



**AfIA Conference**

# **Automotive suppliers in the EU, challenges and opportunities**

*Thorsten Muschal*

Executive VP Sales & Program at Forvia Group | CLEPA President

*23 November 2023*



# EUROPEAN AUTOMOTIVE SUPPLIERS AT A GLANCE



**75%** of the value of a vehicle comes from its parts, components, and systems



**30%** investment of R&D in the EU, making it the top private investor



**over €30** billion invest yearly in research and development



**1.7 million** direct jobs are generated



**+39,000** new patents are registered each year



**30,000 parts** makes an average car and CLEPA members cover all of them



# 64 years advocating for safer, smarter, and more sustainable mobility



+120 global car part suppliers



+20 national trade associations



+3,000 companies across the entire supply chain

CLEPA is the voice of the EU automotive supplier industry linking the sector to policy makers

## Sustainability

**European  
Green Deal**



Joint statement CLEPA/ACEA

## Industry calls for holistic approach to decarbonising heavy-duty sector

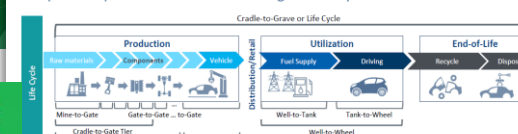


**#FairTaxonomy**  
For a Swift Mobility Transformation

### Three objectives for an effective supply chain due diligence framework

- 1 Provide a clear and harmonised regulatory framework supported by public commitments and expertise building
- 2 Address span of control issues related to due diligence responsibilities in deep and global supply chains
- 3 Leverage international cooperation and use of market surveillance instruments to mitigate impact on competitiveness

## LIFE-CYCLE-ASSESSMENT METHODOLOGY FOR AUTOMOBILES CO<sub>2</sub>



CLEPA  
Materials  
Regulations and  
Sustainability  
2023

10 & 11 May 2023

FILharmonie Filderstadt, Stuttgart

## Competitiveness



"In 2023, regulatory action and public financial support will be crucial for maintaining the EU's global leadership position and ensuring a stronger, greener future."

Thorsten Muschal, President of CLEPA and Group Executive Vice President of Sales and Program Management, FORVIA



**AUTOMOTIVE  
SKILLS  
ALLIANCE**

**EU Critical Raw Materials Act should avoid extreme dependencies and improve conditions for investment**

# Digitalisation

## POSITION PAPER

### Access to in-vehicle data

For a sector-specific regulation that boosts innovation and protects consumer choice.

#ChipsAct

For a milestone regulation on semiconductors that provides certainty and enables innovation

**A sector-specific regulation on access to in-vehicle data should provide:**



## TF Vehicular Communication: Industry Position on V2X

The IWG ITS has a broad scope that covers a range of topics related to Vehicular Communication, Artificial Intelligence and the overall supervision of topics across UNECE WP's.

Regarding Communication, the ITS Network may be seen with its different Layers of Subnetworks.



- 1. Sustainability in the industry**
- 2. Economic environment**
- 3. Political Environment**



- 1. Sustainability in the industry**
2. Economic environment
3. Political Environment

