

EU says US electric vehicle tax credit could break WTO rules

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The 2024 Chevrolet SS EV is shown in Warren, Mich., Tuesday, July 12, 2022. The European Union expressed concern Thursday, Aug. 11, 2022 that a new U.S. tax credit plan aimed at encouraging Americans to buy electric vehicles would discriminate against European producers and break World Trade Organization rules. Credit: AP Photo/Paul Sancya, File

The European Union expressed concern Thursday that a new U.S. tax credit plan aimed at encouraging Americans to buy electric vehicles

would discriminate against European producers and break World Trade Organization rules.

Under the Inflation Reduction Act nearing final approval in the U.S. Congress, a tax credit of up to \$7,500 could be granted to lower the cost of an electric vehicle. To qualify, the bill requires that electric vehicles should contain a battery built in North America with minerals mined or recycled on the continent.

"The European Union is deeply concerned by this new, potential, trans-Atlantic trade barrier," European Commission spokeswoman Miriam Garcia Ferrer said. "We think that it's discriminatory, that it's discriminating against foreign producers in relation to U.S. producers."

"Of course this would mean that it would be incompatible with the WTO," she said. The commission is the EU's executive branch, and part of its responsibilities is to conduct trade with the outside world on behalf of the bloc's 27 nations.

The commission agrees that tax credits are "an important incentive to drive the demand for electric vehicles" and ultimately to help reduce greenhouse gas emissions. "But we need to ensure that the measures introduced are fair," the spokeswoman said.

The idea behind the U.S. requirement is to encourage domestic manufacturing and mining, build a robust battery supply chain in North America and lessen the industry's dependence on overseas supply chains that could be subject to disruptions.

Production of lithium and other minerals that are used to produce EV batteries is now dominated by China. The world's leading producer of cobalt, another component of the EV batteries, is the Democratic Republic of Congo.

But the commission is deeply concerned about the domestic U.S. content and assembly requirements in the tax credit plan and claims this only favors certain mineral-rich countries, to the detriment of EU products exported to America.

EU subsidy schemes, the commission said, are available for domestic and foreign producers alike.

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