

BEIS Committee Inquiry into the supply of batteries for EV manufacture in the UK

Call for evidence: deadline 14th February 2023

1. This submission is sent from Stellantis. We are the fourth largest automaker globally. Stellantis encompasses the Vauxhall, Peugeot, Citroën, Fiat, DS, Jeep, Alfa Romeo, Maserati, Abarth and Fiat Professional brands in the UK. Stellantis employs over 5,000 people across a number of sites and we have two key manufacturing sites in the UK, Ellesmere Port and Luton IBC.
2. We have an ambitious electrification roadmap for our brands, we are committed to respecting regulation in force in the UK and throughout Europe and ensuring accessible freedom of mobility to all. Our range will progressively move towards 100% electric, ahead of legislation. For example, with Alfa Romeo and DS becoming fully electric by 2027, Vauxhall by 2028 and Peugeot by 2030.
3. Stellantis' ambitious, global strategy is to be carbon net zero on the whole value chain by 2038. By 2030 we will reduce our carbon footprint by 50%. Our BEV sales target in Europe will be 100% BEV by 2030 and 50% in the US.

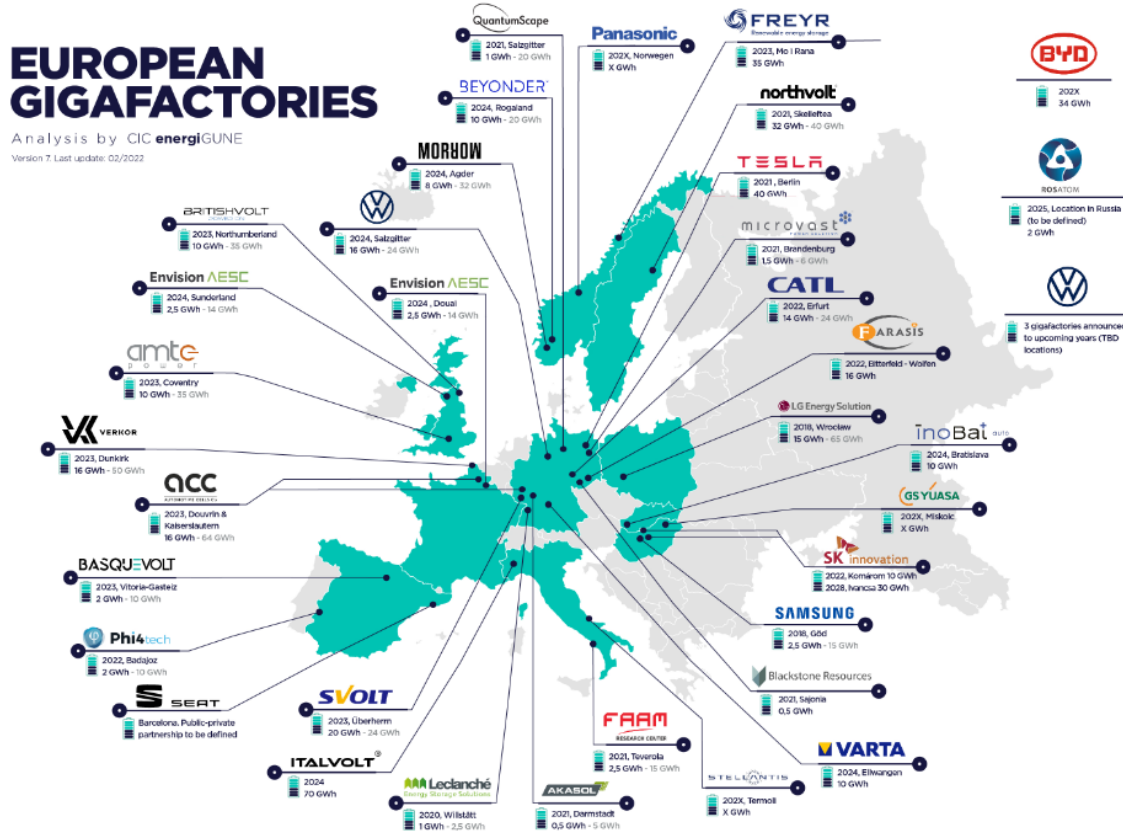
4. Is there enough UK vehicle manufacturing demand in the UK to support gigafactories?