# SUSTAINABILITY IN THE INDUSTRY

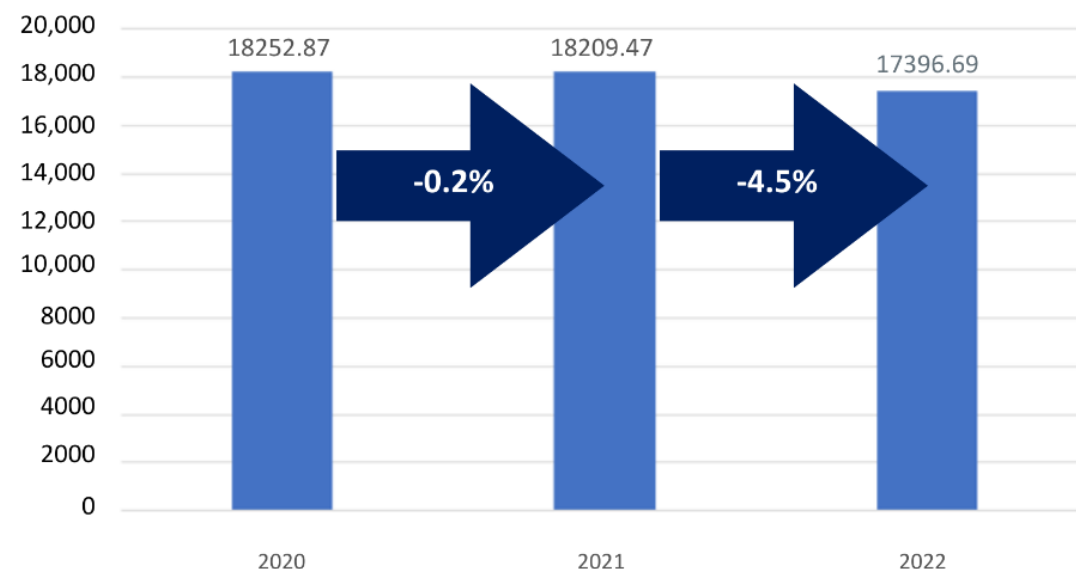


More than 800 thousand MT of CO<sub>2</sub> were saved in 2022 compared to 2020

Figure 1

**CO<sub>2</sub>e emissions (1,000 metric tons)**

Source: CLEPA analysis

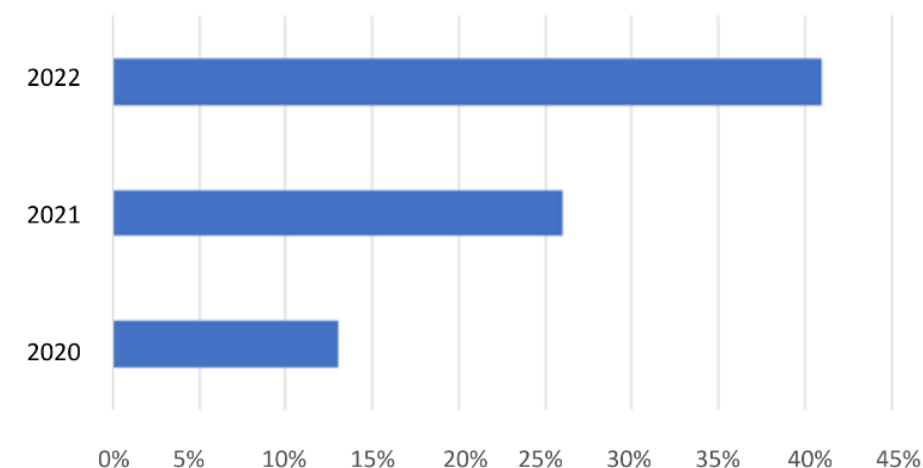


CLEPA Data Digest #10 - October 2023

Figure 2

**Percentage of total renewable energy use**

Source: CLEPA analysis



CLEPA Data Digest #10 - October 2023

# **Economic situation: State of the automotive supply industry in an inflationary environment**



# THE BIGGEST TRANSFORMATION EVER

**Powertrain  
Electrification**

