electrical cabinets, system wiring and electrical integration) and other critical components, taking into account European supply availability, qualification requirements and competitiveness.
3. **Cell localisation** — sequenced to match the maturity of European cell-manufacturing capacity. Europe's total battery-cell production capacity for energy storage remains limited today and is expected to grow only gradually over the coming years, still falling well short of anticipated demand by the end of the decade. A full cell-localisation mandate would raise the cost of grid-scale storage — costs that flow through to electricity prices for European households and industry — at a time when Europe is seeking to lower industrial electricity costs to preserve competitiveness. A deferred, capacity-aligned timeline allows European cell manufacturing to mature while avoiding cost-driven disruption to the energy transition.

The Power Conversion System as a strategic BESS component

The PCS provides the critical interface between the battery system and the electrical grid and directly controls the conversion and flow of power. As such, it performs several strategically important functions relating to grid interaction and compliance, power conversion and system performance, operational control, cybersecurity, and system reliability and availability. If the objective of the IAA is to reduce strategic dependencies in critical energy infrastructure, the PCS should therefore be considered among the components warranting priority assessment, and reliance on geographically concentrated supply sources for such a critical component merits careful consideration in terms of security, resilience, competitiveness and availability.

A key principle should be that localisation requirements reflect the actual maturity and availability of European industrial capabilities. This is particularly important when comparing the PCS with

battery cells: European cell-manufacturing capacity for stationary storage remains under development, which may make immediate cell-localisation requirements challenging and potentially counterproductive. The situation for the PCS may be different — relevant engineering and manufacturing capabilities appear to exist in parts of Europe, although their availability, scalability, commercial readiness and long-term competitiveness should be further assessed. The IAA could therefore differentiate between components for which relevant European industrial capabilities may already be available and those for which the European supply base requires further development.

Genuine industrial value. Localising PCS development could go beyond final assembly, helping to create and maintain European capabilities in power-electronics engineering, software and controls, grid integration, cybersecurity, product development and validation, and manufacturing and industrialisation. These are high-value engineering and industrial competencies that Europe may wish to retain and develop. Consistent with the value-based approach set out above, PCS localisation requirements should therefore not be assessed solely in terms of component origin: alongside clear and auditable origin requirements, the framework could recognise the engineering capabilities, intellectual property, industrial know-how and skilled employment created in Europe.

Cybersecurity and technological sovereignty. Because the PCS directly interfaces with the electrical grid and controls power conversion, reliance on geographically concentrated technologies — particularly where remote communication or control is involved — may raise additional resilience and security considerations for critical energy infrastructure. For grid-connected BESS, the origin and control of critical power electronics, embedded software and communication capabilities should therefore also be considered from a cybersecurity and technological-sovereignty perspective. This is becoming increasingly relevant as BESS deployment expands across European grids, critical infrastructure and industrial energy systems. Recent U.S. regulatory developments concerning certain connected, utility-interactive power inverters illustrate the increasing attention being given to cybersecurity and supply-chain risks in grid-connected energy infrastructure. While the U.S. framework differs from the proposed EU regime and should not be transposed directly, it provides relevant context for considering the PCS not only as a manufacturing component, but as a strategic interface with critical energy infrastructure where supply-chain resilience and cybersecurity considerations are directly interconnected.

A concrete recognition mechanism. One practical way to give effect to this would be to recognise the PCS (or equivalent) as a main specific component for battery technologies in the list annexed to Commission Implementing Regulation (EU) 2025/1178, which lays down — under the Net-Zero Industry Act (Regulation (EU) 2024/1735) — the list of net-zero technology final products and their main specific components for the purposes of assessing the contribution to resilience. Under battery technologies, that list currently comprises battery packs, battery modules, battery cells, cathode active materials, anode active materials and electrolytes; adding the PCS (or equivalent) would ensure this strategically important grid-interface component is captured in the resilience assessment, subject to appropriate evidence-based, proportionate and phased treatment.

Emerging technologies and technology neutrality

The proposal should be implemented in a technology-neutral manner across established and emerging electrochemical and battery-based storage technologies. Requirements should reflect the specific value chains, components, recycling pathways and stages of industrial maturity of different chemistries. Component-specific requirements should apply only where the relevant component forms part of the final product, so that legitimate battery architectures are not inadvertently excluded.

