

Position Paper 2026/177

# Clean cars ‘Made in Europe’ for good jobs based in Europe

## The EU Automotive Package – industriAll Europe’s reaction

Document adopted by the 35<sup>th</sup> industriAll Europe Executive Committee  
Elewijt, 27-28 May 2026 | 2026/177

### Context

With additional redundancies announcing more than 100 000 job losses for the EU automotive industry and its supply chain, 2025 has been another year of strong turbulence for workers in the sector. Declining registrations have resulted from the cost-of-living crisis, whereas car makers have prioritised high-margin vehicles. A deteriorated trade balance, due to dumping and overcapacity in China, also explains why sector production and employment are well below their pre-pandemic level. In the meantime, companies continue with short-term profit maximisation strategies which have harmful consequences for production in Europe as well as for the whole supply chain. Cost-cutting plans continue to incentivise relocation towards low-cost countries and deteriorate working conditions.

In this dire context, strong and fast action is expected from Europe and national governments to protect the millions of jobs that depend on the automotive sector and its supply chain. Nine months after the European Commission published its [Industrial Action Plan for the European automotive sector](#) (IAPA), the EU [Automotive Package](#) was unveiled in December 2025. The Package is made of five initiatives, including legislative proposals to make the policy framework more flexible while supporting the European automotive industry and domestic battery suppliers. It took several more weeks for the [Industrial Accelerator Act](#) (IAA) to be published in early March 2026. The IAA should create lead markets for European low-carbon products through local content requirements, but it will also set conditionalities for foreign direct investment in Europe while pursuing the EU efforts to streamline legislation and permitting procedures. Even though the sectoral scope of the IAA is broader than automotive, automotive is among the strategic sectors to be targeted by the proposed measures.

### 1. Boosting demand for clean European cars

The European automotive sector faces a critical challenge: new car registrations have been declining across the region since the COVID 19 pandemic, reflecting economic uncertainty, resistance to technology shift and changing mobility patterns. Meanwhile, the world context is changing rapidly, with new trade tensions, fragmented environmental regulations, and intense global competition. To secure the future of the European car industry and its supply chain, a demand stimulation strategy is needed - one that better supports domestic demand through key levers, such as corporate fleets, public procurement, and social leasing.

Corporate fleets represent a 60% share of new car and van registrations in the EU. IAE welcomes the regulation proposal as it gives the EU a legally binding instrument to accelerate fleet renewal and boost demand for clean vehicles. Imposing high targets for member states is also a way to reduce emissions and avoid penalties for carmakers not compliant with their emission reduction targets.

IAE believes that limiting the scope to large undertakings might leave a significant part of the corporate fleet out of the scope of the regulation and calls on policy makers to ensure that most of the corporate fleet (for cars and vans) is effectively covered. To maximise the co-benefits for European workers, European content requirements and social conditionalities must be attached to financial support provided to support the purchase of clean corporate vehicles.

Public procurement is another leverage that must be used to support the European automotive industry and its supply chain. Public authorities must lead by example when purchasing vehicles (passenger cars, vans, light duty vehicles or buses). When public money is used in Europe, it must benefit the order books of companies with production facilities in Europe and ensure stable, quality employment. Prioritising European-made vehicles in public procurement - both for official fleets and public transport - sends a strong signal of support. This not only boosts demand but also aligns with broader EU goals of reducing carbon emissions and fostering industrial autonomy. IAE welcomes the European content requirements established for public procurement and other forms of public intervention in the Industrial Accelerator Act. Nevertheless, IAE is opposed to the overly broad geographical scope, which treats products and components from third countries with EU free trade agreements as equivalent to European products.

European governments have a role to play to restore demand and reduce Europe's dependence on fossil fuels that are massively imported. In addition to social and economic policies to restore workers' purchasing power and increase wages, governments must adopt incentives, such as tax breaks for low-emission vehicles, scrappage schemes and accessible financing options, to make new cars more affordable. Those incentives should not have a socially regressive impact on State budgets and social security funding. Social leasing, which provides affordable access to new cars for lower-income households, must be part of the toolbox. By subsidising leases for workers and families with limited incomes, governments can increase demand for vehicles made in Europe while promoting social equity. Pilot programmes in several European countries have already shown promising results, demonstrating the potential for broader adoption. Nevertheless, any social leasing scheme must therefore be strictly conditional on the purchase of vehicles manufactured in Europe, be accompanied by robust safeguards against the risk of debt for the most vulnerable households, and form part of a broader policy to support purchasing power rather than serving as a substitute for it.