**Digitalization**

**Connectivity**

**Sustainability**

## HEADWINDS / CRISIS

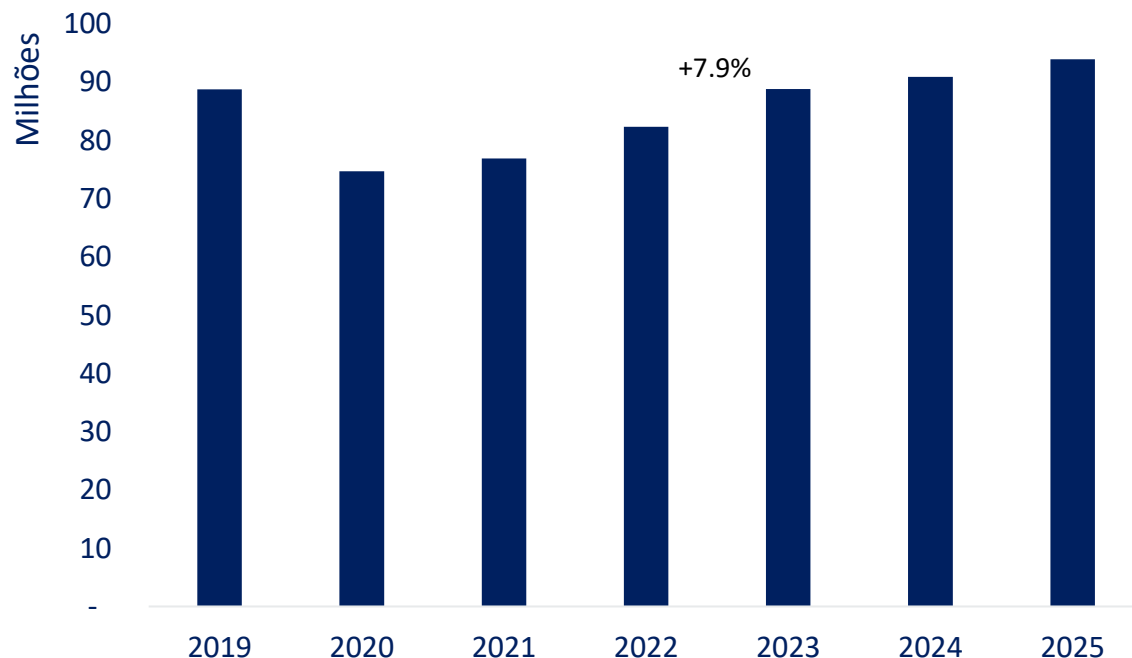


# VOLUME OUTLOOK



## Global light vehicle production

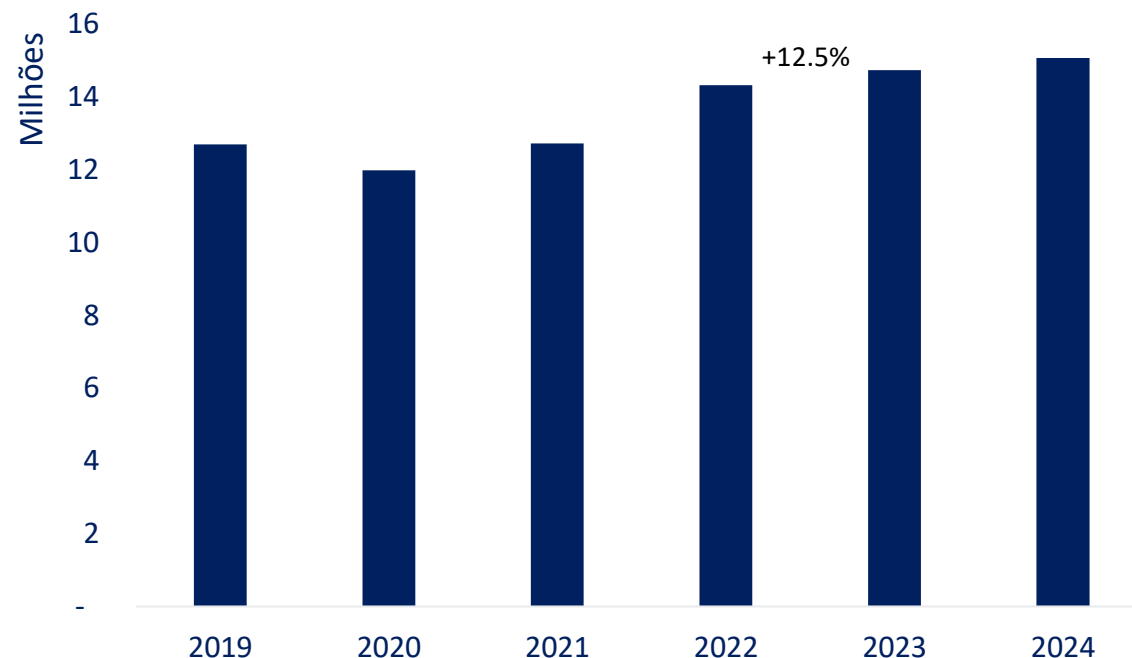
Source: LMC Automotive



- 2023 with 7.9% YoY growth, but still below precrisis level
- Global production of BEVs and PHEVs surpasses 14 mln. units in 2023 (16% market share)
- Production of battery electric vehicles alone reaches 11 mln. at end of the year