- a) Yes. Stellantis is an established vehicle manufacturer in the UK, encompassing the Vauxhall, Peugeot, Citroën, Fiat, DS, Jeep, Alfa Romeo, Maserati, Abarth and Fiat Professional brands in the UK, employing over 5,000 people across a number of sites. We have two key manufacturing sites in the UK: Ellesmere Port, historic plant producing its first car in 1964. The site is currently being redeveloped to build electric small vans from H1 2023: Vauxhall Combo, Citroën Berlingo, Peugeot Partner, and Opel Combo. Ellesmere Port will be the group's first solus electric vehicle production plant. Luton has produced commercial vehicles since 1986. The plant is currently producing mid-sized van for the group: Vauxhall Vivaro, Citroën Dispatch, Peugeot Expert, Opel Vivaro and Fiat Scudo. We have an ambitious electrification roadmap for our brands. Our range will progressively move towards 100% electric, ahead of legislation. For example, with Alfa Romeo and DS becoming fully electric by 2027, Vauxhall by 2028 and Peugeot by 2030.
- b) Stellantis' manufacturing plants in Luton and Ellesmere Port are enablers to the UK's electrification future. An established electrification ecosystem will help reinforce and sustain EV manufacturing in the UK.

5. Will the UK have sufficient battery production supplies by 2025 and 2030 respectively to meet the government phase-out plans for petrol and diesel vehicles?

- c) There will not be sufficient battery production supplies in the UK or in Europe by 2025 and 2030, despite the fact this is key to meet the Trade and Cooperation Agreement under the current Rules of Origin.
- d) If we are unable to rely on sufficient UK or European batteries, we will be at a major competitive disadvantage. In particular against Asian imports, specifically South Korea, Japan and also China.

Written evidence from Stellantis (BEV0001)



Source: CIC energiGUNE

6. Is UK-based battery production necessary to support the manufacture of electric vehicles in the UK?

e) Stellantis' manufacturing plants in Luton and Ellesmere Port are enablers to the UK's electrification future. We need to reinforce the competitiveness of the UK by establishing battery production in the UK. The current Trade and Cooperation Agreement requires European players to have originating CAM and high European content in batteries, necessitating manufacturers to produce batteries either in the UK or Europe. If we do not produce in the UK or in Europe, we will be faced with 10% import duties which will make domestic production uncompetitive against Asian players.

f) If we source batteries from mainland Europe and China, as currently planned, our UK Stellantis plants will also be at a competitive disadvantage due to the higher logistics costs that we will face to transport the batteries from mainland Europe to the UK. This is a threat to our export business and the sustainability of our UK manufacturing operations. To reinforce the sustainability of our manufacturing plants in the UK, the UK must consider its trading arrangements with Europe.

7. What are the risks to the UK automotive industry of not establishing sufficient battery manufacturing capacity in the UK?

- g) If we continue to source batteries from mainland Europe and China our UK Stellantis plants will be at a competitive disadvantage due to the higher logistics costs that we will face to transport the batteries from mainland Europe to the UK. These costs will add to the Total Cost of Ownership of a Battery Electric Vehicle, alongside potential tariff costs from Rules of Origin, high running costs due to the cost-of-living crisis, costs that will be passed onto the consumer.
- h) If the cost of EV Manufacturing in the UK becomes uncompetitive and unsustainable operations will close. Manufacturers will not continue to invest and relocate manufacturing operations outside of UK, as seen with previously established UK manufacturers such as Ford and Mini. Ford no longer manufacture Light Commercial Vehicles in the UK, having stopped building cars in the UK in 2002 and vans (Transits) in July 2013 and BMW Group announced in October 2022 that the electric Mini would no longer be produced in the UK, relocating eMini manufacturing to Boading, China. Similarly, Honda recently investing significantly in the US for EV production.
- i) The closing of UK Manufacturing will see significant job losses, the loss of a skilled workforce and a negative impact to the UK economy.

8. What other domestic end uses for batteries would provide a market for UK battery production?

- j) N/A

9. Does the UK have a sufficient supply of critical materials to support vehicle battery production?

- k) The UK currently does not have a sufficient supply of critical materials to support vehicle battery production. Similarly, capacity in Europe is not yet sufficient to reach the Regional Value Content to comply with the Rules of Origin tightening in 2024, hence the over reliance currently on China. However, Stellantis has invested heavily in Europe with a battery Joint Venture with ACC and have 3 gigafactories under construction in France, Germany and Italy.

