Nissan Submission – Business and Trade Committee Call for Evidence: UK Trade with the EU

1. Introduction

1.1 Nissan is a global automotive manufacturer and innovator with a longstanding and proud history of investing and growing our company in the UK. With our European R&D headquarters in Bedfordshire and design headquarters in London, together with our world-renowned vehicle manufacturing plant in Sunderland, we are a major UK employer (7,000+), a pioneering innovator and a strong partner for the UK Government in its aim to grow the economy and transition to net zero.

1.2 We welcome the government's commitment to enhance the trade and investment relationship between the UK and the European Union (EU). The EU is the biggest export market for vehicles built at our Sunderland plant, with over 150,000 UK-built Nissans exported to the EU in 2025. As such, the models that are designed, engineered and manufactured in the UK and sold across Europe are done to EU standards.

1.3 The most critical consideration for Nissan in the context of UK-EU trade are '**Made in Europe**' proposals from the European Commission, being delivered via the EU Industrial Accelerator Act. The current proposals would exclude UK-built vehicles from accessing some electric vehicle (EV) incentives in the EU, including access to incentives to switch corporate vehicle fleets to EV, and provision of an EU vehicle CO_2 regulation 'super credit' for small EVs. As a company that is currently manufacturing the next generation, zero-emission LEAF model in Sunderland, with the all-electric Juke model following soon, these proposals have great significance for Nissan and our UK-built EVs that are exported to the EU.

1.4 There is ambiguity around whether the EU Commission intends to include or exclude the UK in its definition of vehicle 'assembly' and whether this must take place within the EU to unlock access to all such incentives. **Put simply, if vehicles that are built in Sunderland are excluded from European incentive initiatives in our top export market, this poses an existential consideration for the future of our UK operations.**

1.5 We call on the UK Government to work as closely as possible with European counterparts to demonstrate the significant benefit of the UK automotive industry and marketplace to European vehicle manufacturers and suppliers. In 2025, the EU-UK automotive trading relationship was worth almost £68.4 billion[1].

1.6 Nissan supports the Trade and Cooperation Agreement (TCA) negotiated between the UK and the EU in 2020 that maintains tariff-free access for vehicles built in the UK and exported to the EU. However, certain provisions within the TCA that were designed to encourage the establishment of an EV battery supply chain in both the UK and the EU risk damaging rather than facilitating growth in both markets. Local content requirements ('rules of origin') for trading finished batteries and EVs across the UK-EU border tariff-free will become stricter from 1 January 2027, and many critical manufacturers have indicated that meeting the new rules will be challenging, raising the risk of an immediate 10% tariff on EVs/batteries traded between the UK and the EU which do not meet the new regional content requirements, for which a reasonable and mutually beneficial solution is required.

1.7 We call on the UK Government to negotiate a reasonable and pragmatic solution to the impending rule change which mitigates the immediate impact of a 10% tariff on all unqualifying EVs and batteries traded between both jurisdictions whilst acknowledging OEMs that have invested in a European supply chain, and continuing to encourage the creation of a pan-European Cathode Active Material (CAM) industry critical to localised EV production.

1.8 Clarity and certainty on the future direction of both the 'Made in Europe' and rules of origin policies is required urgently to allow vehicle manufacturers to plan UK model and investment strategies effectively for the future.

2. 'Made in Europe'

2.1 The European Commission released the Industrial Accelerator Act (IAA) on 4 March 2026 as a draft regulation, commencing the EU legislative process. Since the release of the draft act, there has been widespread uncertainty around the specific implications of the proposals for different car manufacturers across the globe.

2.2 Nissan supports legislation which is designed to boost the competitiveness of automotive manufacturing. However, uncertainty and confusion do not support business confidence or investment opportunities. As such, Nissan calls on the UK Government to work with the EU institutions as closely as possible, to ensure the UK is included in "Made in Europe" proposals to the fullest.

2.3 The current proposals are designed to create exclusive access for EVs with 'local content' to an EU-level incentive framework. The aim is to support the competitiveness of the European manufacturing base and encourage the transition

[1] Five years on from Brexit, UK Automotive remains £115bn trading powerhouse - SMMT

to zero emission vehicles. The current draft would seemingly accept access for UK-built EVs to government procurement and some EV incentive schemes, but would exclude access to incentives designed to transition corporate fleets and give vehicle CO_2 regulation 'super credits' to small EVs. The former is of critical importance to Nissan, with a significant proportion of Nissan's sales in the EU being via the corporate fleet channel.

2.4 Through our current sourcing footprint for EVs, Nissan alone contributes almost half a billion euros in value to the EU domestic supply chain annually. One third of that supply chain turnover flows back directly to EU-based suppliers. This demonstrates how the UK remains a core and inseparable part of the European automotive manufacturing sector. We call on the UK Government to work with the EU institutions as closely as possible, to ensure the UK is included in "Made in Europe" proposals to the fullest. Specifically, the EU definition of local 'vehicle assembly' should be extended to the UK as a critical FTA and supply chain partner, as supported by the UK automotive trade association (SMMT) and the EU automotive suppliers' association, CLEPA.

3. <u>Rules of Origin – 1 January 2027 Deadline</u>

3.1 Nissan welcomed the agreed postponement of the regional content requirements (rules of origin) for EVs and batteries traded between the UK and the EU from 1 January 2024 to 1 January 2027. This represented a pragmatic and mutually beneficial approach from both the UK and the EU, in light of unknown impacts on the car industry from the Covid-19 pandemic and a global semiconductor shortage.

3.2 However, since the change was enacted, the development of a localised CAM industry in both the EU and the UK has been slower than expected. This is due to several factors, including slower-than-expected consumer demand increase for EV, longer-than-expected permitting for industrial sites and geopolitical tensions restricting access to or increasing the cost of raw materials.

3.3 As such, Nissan expects that the majority of EVs and batteries traded between the EU will attract a 10% tariff from 1 January 2027, with exposure reducing over the years as the battery supply chain continues to mature.

3.4 A recommended solution would be to keep the increased local content requirements and for entry into force to commence as planned from the first day of 2027. However, an alternative rule should be agreed to allow batteries that are assembled from non-originating modules/cells to qualify as originating between 1 January 2027 and 31 December 2031. As a result, EVs which have batteries that qualify as originating under the initial rule of origin would face a 0% tariff. EVs which qualify as a result of the suggested additional processing rule would be subject to a reduced and gradually rising tariff introduction schedule, starting at 0% in 2027 and gradually rising to 10% in 2030, when it is expected that the UK-EU CAM industries will reach maturity (specific Nissan suggestion: 2027, 0%; 2028, 4%; 2029, 8%; 2030, 10%).

3.5 This would represent a pragmatic and mutually beneficial proposal which will continue to support CAM localisation across the European continent, acknowledging the manufacturers that are working closely with their suppliers to localise - e.g., our battery supplier AESC have gigafactories established both in the UK (Sunderland) and France - while phasing-in tariff exposure for companies trading non-originating EVs/cells under the suggested additional rule, to avoid a hard financial impact of a 10% tariff applicable immediately from 1 January 2027.

3.6 Nissan calls on the government to work closely with EU counterparts to explore this proposal and reach a pragmatic and mutually beneficial alternative rule which continues to develop the EV battery supply chain across the European continent without introducing immediate high tariff barriers on strategically important automotive industries.