More broadly, the framework should remain **technology-neutral** and reflect the specific characteristics of different battery technologies and applications recognising that these chemistries have different value chains, closed-loop recycling systems and stages of industrial maturity. In this respect, control software such as the battery and energy management systems (BMS/EMS) may warrant its own component-specific requirements, given its decisive role in system performance, safety and integration, while data accessibility should be treated as a cross-cutting meta requirement applying across technologies to ensure transparency, interoperability and effective verification.

Competitiveness requires more than public procurement

Introducing "Made in Europe" criteria in public procurement is a positive step, but public procurement represents only a limited share of the industrial battery market, which is driven predominantly by commercial competitiveness. Although the proposal includes cost-based derogation mechanisms — for example the presumption that estimated cost differences exceeding 25% may be treated as disproportionate (Article 11(3)(c)), and, for support schemes, cost increases above 30% (Article 12(3)(b)) — material cost differentials between products manufactured in Europe and those sourced from certain global supply chains may remain significant, limiting the framework's impact where European manufacturers generate most of their business. Union origin requirements should therefore not stand alone: to avoid raising costs and undermining competitiveness, they should be paired with production incentives and sustained CapEx/OpEx support so that new and existing European capacity can compete effectively in meeting European demand.

Supply-chain resilience as a competitive advantage

Resilience should not remain solely a policy objective — it should become a source of competitive differentiation. Building resilient supply chains requires long-term investment in supplier diversification, European manufacturing capabilities, engineering resources, business-continuity planning, regional production, recycling infrastructure and secure access to critical materials. These investments may raise short-term costs but strengthen Europe's long-term industrial security. The regulatory framework should recognise **measurable resilience criteria** alongside clear and auditable origin requirements, and appropriately reward manufacturers investing in resilient European industrial ecosystems.

Third-country operators and EU-established manufacturers

The IAA introduces restrictions that may affect operators owned or controlled by third-country entities (Article 11(1)). EUROBAT supports robust safeguards against genuine circumvention and security risks, but we would strongly suggest that ownership not be treated as the sole criterion in the absence of a demonstrated security or circumvention concern. Failure to do so would unduly penalise investment structures and operators that create substantial, verifiable industrial value in the Union.

Legal certainty and a realistic transition

Europe's regulatory stability has been a valuable asset in attracting clean-tech investment, and preserving it is essential to the IAA's objectives. European capabilities remain under development across parts of the lithium, electronics and BESS value chains, while relevant global supply chains remain geographically concentrated. The IAA should not penalise European manufacturers during this transition; it should create the conditions for companies to progressively localise manufacturing while remaining competitive. This requires realistic implementation timelines, progressive localisation requirements, recognition of current industrial capabilities, and investment support aligned with the maturity of the European supply chain.

Legal certainty is vital for long-term investment. The framework should provide predictable treatment for shovel-ready projects and operations already established in Europe, including planned capacity expansions and technological upgrades of existing facilities. Clear transitional provisions should cover existing contracts, framework agreements, already qualified product configurations, projects in advanced procurement or permitting stages, and investments formally committed before the relevant requirements enter into application.

Conclusion

The Industrial Accelerator Act can and must become a cornerstone of European industrial policy for the battery sector. To fulfil its potential, we think it needs to go beyond supporting investment: it must reward genuine European industrial value creation, provide a clear and verifiable Union-origin framework, ensure fair market access for manufacturers that genuinely create value in Europe, recognise supply-chain resilience as a competitive asset, and offer realistic, technology-neutral transition pathways across all battery chemistries and applications. A resilient European BESS industry requires attention not only to battery assembly and cell manufacturing, but also to the technologies that connect storage systems to the European electricity grid — including the PCS, where relevant European capabilities appear comparatively more mature and where localisation could reduce strategic dependencies, strengthen cybersecurity and energy security, preserve high-value engineering capabilities and support European industrial employment. Combining these elements would help the IAA deliver a globally competitive, resilient and sustainable European battery industry capable of underpinning Europe's long-term industrial and strategic ambitions.



ASSOCIATION OF EUROPEAN AUTOMOTIVE AND INDUSTRIAL BATTERY MANUFACTURERS

EUROBAT stands ready to support the European Parliament, the Council and the Commission in refining the IAA into a practical and future-proof framework for the European battery ecosystem.

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About EUROBAT:

EUROBAT is the leading association for European automotive and industrial battery manufacturers, covering all battery technologies, and has 34 members. The members and staff work with all policymakers, industry stakeholders, NGOs and media to highlight the important role batteries play for decarbonised mobility and energy systems as well as all other numerous applications.