

Strengthening Europe's Trade and Industrial Resilience

A Call for an EU Batteries Act

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About EPIC

The European Policy Innovation Council (EPIC) is a Brussels-based think tank dedicated to revitalising European policymaking through bold ideas and strategic communication. As a knowledge partner to the European Liberal Forum (ELF) under a framework agreement, EPIC contributed targeted research capacity and analytical expertise to support the Innovation Policy Labs. EPIC collaborated closely with ELF and FNF Europe to develop high-impact content and contribute to the broader policy debate at the European level.



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An aerial photograph showing a large-scale solar farm with numerous glass-covered solar panels in the foreground. Behind the solar farm is a complex electrical substation with many metal structures and power lines. The background features rolling green hills, some residential buildings, and forested mountains under a clear blue sky. A large, stylized white quotation mark is overlaid in the top left corner.

As the backbone of Europe's energy transition, electric mobility, and energy storage solutions, a robust European battery industry is non-negotiable for the continent's economic and technological security.

Introduction : The need for a resilient and strategic European trade policy

Europe's economic resilience is at risk. Overreliance on external suppliers, supply chain disruptions, and aggressive global competition threaten its position in key industries. The era of stable global trade is under pressure, and without decisive action, Europe risks falling behind in critical sectors essential for its industrial and technological future.

One of the greatest vulnerabilities is Europe's dependence on China for critical raw materials and manufacturing technologies. Supply chain disruptions have already exposed the risks of relying on single markets, and while full-scale protectionism is not an option, neither is unchecked openness that leaves European industries exposed to external economic coercion. Europe must pursue a balanced, strategic approach – one that secures access to global markets while reducing key dependencies.

A dual-track de-risking strategy is needed, reducing external vulnerabilities while reinforcing internal strengths. The EU has taken major steps forward, such as the Critical Raw Materials Act and the EU Chips Act, which aim to secure vital resources and boost European technological capacity. However, these measures alone are not enough. One major sector remains dangerously exposed: batteries. As the backbone of Europe's energy transition, electric mobility, and energy storage solutions, a robust European battery industry is non-negotiable for the continent's economic and technological security. To achieve this, the EU must take decisive action by launching a European Batteries Act to build a competitive and self-sufficient battery ecosystem.



Chapter 1

The EU's progress in de-risking trade and securing strategic industries

The EU has already made substantial progress in securing its economic and industrial base. Recognising its supply chain vulnerabilities, it has implemented trade defence instruments, tightened investment screening, and worked to strengthen trade partnerships by diversifying markets. Measures such as the Critical Raw Materials Act and the EU Chips Act set a precedent for targeted industrial strategies, ensuring that Europe does not remain overly reliant on external suppliers for essential resources and technologies. These initiatives demonstrate that the EU understands the need for strategic autonomy and resilience in global trade.



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The Critical Raw Materials Act is a crucial step towards securing access to key materials needed for clean energy and advanced manufacturing. It sets clear targets for domestic extraction, refining, and recycling while promoting international partnerships to reduce reliance on a single supplier – most notably, China. Similarly, the EU Chips Act aims to strengthen Europe's semiconductor industry, ensuring a stable, secure supply of processors, a sector previously dominated by Asia. These Acts mark a major shift in European industrial policy, prioritising supply chain security and strategic autonomy.



Chapter 2

The missing link: Promoting technological sovereignty in battery production

While these steps are necessary and effective, they are not enough – especially in the battery sector, which is critical for Europe’s energy transition and industrial competitiveness. In contrast to semiconductors and raw materials, battery production remains fragmented and overly dependent on external suppliers.



Europe must proactively create a stable and attractive investment environment.

Europe’s battery sector lags behind China’s in multiple areas, including raw material processing, cell manufacturing, and assembly. While some European companies are making progress, there is no unified, large-scale EU strategy to boost battery production, incentivise local manufacturing, and attract long-term investment. France, Germany, and Sweden have already warned that unless the EU acts now, it will lose the battery race – not just to China, but also to the United States, where the Inflation Reduction Act (IRA) is actively drawing battery investments away from Europe.

It is worth noting, however, that although the IRA has created a powerful pull factor for battery investments, its long-term stability remains uncertain – particularly in the light of shifting US political dynamics. Europe cannot afford to wait and watch; it must proactively create a stable and attractive investment environment that offers regulatory certainty, strategic funding, and long-term policy consistency.



Chapter 3

Batteries as a strategic priority in the EU's de-risking strategy

If de-risking EU trade means reducing external vulnerabilities while reinforcing internal strengths, then few sectors are as critical as batteries. As Europe transitions towards a clean energy economy, batteries are essential for the electric vehicle (EV) industry, renewable energy storage, and industrial electrification. Yet the EU remains heavily dependent on China for raw materials, battery cells, and processing technology, exposing this vital sector to geopolitical risks and unfair competition.



The EU's commitment to strategic autonomy must translate into real action – building a competitive, resilient European battery industry that secures Europe's economic future and protects it from external shocks.

