



Department for
Energy Security
& Net Zero



Department for
Business & Trade

The Rt Hon Liam Byrne MP
Chair, Business and Trade Committee
House of Commons
London
SW1A 0AA

Chris McDonald MP

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Dear Liam,

Thank you for your letter of 18 May regarding the automotive sector and the issues raised following the Committee's recent evidence session.

Responsibility for design and delivery of the Zero Emission Vehicle (ZEV) mandate sits with the Department for Transport (DfT), who will respond separately to the points you have raised on this topic.

Securing the sector's inclusion in the Industrial Accelerator Act (IAA)

The Secretary of State has made the case for UK inclusion under the Industrial Accelerator Act (IAA) directly to the European Commission and counterparts in the EU Member States; including during his recent visit to Brussels on the 12 May. Similarly, my colleague Sir Chris Bryant has been raising the IAA directly with EU counterparts. Ministers have made it clear to our friends in the EU that, while we recognise the intent behind the IAA is a response to global overcapacity and aims to promote economic security and boost growth, now is the time for us to work together as close and trusted partners to boost growth and open up trade. The UK-EU automotive industry functions as a single, integrated system and this interdependence strengthens manufacturing competitiveness on both sides of the Channel. We have been clear that the UK must not get caught in the crossfire.

These proposals are still under development within the EU legislative process and are subject to further amendments. We are working constructively with the EU as the proposals develop to ensure the automotive provisions do not inadvertently create new barriers for UK-EU trade that would hinder growth and slow the transition to decarbonised transport. We will continue to monitor the IAA and press the EU to avoid any detrimental impact on UK-EU supply chains.

UK-EU Trade and Cooperation Agreement (TCA)

In response to your second question, we recognise the significant challenge that the 2027 Trade and Cooperation Agreement's rules of origin requirement will pose for UK manufacturers, particularly given the limited cathode active material (CAM) production in Europe.

We are continuing to engage with the European Commission on the issue to help protect tariff-free access to one of the UK's largest automotive export markets. That includes, as a priority, finalising joint guidance on the origin requirements related to CAM. UK-EU trade remains critical to the automotive sector, and we appreciate the pressures currently facing both UK and EU manufacturers. We are engaging closely with industry and will continue to work with them to address these issues to ensure the UK automotive industry is well placed to remain competitive and to grow.

Support for the UK's domestic battery supply chain

Finally, you ask what the Department is doing to build out the UK's domestic battery supply chain, particularly cathode active material (CAM) production. As you know, battery technology is becoming increasingly important for our national resilience. Global demand for batteries is surging and the battery value chain from raw material extraction to cell production is very concentrated. The need for economic resilience and diverse supply chains is a joint challenge for both the UK and Europe, and one that cannot be addressed in isolation.

CAM is a strategic priority for the UK's domestic battery value chain. Establishing a CAM manufacturing facility at scale in the UK would be a key enabler of economic growth and security, improving the resilience of UK supply chains for the delivery of net zero and securing high-skilled manufacturing jobs. We are committed to supporting the development of a strong domestic battery ecosystem in the UK. This includes announcing the UK's largest-ever single investment in battery R&D through the Battery Innovation Programme (BIP) and DRIVE35. We have committed over £4 billion to DRIVE35, which provides capital support alongside additional R&D funding for strategic vehicle technologies, including batteries and their supply chains.

I hope you find the above information useful.

Yours sincerely,



Chris McDonald MP

Minister for Industry

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