## Global light vehicle production Europe

Source: LMC Automotive



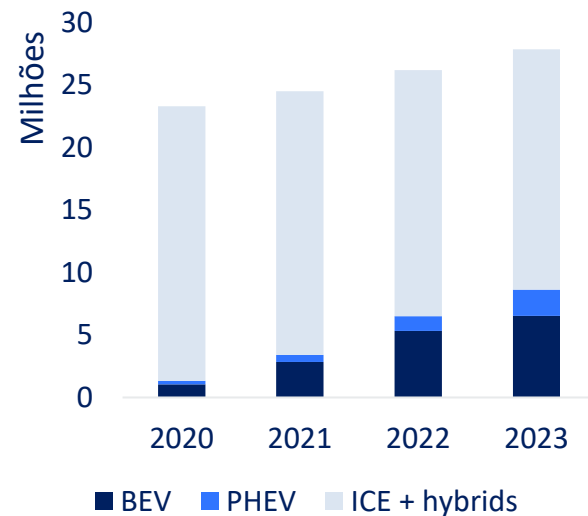
- 2023 growth in EU could reach 12.5%
- EU production of BEVs and PHEVs close to 3 mln. units
- Production may not return to 2019 levels until 2030

# ELECTRIFICATION IN DIFFERENT MARKETS



Vehicle production China, by  
powertrain type

Source: LMC Automotive

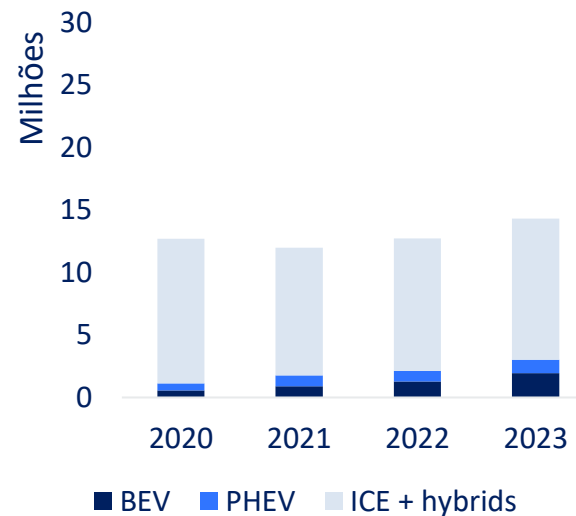


>20% of produced vehicles  
in China is EV (BEV+PHEV)  
BEV forecast to surpass ICE  
by 2030?