Car makers must also contribute to these efforts by proposing models in line with the reality of the European market where there is a potential demand for millions of small electric vehicles. Incentivising the production of clean, small and affordable vehicles would, at the same time, contribute to the necessary fleet renewal and be a way to recover volumes and save jobs in Europe. IAE welcomes the incentive in the form of "super credits for small BEVs" proposed in the CO2 standards Regulation, but requests strict "European content" requirements and social conditionalities to be attached to it, whereas policymakers must ensure that the "length threshold" and the "multiplier"<sup>1</sup> don't generate windfall profits for car makers.

Boosting demand for European cars requires a coordinated effort across multiple fronts. By supporting domestic demand, engaging corporate fleets, leveraging public procurement, and expanding social leasing, Europe can not only reverse the decline in new car registrations, but also position itself as a leader in

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<sup>1</sup> In the European Commission proposal, small battery electric vehicles (length below < 4.2m) should be accounted as 1.3 cars.

sustainable and innovative mobility. But the issue of funding is key: removing the budgetary constraints weighing on Member States, because of the EU macro-economic governance, is one of the essential prerequisites for implementing policies that are commensurate with the challenges at stake<sup>2</sup>.

## 2. Emission standards: adjustment of implementation but not dismantling

The Automotive Package will provide additional flexibility to car makers when it comes to emission reduction targets. The 2035 CO<sub>2</sub> reduction target has been weakened from 100% to 90%. To “compensate”, car makers will have to use green steel credits (for 7%) and fuel credits (for 3%). In addition, car makers will get super credits (equivalent to 1.3 vehicles) for small BEVs (<4.2m), whereas emission reduction targets will be averaged for the period 2030-2032.

From iAE’s perspective, many of the proposals are heading in the right direction if they don’t undermine regulatory stability and if they come with conditionalities for car makers and guarantees for workers. Whilst the focus remains on e-mobility as the key technology of the future, the industry is being given greater flexibility regarding powertrain types and the path to achieving climate targets.

This series of flexibilities meets the industry’s demands but raises fundamental questions for the future of the auto industry and its workforce:

- The proposed text does not attach any kind of social conditionalities to the provided flexibilities. The European content requirements for small BEVs is not enough. Car makers must commit to preserving employment and industrial capacity in Europe. European plants are used well below capacity also because of the OEM strategy to invest in low-cost third countries. In the same way, the proposal must strengthen the commitment of car makers to produce in Europe with European suppliers. Last, but not least, the pooling of emissions should not be allowed for companies that do not respect collective agreements or do not practise social dialogue with free and democratic trade union organisations. All flexibilities granted to the car industry should be conditional to conditions similar to the ones requested from foreign direct investments under the proposed IAA (Art. 18 §2, (e)).
- The proposed flexibilities are blurring what the future of the European auto industry should be. With a climate crisis that is worsening day after day, and a dependence on imported fossil fuels which keeps exposing Europe to market and geopolitical turbulences, delaying road transport emission reductions is not a smart option. The proposed flexibilities must preserve the regulatory stability which is a key condition for long-term investment in the auto manufacturing and its supply chain as well as in the charging infrastructure and in the grid modernisation. Moreover, weakening the rules midway through is a penalty for first-mover companies that have massively invested, and a reward for the laggards that have kept betting on old-fashioned technologies.
- Regulatory stability is also essential to anticipate and manage change in a socially fair way, notably when it comes to skills development and training needs. Moreover, to ensure a socially-just industrial transition, all regulatory flexibility measures and public incentives aimed at the automotive sector must be accompanied by clear and verifiable commitments to safeguard employment in Europe. This means that manufacturers benefitting from public support, regulatory flexibility or incentives linked to the green transition must commit to preserving existing jobs, avoiding relocations and maintaining industrial capacity within Europe. Furthermore, the transition to electric mobility must be managed through industrial and social plans that ensure job continuity, the reskilling of workers and the maintenance of decent working conditions throughout the automotive value chain.

