VDA German Association of the Automotive Industry

Statement

Request for consultation of the Directorate General for Communications Networks, Content and Technology / Unit C3 “Microelectronics and Photonics” regarding the review of the Chips Act (Chips Act 2)

Introduction and Key Points

The German Association of the Automotive Industry (VDA) appreciates the opportunity to provide input during the consultations on the EU Chips Act (Chips Act 2.0). We would like to point out that, as an association, we cannot comment on individual member companies. Against this background, we wish to present our position on the current situation of the German automotive industry and the impact of the Chips Act on the industry itself as well as its critically important semiconductor ecosystem. This statement reflects the status as of November 26, 2025.

The automotive industry is committed to the sustainable transformation of its products. Globally, German suppliers and manufacturers will invest approximately €320 billion in research and development between 2025 and 2029. The focus of these investments is on electromobility, including battery technology, autonomous driving, and digitalization. Additionally, €220 billion will be invested during the same period in building new factories, new equipment and in the conversion of existing plants. Germany is the world’s second-largest production site for electric passenger cars. Around 40 percent of all cars manufactured in Germany are electric. The German automotive industry remains competitive in international markets with its products.

A fundamental pillar of the transformation mentioned above is a resilient supply of semiconductors for our industry. During the COVID-19 pandemic and the associated chip crisis, the EU Chips Act made a valuable contribution to securing supply for the automotive industry.
Strong impulses have been generated by expanding semiconductor manufacturing capacities and strengthening research clusters through funded pilot lines.

However, the time has come to create a Chips Act 2.0 and to turn it into a simple and quickly accessible funding instrument that focuses on the actual semiconductor demand of the European industry. The Chips Act 2.0 should not only consider the European market’ demand but must also include and clearly address the European industry’s export requirements. German car manufacturers alone export around 35% of their products outside of the EU.

As a major consumer of semiconductor products in Europe, the automotive industry intends to actively contribute to the developement of the European semiconductor ecosystem. From our perspective, the ecosystem must be fully included in the EU Commissions’s considerations. The ecosystem, encompasses basic research and education on semiconductor functions and materials, chip design, manufacturing stages

for both active and passive components, manufacturing stages for printed circuit boards, as well as the recycling of assembled electronic products. In our activities relating to software defined vehicles (SDV) we will become involved in the early stages of chip design. SDV represents a significant change in vehicle architecture. Alongside ongoing trends in drivetrain electrification, advancements in infotainment/user interfaces, and activities for automated driving, we will continue to expand our partnership with the semiconductor industry in Europe.

The semiconductor market can only be secured if the appropriate framework conditions for the automotive and semiconductor industries are established in Europe. Furthermore, the access to strategic raw materials and intermediate products must be enabled and safeguarded.
In Europe, challenges include high energy prices, significant bureaucratic obstacles such as long and overcomplicated administrative procedures, difficult labor market conditions, and a lack of urgency in implementation. Geopolitically, significantly stronger engagement in partnerships and cooperation with allied states in key technology stacks, trade agreements, and clear industrial policy priorities is necessary.

The automotive industry and the semiconductor industry, demonstrate the importance of functional, resilient, and global supply chains, which currently cannot be fully established competitively in Europe.

1. Chips Act 1.0 – A Retrospective

In recent years, the German automotive industry has experienced one of the most severe supply crises in its history. The pandemic and global supply bottlenecks have highlighted the dependency on international value chains. Against this backdrop, the European Chips Act was an important step toward securing semiconductor supply and strengthening Europe's technological sovereignty.

The Chips Act 1.0 provided valuable impulses, particularly through the expansion of manufacturing capacities and the promotion of research clusters. Nevertheless, the ambitious goals were not achieved. The target of acquiring a 20% market share by 2030 proved to be unrealistic. Furthermore, clear interim milestones were missing. Third, the focus was placed on high-performance chips, which only make up a small percentage of European demand. The needs of key user industries, especially automotive and industrial manufacturers, were not sufficiently addressed.
In an international comparison, Europe remains at a disadvantage. While China and the USA are investing billions to support their semiconductor industries, European funding is insufficient to create a competitive environment for investments. Targeted investments are indispensable for the automotive industry, which relies on power semiconductors and specialized chips for electromobility, automated driving, and digital connectivity.

In addition to financial support, it will be necessary to create better framework conditions such as faster approval processes, competitive energy prices, a strong talent base, and a clear strategic focus on European strengths - automotive, industrial applications, IoT, and power semiconductors.
This is the only way that long-term competitiveness can be ensured.

Conclusion

The Chips Act 1.0 raised awareness and initiated processes for investments. The Chips Act 2.0 requires a more realistic, demand-driven, and accelerated approach. Consideration of user industries and a focus on European core competencies is crucial to building a resilient semiconductor economy and securing the future of the automotive industry.

2. Chips Act 2.0 – An Opportunity for Strategic Realignment

The automotive industry supports the goal of strengthening the European semiconductor production base and increasing technological sovereignty. The Chips Act 2.0 offers the opportunity to overcome the weaknesses of the first act and to establish a forward-looking, resilient microelectronics policy. Merely increasing funding is not enough - what is needed is a strategic realignment with clear priorities, realistic objectives, and improved location conditions.