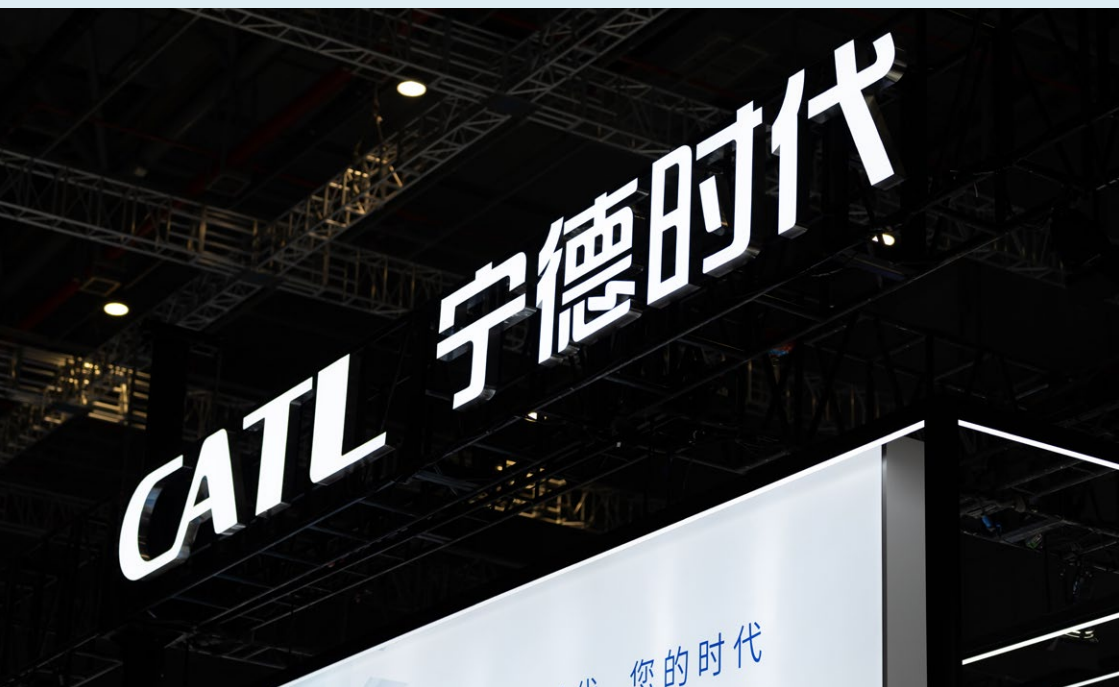
A resilient battery ecosystem must be circular. Recycling and end-of-life strategies are essential to reduce reliance on primary raw materials, limit environmental impact, and build supply chain autonomy. Europe must invest in closed-loop battery value chains – supporting collection, repurposing, and advanced recycling infrastructure – to recover critical materials such as lithium, cobalt, and nickel. This would complement upstream supply chain efforts and significantly enhance long-term sustainability and resilience.

The risks of this dependence are clear. A disruption in Chinese supply chains, whether due to trade tensions or regional conflicts (e.g., a

Taiwan Strait crisis), could cripple Europe's battery supply overnight. A resilient supply chain will require a comprehensive EU-wide strategy that focuses on raw material extraction, strengthening battery cell production, and developing European processing capabilities – all of which will need coordinated efforts and strategic funding.

The EU Batteries Regulation (2023) provides an important regulatory framework to promote sustainability and self-sufficiency. However, without substantial investment and an industrial strategy, Europe risks falling further behind. Without stronger EU-level incentives, an attractive investment environment, and a truly integrated European battery market, European manufacturers will struggle to compete.

Batteries are not just an industrial concern; they are a geopolitical and economic security issue. The EU's commitment to strategic autonomy must translate into real action – building a competitive, resilient European battery industry that secures Europe's economic future and protects it from external shocks. Without it, Europe risks becoming a technology taker rather than a leader in one of the most crucial energy transitions of the twenty-first century.



Chapter 4

The case for a European Batteries Act

To secure Europe's future in clean energy and advanced manufacturing, the EU must launch a dedicated Batteries Act, modelled after the EU Chips Act and the Critical Raw Materials Act. This new framework should:

- scale up European battery cell production, ensuring local manufacturers can compete globally;
- boost investment in raw material processing, reducing reliance on China's rare-earth and lithium refining technologies;
- support research and development in next-generation batteries, keeping Europe at the forefront of solid-state, sodium-ion, and emerging battery technologies;
- introduce strategic funding and incentives, preventing European battery firms from relocating investments to the United States or Asia; and
- create an integrated European battery market, streamlining regulations, scaling production, and fostering cross-border collaboration.</BL>



The EU has made great strides in securing its economic future, but batteries remain a glaring gap in its industrial strategy. A European



A Batteries Act must ensure that Europe does not merely adapt to global trends but leads the clean energy transition.

