

# 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 provisional countervailing duties on battery electric vehicles, the EU Deforestation Regulation and the anticipated ban on products made with forced labour.

## I Provisional countervailing duties on battery electric vehicles from China

On 4 July 2024, the European Commission announced the introduction of provisional countervailing duties on imports of battery electric vehicles (BEVs) from China. The Commission found evidence that BEV value chains in China benefit from unfair subsidisation, which is causing a threat of economic injury to EU BEV producers.

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

The rate of the provisional countervailing duty varies. The individual duties for BEV producers range from 17.4% (BYD), 19.9% (Geely) to 37.6% (SAIC). BEV producers that cooperated with the European Commission's investigation but were not individually investigated are subject to a duty of 20.8%. Other BEV producers in China that did not cooperate with the Commission's investigation are subject to a duty of 37.6%.

The provisional countervailing duties will apply from 5 July 2024 for a maximum period of four months. The countervailing duties will be secured by Member States in the form of a guarantee and will only be collected when definitive countervailing duties are imposed.

## II EU Deforestation Regulation (EUDR)

From 30 December 2024 (or by and large from 30 June 2025 for small and micro undertakings) due diligence requirements will apply for certain products made from commodities contributing to deforestation or forest degradation that are placed on the EU market, made available on the EU market, or exported from the EU market. In order to comply with the EUDR, operators and traders will need to exercise due diligence and 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. 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.

### 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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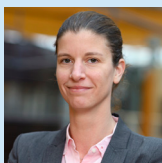
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