

An update on EU legislative developments and their impact on the automotive sector

Following recent developments in European regulatory and customs legislation, this update discusses three developments and their relevance to the automotive sector, namely the introduction of countervailing duties on battery electric vehicles from China, the EU Deforestation Regulation and the anticipated ban on products made with forced labour.

I Provisional countervailing duties on battery electric vehicles from China

As of 30 October 2024, definitive countervailing duties are imposed on imports of battery electric vehicles (BEVs) from China. Following an anti-subsidy investigation, the European Commission found evidence that the BEV value chain in China benefits from unfair subsidisation, which threatens to cause economic injury to EU BEV producers.

The countervailing duties apply to all imports of new BEVs designed for the transport of nine persons or less, including the driver, excluding vehicle categories L6 and L7 and motorcycles, propelled solely by one or more electric motors, including those with an internal combustion range extender, falling within CN code ex 8703 80 10 and originating in the People's Republic of China.

The rate of the countervailing duty varies. The individual duties for BEV producers range from 7.8% (Tesla) to 35.3% (SAIC). BEV producers that cooperated with the European Commission's investigation but were not individually investigated are subject to a duty of 20.7%. Other BEV producers in China that did not cooperate with the Commission's investigation are subject to a duty of 35.3%.

As of 5 July 2024, provisional countervailing duties were applicable, which have been secured by EU Member States in the form of a guarantee. As the European Commission has decided not to collect the provisional countervailing duties, the guarantees will be released.

II EU Deforestation Regulation (EUDR)

Anticipating the approval by the European Parliament of the proposal of the European Commission to delay the implementation of the EUDR with 12 months, the due diligence requirements of the EUDR shall apply as of 30 December 2025 for large and medium-sized operators and traders and from 30 June 2026 for small and micro-sized operators and traders. With this extension, operators and traders will have an additional 12 months to prepare for compliance with the EUDR.

The EUDR only applies to products made from a list of relevant commodities, such as natural rubber and wood. These products include new pneumatic tyres, transmission belts and car mats made from natural rubber. In order to comply with the EUDR, operators and traders who place on the EU market, make available on the EU market or export from the EU market products covered by the EUDR must exercise due diligence. They need to be able to provide a due diligence statement to the competent authorities confirming that the products are deforestation-free and have been produced in accordance with the relevant legislation of the country of production, such as labour and human rights.

III EU Forced Labour Regulation (EUFLR)

On 23 April 2024, the European Parliament voted in favour of the EUFLR. It will enter into force once it has been formally adopted by the European Commission

and published in the Official Journal of the EU. Under the EUFLR, products made with forced labour at any stage of the production process cannot be placed on the EU market, made available on the EU market or exported from the EU market. If products are found to have been produced using forced labour, the competent authorities can take decisions such as prohibiting the placing or making available of the products concerned on the EU market or requiring the economic operator to withdraw the products concerned from the EU market. The EUFLR is not sector-specific and applies to all products and parts thereof.

Further information

Should you have any questions about these legislative topics and/or should you require any assistance in the field of Customs & International Trade, please feel free to contact us.

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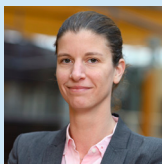
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