To be effective, the Chips Act 2.0 must cover the entire semiconductor ecosystem encompassing research institutes and universities as well as all product categories and manufacturing stages necessary for the creation of semiconductor-based products. These product categories include active and passive components

as well as pinted circuit boards. Finally, the recyclings processes as an additional factor for a secure supply with raw materials and intermediate products must be considered.

The automotive industry would strongly welcome a close alignment of funding under the Chips Act 2.0 with the intensified European efforts to establish and strengthen RISC-V initiatives. Such an approach would acknowledge and reflect the industry's commitment.

The automotive industry furthermore reaffirms its commitment to contribute to the semiconductor industry with chip design relating to Software defined vehices.

Strategic Focus on Key Technologies

Funding must concentrate on technologies and processes that are indispensable for key sectors such as the automotive industry:

- **Semiconductors** for electromobility and charging infrastructure
- **Chip design and advanced packaging** for complex vehicle architectures
- Technologies for **automated driving** and **software-defined vehicles**

Europe should invest where it can become globally indispensable - not equally spread out into all technologies. Future technologies such as Edge AI and Industrial AI are crucial for the digital transformation of mobility but must be introduced with careful consideration. The Revision of the European Chips Act should furthermore be aligned with the ongoing activities of the ECAVA and in particular the development of a European hardware platform for the automotive industry.

Realistic Goals and Measurable Impact

The overall target of a 20% global market share remains unachievable under current conditions. Nevertheless, it can serve as a guideline for market segments in which European semiconductor manufacturers already hold leading positions, if supported by realistic interim targets and clear metrics. For the overall market, the goal must be to maintain or strengthen a 'relevant' market position. Progress must be transparently measurable to ensure the effectiveness of funding.

Improving Location Attractiveness and Investment Climate

Europe must become competitive for investments. High energy prices, complex and slow approval processes, and a shortage of skilled labor are key obstacles.

- **Tax incentives** similar to those in the USA could also be effective in Europe.
- **Investments** in **education and talent retention** are essential.
- **Sustainable energy** supply must be ensured to reduce production costs and achieve a clear footprint.
- The **significant reduction** and **simplification** of current **regulations** must be placed at the heart of all activities.

Simplifying Funding Instruments

Programs such as IPCEI are currently too complex and difficult to access, especially for medium-sized companies. The automotive industry calls for the reduction of bureaucracy and the digitalization of processes to accelerate innovation. With the Chips Act 2.0, the European Commission should establish the foundation for a financial framework that enables start-ups and technology companies in the semiconductor ecosystem to secure significantly more private funding in Europe than is currently possible. This must effectively prevent these companies from relocating to other regions of the world.
We support the inclusion of specific funding portfolios for deep-tech industry as part of the European Competitiveness Fund under the next multiannual financial framework.

Accelerating Research Transfer and Pilot Lines

Innovation arises from close interaction between research and industry. The automotive industry will continue to support this, but the process must be significantly accelerated.

- Funding projects must be designed to facilitate the transfer from research institutes to industrial application.
- Pilot lines for start-ups and SMEs are crucial for quickly validating developments and bringing them to market readiness. Barriers must be significantly lowered here.

Clusters such as “Silicon Saxony” are good examples for a successful collaboration and are actively supported by the automotive industry.

Expanding International Cooperation

Geopolitical risks make resilient supply chains indispensable. Europe must expand strategic partnerships with countries such as Japan, South Korea, and ASEAN states to secure access to technologies and markets.
A sole focus on Europe is unrealistic and does not meet the needs of either the automotive or the semiconductor industry. At the same time, cybersecurity, IP-Security and supply chain policies must be closely integrated to become a key success factor for the European semiconductor industry.

Creating Regulatory Clarity

Legal uncertainty must not jeopardize competitiveness. The Chips Act 2.0 should establish a clear legal framework that avoids conflicts between environmental and industrial policy. For example, exemptions in PFAS regulations for both the semiconductor and automotive industries must be considered. Otherwise, legal options must be created to enable compliance. Regulatory clarity must be supported by predictability for industry to further increase production capacity expansions in Europe.

Conclusion

The Chips Act 2.0 must be practical, user-oriented, and strategically aligned. The automotive industry is ready to contribute as a leading sector - particularly through early involvement in chip design and the development of new vehicle architectures.

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The German Association of the Automotive Industry (VDA) consolidates around 620 manufacturers and suppliers under one roof. The members develop and produce cars and trucks, software, trailers, superstructures, buses, parts and accessories as well as new mobility offers.

We represent the interests of the automotive industry and stand for modern, future-oriented multimodal mobility on the way to climate neutrality. The VDA represents the interests of its members in politics, the media, and social groups.

We work for electric mobility, climate-neutral drives, the implementation of climate targets, securing raw materials, digitization and networking as well as German engineering. We are committed to a competitive business and innovation location. Our industry ensures prosperity in Germany: More than 770,000 people are directly employed in the German automotive industry.

The VDA is the organizer of the largest international mobility platform IAA MOBILITY and of IAA TRANSPORTATION, the world's most important platform for the future of the commercial vehicle industry.

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