10. How ready are UK vehicle producers for the EU–UK Trade and Cooperation Agreement (TCA) rules of origin (ROO) phasing in from 2024?

- l) We have concerns on the impacts of the competitiveness of the UK as a player within the global automotive industry with the planned tightening of the Rules of Origin for batteries in 2024 following the rapidly changing operating environment due to Ukraine conflict and raw material cost inflation and supply issues.
- m) When we decided on our footprint for 2024 production (decision confirmed in 2021), we had planned on meeting the Regional Value Content of the vehicles at 45% to avoid import duties on trade flows between the EU and UK. Due to the various external headwinds, the prices of raw materials which is all none originating increases substantially, that we are now unable to meet these Rules of Origin.
- n) Our request to government is to gain agreement with the EU to maintain the current Rules of Origin until 2027 and to review PEM operating rules, in particular with Serbia and Morocco.
- o) Much stricter rules will create significant challenges to bilateral trade of Electric Vehicles and batteries and with unachievable Regional Value Content targets. Trade between the UK and

EU would be subject to 10% tariffs making exports uncompetitive in comparison to imports from Japanese and South Korean manufacturers, as well as domestic production.

p) We are in danger of limiting affordable access to mobility.

11. What can the UK learn from investment in other countries in the establishment of gigafactories?

q) Our recommendation would be to ensure the establishment of gigafactories is done in partnership with industry specialists. Stellantis has invested heavily in Europe with a battery Joint Venture with ACC and have 3 gigafactories established across Europe.

12. Do we have the skills in the workforce required for the production of batteries? If not what needs to be done?

r) We need to maintain production of current vehicles and parts to service today's markets, while developing expertise to create and service new technologies, not just in relation to electrification but digitalisation, automation and connectivity.

s) We require new skills specialisations in Batteries, Power Electronics, Electric Machines and Electrified Systems. There will be a continuing demand for Systems Engineers, Electronics Technicians, and Vehicle Technicians to meet current technology needs and increasingly to support the growth of connected and autonomous vehicle technologies. There is an urgency to develop these new skills.

t) Stellantis supports urgent action for a much more flexible approach to the use of employer levy pots. We would like to see unspent apprentice levy funds to be allowed to access training content identified in a national skills portal. Aligning upskilling units with occupational standards can ensure any extended Levy use would be well controlled and targeted at policy areas of priority to the government, for example, EV maintenance courses supporting the net zero agenda.

13. Will the cost of UK batteries be competitive compared with batteries produced elsewhere?

u) There needs to be consideration here to the drivers of competitive battery production. Battery production requires access to raw materials, including in the future access to recycled material, competitive energy sources and support equivalent to provisions in other countries, at this point in time China and the US and some EU member states.

v) The growth of the European (including the UK) battery industry is currently at risk, due to geopolitical developments and unbroken dependencies from Asia, accentuating supply chain shortages. Combined with rising electricity costs, affecting OPEX, as well as emerging distortions to the transatlantic level playing field in the face of the US Inflation Reduction Act (IRA) and similar support schemes in Canada, Japan and South Korea, we see investments in the EU and UK either stalled or refocused elsewhere.

w) It is worth noting that investments across the EU battery value chain are being delayed due to uncertainties around EU and/or national financial support, so far unable to match attractive CAPEX and OPEX incentives deployed by the USA *inter alia* via the IRA.

- x) To boost global leadership and long-term competitiveness, we need to strengthen the up- and midstream sectors of the battery value chain. We need to ensure just competition to support the growth of the battery ecosystem by creating a level playing field where battery manufacturers producing in the UK and Europe compete on equal terms, independent of higher subsidies or lower sustainability standards in Asia and the US. There is also a need to obtain equal treatment in the US for EU and UK companies in the battery value chain, by expanding the definitions of “final assembly” and “free trade agreement” in US IRA to give equal treatment to the EU and UK with respect to the Clean Vehicle Tax Credit.

14. What impact will the European Union’s proposed Carbon Border Adjustment Mechanism have on UK production?

- y) The EU Carbon Adjustment Border Mechanism (CBAM) foresees those countries that have a similar scheme to EU ETS and similar cost for CO₂ emission, get a rebate on CBAM related duties. To the extent that the UK maintains the current ETS and it costs similar to the EU scheme, the impact should be minimal or nil.
- z) For trade flows between the EU and the UK, we would strongly recommend minimising the administrative burden related to CBAM and possibly seek an exemption from reporting requirements.