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<sup>2</sup> See iAE Europe position paper: [A European investment plan for good industrial jobs](#)

- The green steel credit is a mechanism to be supported to create a lead market for European green steel. IAE supports this credit system if green steel is made in Europe. However, such crediting should be made possible from 2030 onwards, with a progressive ramp up towards 2035 and beyond, keeping in mind the existing gap between the current level of green steel produced in the EU and the volumes that would be needed to compensate the 7% CO<sub>2</sub> target.
- In addition, the regulation should develop similar mechanisms to incentivise the use of green aluminium and recycled products 'Made in Europe' in the European industry, as part of an attempt to reduce the emissions coming from the manufacturing of cars while developing European green industrial supply chains.
- The proposed "sustainable renewable fuel credits" being limited to renewable fuels with strong sustainability criteria, means that the EU production capacity of biofuels will be limited by the feedstock availability. E-fuels will be expensive to produce since they require expensive ingredients and infrastructures. In addition, these alternative fuels from biological or synthetic origins are deemed necessary to reduce emissions in hard-to-electrify sectors, such as aviation and maritime. As a result, if alternative fuels have a role to play to decarbonise road transport, it will be limited to mobility niches and should not question the leading role of electrification. Fairy tales will not help to build a Just Transition for European automotive workers.
- Because of this "sustainable renewable fuels credits", the European Commission should present its Proposal "for the registration of vehicles powered exclusively by CO<sub>2</sub>-neutral fuels after 2035", as committed (Recital to EU Regulation 2023/851). Despite all the scepticism and controversy regarding the availability and cost of truly sustainable and climate-neutral alternative fuels, this prospect should not remain blocked by regulation. If this technology eventually complies with the EU climate and sustainability requirements, it is up to companies and investors to assess their business case.
- Existing data shows that emissions from new ICE vehicles and new PHEVs are not in line with the EU emission reduction objectives<sup>3</sup> and should not be seen, as they are used today; as technologies in line with the EU long-term climate objectives. Allowing them – all things equal – would mean either shifting the burden of emission reductions to other emission sources or other sectors (e.g. energy intensive industries, maritime and air transport, electricity generation, buildings, agriculture and forestry), or questioning the EU climate law objectives that are the cornerstone of the EU climate policy adopted to fulfil the Paris Agreement mandate. If greater flexibility creates space for PHEVs and EREVs, even beyond 2035, measures must be taken to increase the proportion of electric driving in these vehicles and to limit their emissions (e.g. linking vehicle performance to charging sessions, linking tax benefits to usage patterns based on OBFCM data, etc.). Otherwise, these technologies will be discredited as greenwashing for the automotive industry.
- On the other hand, if the EU sees an industrial future for EREVs and PHEVs in a climate-neutral Europe, it must come with a coherent set of policies. Tightening the utility factor before implementing measures (leading to drastic emission reduction in the way these technologies are used) might squeeze these technologies out of the market and lead to job losses and know-how losses. Therefore, iAE suggests not tightening the utility factor at this stage.
- IAE supports the "banking and borrowing" approach proposed by the Commission that allows CO<sub>2</sub> emissions of new cars sold to be assessed on emissions over several years without allowing for higher emissions over the whole period.
- IAE is in favour of a Life Cycle Analysis for all technologies, and stresses the need for increasing the share of decarbonised sources in the electricity produced in Europe, beyond the 70% that they

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<sup>3</sup> According to the ICCT, the average CO<sub>2</sub> emissions of newly registered ICE (including hybrid and mild hybrid) is equivalent to 131g/km, whereas the average emissions of new vehicles reach 120g/km when PHEV are included.

already represent today, to ensure that electrification delivers genuine emission reductions and does not shift emissions from the tailpipe towards power stations.

The proposed flexibilities must be targeted adjustment for a regulatory framework and a strategy that must remain stable and in line with Europe's key policy objectives: building industrial resilience and reaching climate neutrality while implementing a Just Transition for workers. Those targeted flexibilities cannot be another blank cheque to multinational companies. They must come with strict conditionalities on investment and employment for the benefit of the workers of the European automotive industry and its supply chain.

### 3. Made in Europe with quality employment

Europe's transition to electric mobility must create good jobs, not destroy them. For trade unions, the goal is to ensure that industrial transformation strengthens Europe's productive base while protecting workers' rights, wages and long-term employment security. This means anchoring the full value chain- from raw materials and battery cells to power electronics, software, and final vehicle assembly - within Europe, under high social and environmental standards. IAE therefore supports high European content requirement for auto and its supply chain as proposed in the Automotive Package and further elaborated in the Industrial Accelerator Act<sup>4</sup>. All vehicles purchased with direct or indirect support from public resources or regulations must have a European content equivalent to 70%. Safeguarding jobs also means safeguarding the quality of work. The transition of the European automotive sector must be based on full respect for fundamental labour rights, collective bargaining and social dialogue. All companies operating within the automotive value chain in Europe – including manufacturers, suppliers, the sales network and new companies linked to electrification technologies – must respect the applicable collective agreements, European labour standards and the working conditions that characterise the European social model.