Batteries Act would close this gap, ensuring that Europe does not merely adapt to global trends but leads the clean energy transition.

Finally, a European Batteries Act must also support a just transition. As the automotive sector shifts from internal combustion engines to EVs, thousands of workers will face disruption. Reskilling programmes, social support, and worker transition funds should be part of the strategy to ensure no one is left behind. On the demand side, targeted incentives, such as EV subsidies, public charging infrastructure, and energy storage support, can help accelerate consumer uptake and drive scale in domestic battery production.

Conclusion

A European Batteries Act for strategic autonomy and competitiveness

This is Europe's moment to lead. A Batteries Act is not just an option – it is a necessity. If the EU fails to act now, it will cede the future of clean energy and mobility to others. The time for bold action is now. A European Batteries Act would serve as a cornerstone of Europe's broader economic resilience strategy, securing its place as a leader, not a follower, in shaping the future of sustainable industry.



What this publication is about

This book is about policy innovation, influencing change in a way that guarantees our fundamental liberal values while also delivering tangible results for people. It is about convincing the public that the EU is not only relevant in their everyday lives, but also capable of implementing policies that will significantly improve their quality of life. By presenting forward-thinking solutions and actionable strategies, this guide aims to demonstrate how liberal policies can address the pressing issues Europe faces today. Through effective governance, we can showcase the EU's potential to drive positive change, ensuring that our vision for a progressive and inclusive Europe becomes a reality. In answering the question of what kind of Europe we want, the answer is clear: we want a renewed Europe – a Europe with institutional reforms that make it fit for the current geopolitical circumstances, capable of responding swiftly and effectively to external pressures. We envision a renewed Europe that leads in technological progress and sustainability, setting global standards and driving innovation in a way that benefits all its citizens. Furthermore, we seek a Europe that can guarantee the safety of its citizens and uphold the European way of life, ensuring security and stability in an increasingly uncertain world. This vision of a renewed Europe is one that not only meets the challenges of today but is also prepared to seize the opportunities of tomorrow.

Outcome of the Innovation Policy Lab 2.0

This publication is the outcome of a joint undertaking between the European Liberal Forum (ELF) and the Friedrich Naumann Foundation for Freedom Europe (FNF Europe). Most of the ideas and proposals contained in this book were discussed and developed during a two-day conference of the ELF–FNF Innovation Policy Labs held in Brussels on 3–4 March 2025. The editor extends heartfelt thanks to Gréta Kiss from FNF Europe and Bálint Gyévai from ELF for organising the conference,

and to the participants for their invaluable contributions. Special gratitude goes to Benno Schulz, Dr Nele Fabian, Dr Antonios Nestoras and Ailbhe Finn, who served as moderators during the conference and captured the participants' discussions and policy recommendations that form the backbone of this publication. Without the dedication and expertise of all these persons, this work would not have been possible.

Methodology

This publication is the outcome of a joint undertaking between the European Liberal Forum (ELF) and the Friedrich Naumann Foundation for Freedom Europe (FNF Europe). It represents a culmination of collaborative efforts, discussions, and expert insights aimed at addressing the multifaceted challenges confronting Europe. The ELF–FNF Policy Labs brought together a diverse group of policymakers, academics, practitioners, and civil society representatives from across Europe. This dynamic gathering fostered an environment conducive to in-depth analysis, debate, and creative thinking. The participants, each bringing their unique perspectives and expertise, played a crucial role in shaping the discussions and formulating the policy recommendations presented in this book. The process was highly participatory, with structured sessions designed to maximise interaction and the exchange of ideas. Through a series of workshops, panel discussions, and breakout groups, participants delved into key topics, identified pressing issues, and proposed actionable solutions. These insights were rigorously analysed and synthesised by the editorial team, ensuring that the chapters reflect the collective wisdom and innovative thinking of the Policy Labs. It is important to note that not all chapters in this publication were developed solely through this conference. While the majority of the content is derived from the Policy Labs, some chapters were influenced by additional research, expert consultations, and policy discussions. These contributions were integrated to provide a comprehensive and well-rounded set of policy proposals.

About ELF

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About Friedrich Naumann Foundation for Freedom Europe (FNF Europe)

The Friedrich Naumann Foundation for Freedom Europe (FNF Europe) is one of the regional offices of the Friedrich Naumann Foundation for Freedom (FNF), a German political foundation dedicated to promoting liberal values and policies. Headquartered in Potsdam, FNF operates offices across Germany and in numerous countries worldwide. FNF Europe maintains offices in Brussels, Prague, Vilnius, and Geneva, serving as a platform for connecting EU experts, civil society actors, and policymakers. Its mission is to foster open dialogue and advance liberal policy solutions to address Europe's key challenges. In close cooperation with liberal partners, FNF Europe organises innovative formats and campaigns to promote fundamental rights, the rule of law, geopolitics, and geoeconomics. It also coordinates EU co-funded projects focusing on areas such as the internal market, digitalisation, and innovation.

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