

EU studies ways to rival vast new US subsidies on greener tech

December 16 2022, by Marc BURLEIGH



The European bloc is unsettled by the US Inflation Reduction Act which lavishes subsidies and tax cuts for US purchasers of electric vehicles.

EU leaders on Thursday tasked the European Commission with coming up with ways to vie with huge US subsidies on greener tech such as

electric vehicles to protect the bloc's industrial base.

"We will come forward in January with a state aid proposal that is not only faster and simpler, but even more predictable," commission chief Ursula von der Leyen said after a summit.

The European bloc is unsettled by parts of the multi-billion-dollar US Inflation Reduction Act (IRA) which lavishes subsidies and tax cuts for US purchasers of [electric vehicles](#)—if they "Buy American".

The bloc views the act as discriminatory against European car manufacturers, a breach of World Trade Organization rules, and a threat to investment in Europe.

To compete—and keep big industrial companies on its shores—many EU countries want rules around national subsidies loosened and public investment in cleaner energy boosted.

European companies "need subsidies in the same way as those in the United States, and of the same magnitude, if you want to avoid a fragmentation of the European market," French President Emmanuel Macron said.

The EU leaders, in their summit conclusion text, stressed the need to safeguard "Europe's economic, industrial and technological base and of preserving the global level playing field".

The commission's upcoming proposals, it said, should look at "mobilising all relevant national and EU tools as well as to improving framework conditions for investment, including through streamlined administrative procedures."

Some unconvinced

Some EU countries, though, were not convinced that a big-gun response was needed.

"Finland is not ready for new instruments," Prime Minister Sanna Marin said, adding that Europe needed to ensure that "we do not get into an unnecessary trade war with the US".

German Chancellor Olaf Scholz said he believed the EU had a possibility of winning status like Canada within the United States' application of its subsidies—despite it not being part of the North American Free Trade Agreement.

"In the next few weeks, we will have to agree on a fair framework with the US and then we will have to make regulations to defend our own industrial development," Scholz said.

Macron and the commission have tried to persuade US President Joe Biden to change the contentious parts of the IRA, to no avail apart from receiving promises of some "tweaks".

Biden and his administration believe the EU is free to come up with its own [subsidy](#) arrangement for electric vehicles—a sector in which China has advantages when it comes to batteries and rare-earth supplies.

While positions were being worked out on that issue, the European Union on Thursday adopted a plan to sign a global minimum 15 percent tax on multinational businesses, after months of wrangling.

The landmark agreement between nearly 140 countries is intended to stop governments racing to cut taxes to lure the world's richest firms to their territory.

"Today the European Union has taken a crucial step towards tax fairness

and [social justice](#)," EU economy commissioner Paolo Gentiloni said.

"Minimum taxation is key to addressing the challenges a globalised economy creates."

The plan was drawn up under the guidance of the Organisation for Economic Cooperation and Development and already had the backing of Washington and several major EU economies.

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Citation: EU studies ways to rival vast new US subsidies on greener tech (2022, December 16) retrieved 29 June 2024 from <https://techxplore.com/news/2022-12-eu-ways-rival-vast-subsidies.html>

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