Unfortunately, iAE fears that the impact of the 'Made in Europe' requirements is weakened by loopholes. For instance, in the case of a cost difference above 25%, public authorities would be exempted from the obligation to apply a European requirement in their public procurement procedures. For iAE, the exemption threshold must be based on a much higher price difference or removed from the IAA.

For iAE, the geographical scope of 'Made in Europe' cannot create a watertight wall between the EU27 and its neighbours that would fragment and weaken Europe even further. Europe's industrial value chains go beyond the EU27 boundaries, and iAE believes it is important to keep strong economic links across the continent to ensure that Europe is a space of shared prosperity, solidarity and peace. As a result, iAE keeps promoting a balanced geographical scope of 'Made in Europe', subject to compliance with the *acquis communautaire*, where, *"in addition to the countries that are part of the Internal Market (EU and EFTA Member States), candidate countries should be seen as part of the "Buy European" area, provided that strict rules prevent social and environmental dumping. In the same way, products in line with the EU-UK TCA rules of origin provisions should be considered as European. Nevertheless, the expansion of the scope of eligibility for 'buy European' must be accompanied by conditions of social and environmental reciprocity"*. ([see iAE position on the Clean Industrial Deal](#))

"Made in Europe' is not only about geography. IAE advocates for a coordinated industrial policy that combines public investment, strategic procurement and fair-trade rules to prevent a race to the bottom. European funding for gigafactories, recycling facilities and green manufacturing should be tied to binding commitments on collective bargaining, training programmes, and job quality. At the same time, strong

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<sup>4</sup> See iAE position paper on '[Made in Europe](#)'

Just Transition frameworks must support workers affected by the shift away from internal combustion engines, including guaranteed retraining, income protection and worker participation in restructuring decisions.

In the turbulent times we are in, 'Made in Europe' is also crucial for resilience and sovereignty. Europe cannot rely on external suppliers for critical battery materials or advanced components without risking both jobs and strategic autonomy. Therefore, iAE supports developing a European battery supply chain and welcomes the battery booster objectives. However, the proposed funding – EUR 1.8 bn made of EUR 1.5 bn for cells manufacturing in the form of interest-free loans and EUR 300 million for critical raw materials – looks far from what would be needed to catch up with the regions of the world leading on battery manufacturing. Moreover, the proposed funding is neither new nor additional. In the European Commission proposal, it must come from the Innovation Fund, which is an important channel to finance green industrial projects but is already oversubscribed. Battery funding is of strategic importance. It must benefit from additional, stable and adequate funding and should not deprive other sectors of the funding they would need to decarbonise. IAE also stresses the importance of having a supply chain approach for batteries, starting with sustainable European mining and refining capacities, expanding circular economy models, and ensuring that imported materials meet strict labor and environmental standards while promoting resilience and economic security.

'Made in Europe' should not be seen as the shift towards protectionism and economic self-sufficiency that are neither possible nor desirable, especially in a trade-exposed sector like automotive. 'Made in Europe' is rather a way to better defend Europe's strategic interest and way of doing business in an economy that remains global despite rising trade tensions. It means Europe must remain open to foreign investment that remains of vital importance for a market economy inserted in global supply chains. But openness should not mean absence of rules, and iAE supports the set of conditionalities set by the IAA when it comes to foreign investments in strategic sectors, such as automotive or batteries. Those investments are welcome but must also benefit the European industrial fabric and serve Europe's efforts to become more resilient. They must lead to a genuine technology transfer as well as to fostering research and development in Europe, which is a crucial condition to keep an innovative and resilient industry in Europe. The proposed mandatory social conditionalities must remain the cornerstone of the EU IAA approach for dealing with FDIs to ensure that they will help keep stable, quality jobs in Europe's auto sector and its supply chain. From that perspective, the requirement to employ at least 50% of 'Union' workers is too low to secure new jobs for the workforce living in Europe. In the same way, the requirement to ensure a minimum of 30% of European input in the products put on the EU market is too weak.

In this context, public support for the automotive sector must be subject to clear social criteria. Companies receiving European or national public funding must commit to safeguarding jobs, investing in training and reskilling for workers, and fully respecting social dialogue with trade unions. The introduction of social conditions linked to public funding will help ensure that the transformation of the European automotive sector benefits both the industry and workers.

Ultimately, 'Made in Europe' must mean more than domestic production- it must mean fair, genuinely sustainable industrial development that empowers workers, strengthens communities, and positions Europe as a global leader in socially responsible mobility manufacturing.