Vehicle production EU, by  
powertrain type

Source: LMC Automotive

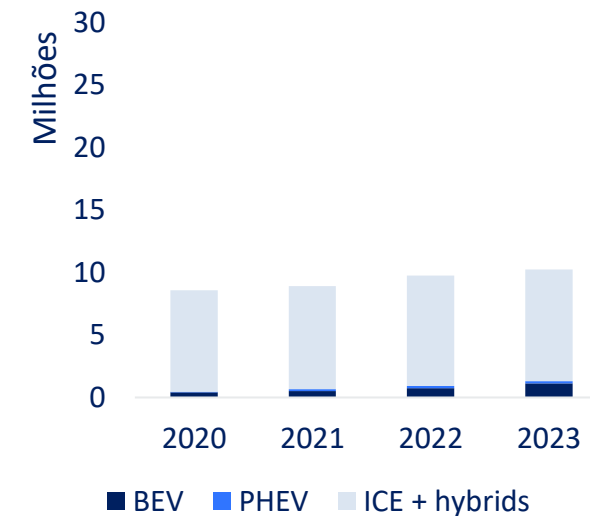


21% of produced vehicles in  
EU is somehow electrified



Vehicle production US, by  
powertrain type

Source: LMC Automotive



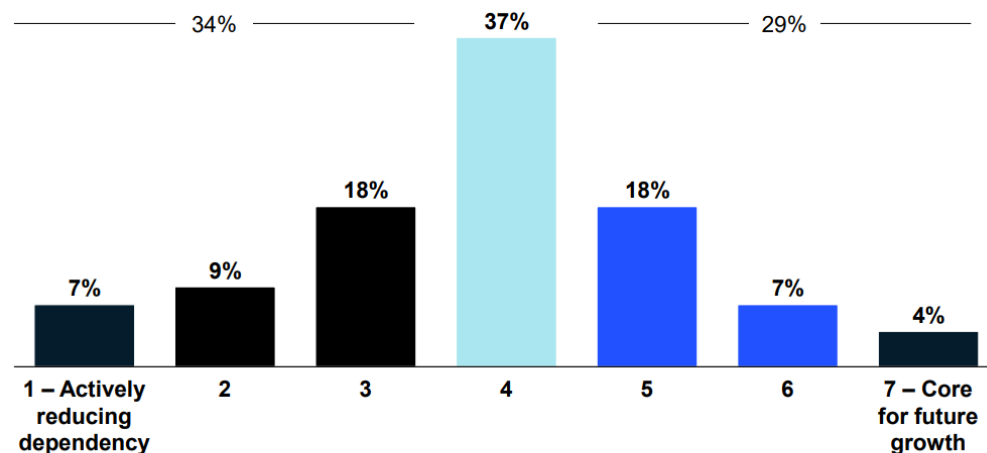
13% of produced vehicles  
in US is EV



# CHINA



How do you assess future opportunities for growth and perceived risk on the Chinese market?<sup>1</sup>

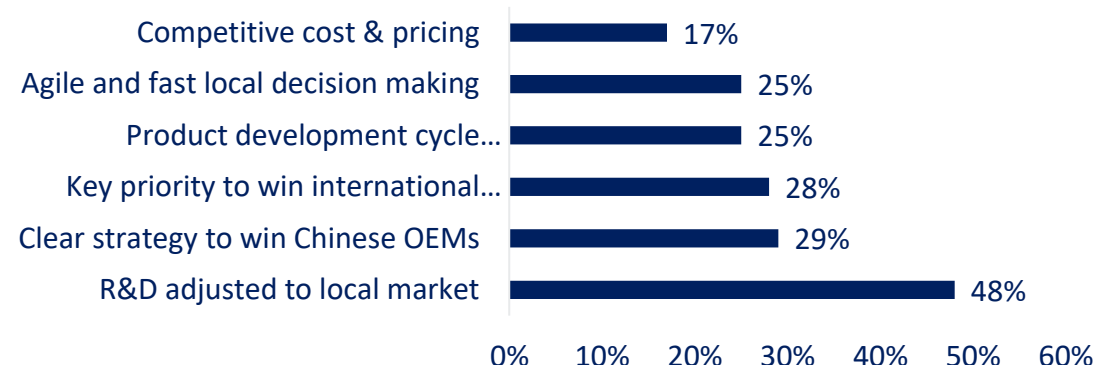


1. N=156 (September 18<sup>th</sup> – October 6<sup>th</sup>, 2023)

Source: McKinsey CLEPA Pulse Check Survey

## % well prepared to face competition on the Chinese market

Source: CLEPA McKinsey pulse check



*“In 2022, China represented 18% of the group’s sales. Chinese OEMs, both traditional and new, represent more than 40% of our OEM sales and 45% of our order intake in the country,”* leading French supplier.

