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| From: | General Secretariat of the Council |
| To: | Permanent Representatives Committee/Council |
| No. prev. doc.: | 14515/23 |
| Subject: | Draft Council conclusions on the European Court of Auditors' special report No 15/2023: "The EU's industrial policy on batteries: New strategic impetus needed" - Approval |

1. On 19 June 2023, the European Court of Auditors published special report No 15/2023 entitled "The EU's industrial policy on batteries: New strategic impetus needed".
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives Committee, at its meeting on 5 July 2023, instructed the Working Party on Competitiveness and Growth (Industry) to examine the special report in accordance with the rules laid down in the above-mentioned conclusions².

¹ Doc. 7515/00 + COR 1.

² Doc. 11064/23.

3. The Working Party on Competitiveness and Growth (Industry) examined the European Court of Auditors' special report No 15/2023 at its meeting on 10 July 2023.
4. On 7 September 2023, the Presidency presented a proposal for draft Council conclusions on the European Court of Auditors' Special Report No 15/2023³. The Working Party on Competitiveness and Growth (Industry) discussed the draft conclusions at its meeting on 14 September 2023.
5. Based on the discussion at the Working Party meeting on 14 September 2023 and comments received in writing, the Presidency prepared a revised proposal for draft Council conclusions on the European Court of Auditors' Special Report No 15/2023⁴. The Working Party on Competitiveness and Growth (Industry) discussed the revised draft conclusions at its meeting on 9 October 2023.
6. On the basis of the discussion at the Working Party meeting on 9 October 2023 and further comments received in writing, the Presidency prepared a second revised proposal for draft Council conclusions on the European Court of Auditors' Special Report No 15/2023⁵. The Presidency invited delegations to provide any possible comments on this revised wording by 27 October 2023.
7. Taking into account a request for a minor modification received from one delegation, the Presidency has prepared a third revised draft of Council conclusions on the European Court of Auditors' Special Report No 15/2023, as set out in the ANNEX to this note. The only change compared to document 14515/23 (one word to be deleted) is indicated in ~~strike through~~. No delegation raised other objections to the text that had been proposed by the Presidency in document 14515/23.
8. The Permanent Representatives Committee is therefore invited to:
 - confirm the agreement reached at the level of the Working Party on the text of the draft conclusions as set out in the ANNEX;
 - recommend these conclusions to the Council for approval as an “A” item.

³ Doc. 12707/23.

⁴ Doc. 13661/23.

⁵ Doc. 14515/23.

DRAFT COUNCIL CONCLUSIONS
on the European Court of Auditors' special report No 15/2023:

“The EU’s industrial policy on batteries: New strategic impetus needed”

THE COUNCIL OF THE EUROPEAN UNION

1. WELCOMES the European Court of Auditors' special report No 15/2023 entitled “The EU’s industrial policy on batteries: New strategic impetus needed” and TAKES NOTE of the Court’s observations;
2. HIGHLIGHTS the importance of the development and production of batteries as a strategic imperative for the EU, enabling the clean energy transition and supporting the competitiveness of relevant industrial sectors, in particular the automotive sector, and UNDERLINES that battery production in the EU is projected to increase rapidly until 2030;
3. STRESSES the importance of the policy objectives and intervention tools set out in the Commission’s strategic action plan on batteries of 2018 as a relevant framework for developing a European industrial policy on batteries and as a key instrument in support of the EU battery value chain, including a highly skilled workforce;
4. WELCOMES the Court’s observations that the Commission largely delivered the most significant actions in its action plan, that the Commission’s strategy for batteries is supported by European stakeholders and aligned with the strategies of Member States, and that the Commission put in place key instruments in support of the battery sector, such as the creation of stakeholder platforms encompassing the whole value chain, a legislative proposal for a new regulation on batteries which significantly expands the scope of the previous legislative framework, and increased public financial support for research, innovation and manufacturing projects; also TAKES NOTE of the provision of State aid through two Important Projects of Common European Interest (IPCEIs);

5. EXPRESSES CONCERN, however, about the significant risk identified by the Court that the Commission's zero-emission goal for 2035 will not be reached due to insufficient battery production, or that it might be reached on the basis of imported batteries or electric vehicles, to the detriment of the EU battery value chain and associated jobs; CONSIDERS that this could exacerbate an already high degree of import reliance on particular supplier countries and therefore further increase supply risks, and REGRETS the recently observed⁶ decline in private investments in the battery value chain in Europe;
6. NOTES that the EU's battery value chain remains strongly dependent on supplies from outside the EU and that, from 2030 onwards, EU manufacturers could face a shortage of key battery raw materials due to the combined effects of an increase in global demand, driven mostly by the electrification of road transport, and the limitations of the EU's domestic supply of raw materials which is both scarce and rigid; ACKNOWLEDGES the Commission's renewed efforts to address this situation by issuing its proposals for a Critical Raw Materials Act and a Net Zero Industry Act;
7. TAKES NOTE of the Court's observation that public funding of the EU's industrial policy on batteries is insufficiently coordinated and location-dependent, in spite of the multiple funding streams supporting new battery research and manufacturing projects amounting to at least EUR 1.7 billion from the EU budget during the 2014-2020 period and State aid of up to EUR 6 billion between 2019 and 2021, approved inter alia under IPCEIs, and that the results fall short of ambitions;
8. WELCOMES the overall conclusion nevertheless made by the Court that the Commission's promotion of an EU industrial policy on batteries has been effective, despite the identified shortcomings in the monitoring of relevant data, in coordinating and targeting EU funding, as well as the fact that access to raw materials remains a major strategic challenge for the EU's battery value chain;
- 8a. STRESSES, additionally to the Court's recommendations, the importance of developing and strengthening a ~~highly~~-skilled workforce in all parts of the value chain;

⁶ European Battery Alliance (EBA) discussion paper for the 7th High-Level Meeting of the EBA, 1 March 2023, p. 3.

9. SUPPORTS the Court's recommendations to the Commission to:

- update its strategy for a sustainable and competitive European battery value chain on the basis of realistic expectations to reflect the global evolution of the battery sector since 2018 as well as its current strategic challenges, especially the access to raw and advanced materials;
- include quantified and time-bound targets for the twin goals of achieving climate neutrality and a competitive automotive sector in the EU, and ensure the consistency of the targets for the domestic production of batteries with the supply of the raw and advanced materials needed to sustain that production;
- strengthen its monitoring of the battery value chain by basing it on timely and independently verifiable data, thus enabling the tracking of actual progress towards the EU's objectives and warning against potential risks to achieving them, and ensure that the monitoring covers the critical stages of the value chain, including the domestic production of the main raw and advanced materials needed to deliver the current and future generations of batteries;
- build and maintain a consolidated overview of EU and, where information is available, national funding sources that provide financial support for projects in the battery value chain;
- improve the coordination and targeting of the EU's financial support for the battery value chain, taking account of the national funding already provided to this industry;
- strengthen the level playing field for all participants in an IPCEI on batteries in terms of access to public funding and financial support, so that the collaborations envisaged by the IPCEI can be implemented as scheduled and that spill-over effects can be achieved to spread the benefits across Member States and companies of all sizes;

10. INVITES the Commission to take the European Court of Auditors' special report No 15/2023 and the Court's recommendations into account in its policies, and to update the strategic action plan on batteries, with a particular focus on securing access to raw materials.
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