

EU threatens US over electric car subsidies

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The EU is seeing red over a US electric car subsidy that favours domestic manufacturers.

The European Union threatened Monday to take retaliatory measures against the United States for electric car subsidies that favor domestic manufacturers.

The 27-nation bloc is upset about Washington's "Inflation Reduction Act", which will see vast spending on green energy initiatives and includes tax breaks for US-made [electric cars](#) and batteries.

Brussels says those benefits for American electric vehicle makers would put e-cars made in the EU at an unfair disadvantage on the lucrative US domestic market.

EU finance ministers meeting in Brussels said they believed Washington was not hearing Europe's worries.

"I'm not sure whether they are aware of our concerns," German Finance Minister Christian Lindner said.

He added: "We should do everything to avoid a tit-for-tat scenario or even a trade war."

His French counterpart, Bruno Le Maire, said he expected the European Commission to come up with "a strong response to this US policy".

The US legislation "could harm this level playing field between the European companies and American companies," he said,

He underlined that it was "a matter of deep concern for the French government," which estimates that 10 billion euros in investments are at stake.

The US Inflation Reduction Act opens up a \$7,500 tax credit for the purchase of an electric car, but the vehicle has to roll out of a US factory with locally manufactured batteries.

Internal Market Commissioner Thierry Breton early Monday threatened to take "retaliatory measures" against the United States, calling the

subsidies "contrary to World Trade Organization rules".

If Washington doesn't take into account the views of its EU partners the bloc could "go to the WTO" and make its arguments there, he said on French radio and TV station BFM Business.

Last week the EU urged the United States that it grant it the same exemptions it grants cars built in Canada and Mexico.

Brussels and Washington have set up a task force to try to hammer out a solution.

The EU's trade commissioner, Valdis Dombrovskis, said as he arrived for the Brussels meeting that the issue was being discussed "extensively" with US counterparts, as well as through the joint [task force](#).

The US credits have raised particular hackles in Europe's manufacturing powerhouse Germany, which is concerned for its key car industry.

Chancellor Olaf Scholz warned last month that the US measures could trigger "a huge tariff war".

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