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ACEA recommendations for Workstream Technological and Digital Innovation

FUTURE TECHNOLOGIES & CAPABILITIES

Today, if a European vehicle maker needs cloud computing services, an infotainment operating system, an advanced EV battery, an off-the-shelf AI large language model, or high-performance image processing chips, it must turn to an American, Chinese, Japanese, Korean, or even Israeli supplier. In many cases, there is no European option – at all. Besides being an impediment to strategic independence, this barren landscape deprives our continent of the sparks and of the supply base needed to achieve technological breakthroughs.

Far from merely being at risk of doing so, Europe has already fallen behind in some key technological fields. But we must dispel a fallacy: European vehicle manufacturers are not lagging. These R&D powerhouses remain at the cutting edge of their field. They enjoy continued leadership in technology and the worldwide reputation of their products is enviable. As an example, our industry is progressing steadily in its development of automated vehicles. Cars that park themselves, trucks that drive on their own around freight yards: these applications are already a reality.

This status, however, is under grave threat. Europe lacks the fundamental building blocks to develop its own advances in digital technology. Bringing ground-breaking technologies to market is also becoming increasingly difficult in a way that sets Europe apart from the rest of the world.

Everywhere in the world, vehicle makers are important *catalysts* in the development of advanced fundamental technologies because they are major *users* of these technologies. But the production of the foundational elements of digital technology, such as operating systems and semiconductors, falls outside the core competencies of most vehicle manufacturers; our members are in the business of reinventing mobility. They rely on specialised suppliers for the backbone that allows them to dedicate engineering resources to the creation of complex products.

So what is it that American digital behemoths, Chinese battery manufacturers, Japanese electronics conglomerates, Korean chaebols, and Israeli start-ups have that Europe lacks? Behind their glossy facades, they are united by three attributes: strong state support, easy access to market, and favourable regulatory environments.

KEY PRIORITIES

1) Europe must **devise strong, long-term funding mechanisms** to inject life into its high-tech supply chain and to ease its sustained access to capital. But we must also remain realistic: a European Microsoft will not rise into existence overnight – we need to create conditions for Europe's long-term success. It is therefore important for our automotive companies to remain free to use suppliers worldwide; the growth of Europe's technological capabilities should not come at the expense of its existing industry and technology.

2) Europe must limit and reduce the regulatory reporting burden on its industry by **increasing reliance on certification by the manufacturer**. Regulation can be an instrument that brings clarity to the market by setting clear boundaries for the industry. But increasingly, European regulations do not only compel manufacturers to follow the law, but to provide extensive documentation on their systems and processes, sometimes during the entire life of a product, and to put them through extensive external testing regimens. These onerous requirements point to a lack of trust in European industry and discourage the release of new products. Regulatory complexity can constrain European high-tech companies into a narrower range of activities than their foreign competitors, increasing their exposure to market risks.

   Europe must determine how compliance with its complex set of regulations can be streamlined, to better serve the industry and consumers, foster innovation, and maintain a fair competitive environment while supporting the green and digital transformation that the automobile industry is undergoing.

3) Europe must **ensure that its regulatory framework supports and facilitates innovation** and the development of the technologies that are essential for connected and automated driving by European companies. More specifically, it should:

   - Urgently address the problems that the auto industry faces with the licensing of standard essential patents (SEPs).
     - Holders of patents on technologies related to wireless communications standards such as Wifi and 3G/4G/5G that are needed in today's connected and automated vehicles often refuse to provide licenses to automotive suppliers. This reduces suppliers' incentive to invest and reduces innovation in our sector. By offering licenses only to vehicle manufacturers, patent holders try to extract higher royalty payments that far exceed the true value of their invention. They also threaten vehicle manufacturers who use their technology with injunctions, forcing manufacturers to make excessive royalty payments to avoid time-consuming and even more costly litigation or production stoppages.
     - The EU should oblige SEP holders to provide a license to any willing licensee regardless of its position in the supply chain so that European automotive suppliers can obtain a license directly and compete on equal terms with their non-European competitors such as Samsung or Huawei that have their own patents for wireless communications technology and can make cross-license agreements with SEP holders for their automotive activities.
     - It should update the Technology Transfer Block Exemption Regulation to level the playing field between patent holders and implementers. This Regulation and its Guidelines must be amended to tighten the conditions for patent pools formed by SEP holders and

to enable patent implementers such as vehicle manufacturers to form licensing negotiation groups under similar conditions.

    - Failing this, the EU risks falling behind other world regions such as China, which have already taken regulatory measures to address these issues, and leaving its auto industry, the largest private contributor to R&D investment, with a significant competitive disadvantage. A significant proportion of the almost € 60 billion that the auto industry invests in R&D annually goes towards cellular communications such as vehicle connectivity and automation.

- Approve the ACEA privacy code of conduct for ADAS and automated driving as soon as possible to increase legal certainty.
    - ACEA has drafted a privacy code of conduct for the processing of data in the development of ADAS and automated driving systems with the purpose of specifying how the principles of the GDPR should be applied in this specific context and thus provide greater legal certainty to vehicle manufacturers and suppliers.
    - The European Data Protection Board should review and approve the code as a matter of urgency.

4) The European Union must **enable the widespread commercialisation of automated driving solutions and mobility services**. To achieve this, the following measures are essential:
    - Foster a strong political vision by determining how many autonomous vehicles should operate on European roads and identifying which instruments will drive this development.
    - Model regions can serve as testing grounds for rapid implementation and expansion. To support these efforts, policymakers and industry must collaborate to build robust funding structures and legal foundations.
    - Secure Europe’s long-term leadership in autonomous mobility and self-driving systems through strategic industrial policy. By ensuring core value creation remains in Europe, the EU can maintain its position as an innovation leader and guarantee sustainable mobility for the future.
5) The growth of high-tech industry will **not be achieved by simply legislating technological products into existence**, per the mention on ADAS in the Commission’s concept note. Legislation must focus on clear harms that must be prevented or banned. By setting clear yardsticks while allowing flexibility in implementation, lawmakers can create a regulatory environment that encourages innovation, adapts to technological advancements, and maintains Europe's competitiveness in the global market. This approach balances the need for consumer protection and public interest with the industry's need for flexibility in innovation.

ABOUT THE EU AUTOMOBILE INDUSTRY

- 13.2 million Europeans work in the auto industry (directly and indirectly), accounting for 6.8% of all EU jobs
- 10.3% of EU manufacturing jobs – some 3.1 million – are in the automotive sector
- Motor vehicles are responsible for €383.7 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €106.7 billion for the European Union
- The turnover generated by the auto industry represents over 7.5% of the EU's GDP
- Investing €72.8 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

ACEA REPRESENTS EUROPE'S 16 MAJOR CAR, VAN, TRUCK AND BUS MANUFACTURERS

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