*“28% of our global sales are generated in Asia Pacific – 60% of this in China.”* leading German supplier

*“23% of the Group’s total order intake is in China, reflects the strengthening of the partnership with BYD and new awards with other Chinese OEMs. The share of Chinese OEMs within total China order intake rose to 65%,”* leading French supplier.

China remains important part of growth strategy

Around ¼ suppliers well positioned to compete in Chinese market

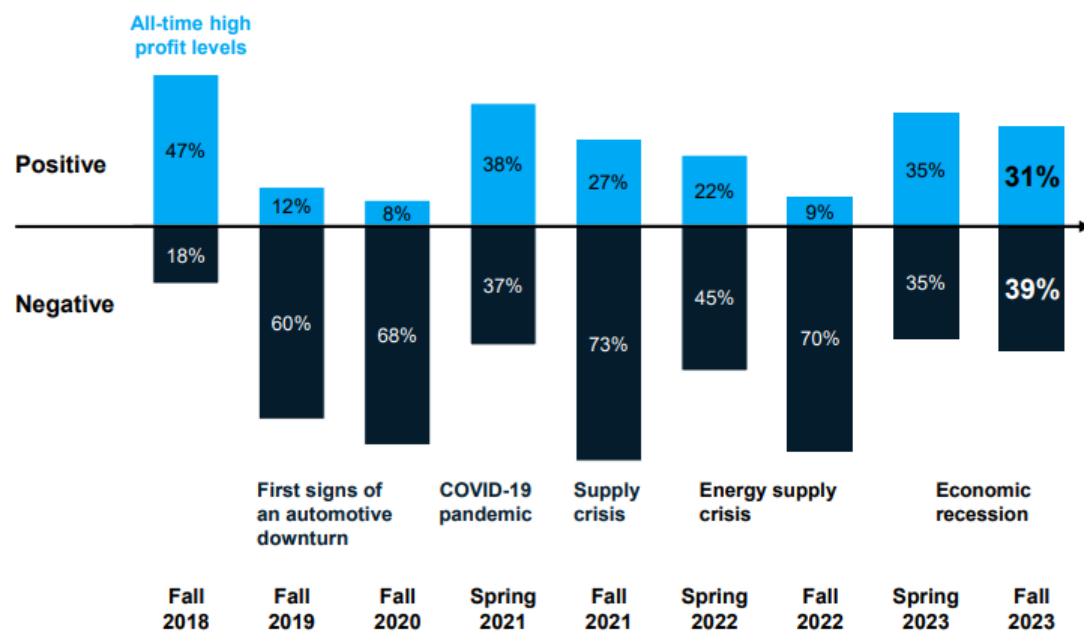
We’ll see COEM’s arriving in Europe



# STATE OF THE INDUSTRY

## General outlook

What is your general outlook for the automotive supplier industry?<sup>1</sup>



1. Difference to 100%: "Neutral" between positive and negative. N=156 (September 18<sup>th</sup> – October 6<sup>th</sup>, 2023)

Source: McKinsey CLEPA Pulse Check Survey

### Outlook overall mixed

- 31% holds a positive outlook for next 12 months
- 39% holds a negative outlook

“ ” We are continuously challenged on the cost side, but at least our **restructuring is progressing well**

“ ” The **business climate for Europe is unclear** at the moment and it is hard to have an estimate for the next months

“ ” Still quite **unstable and unpredictable**. Price and cost will not return to the pre-Covid normal.

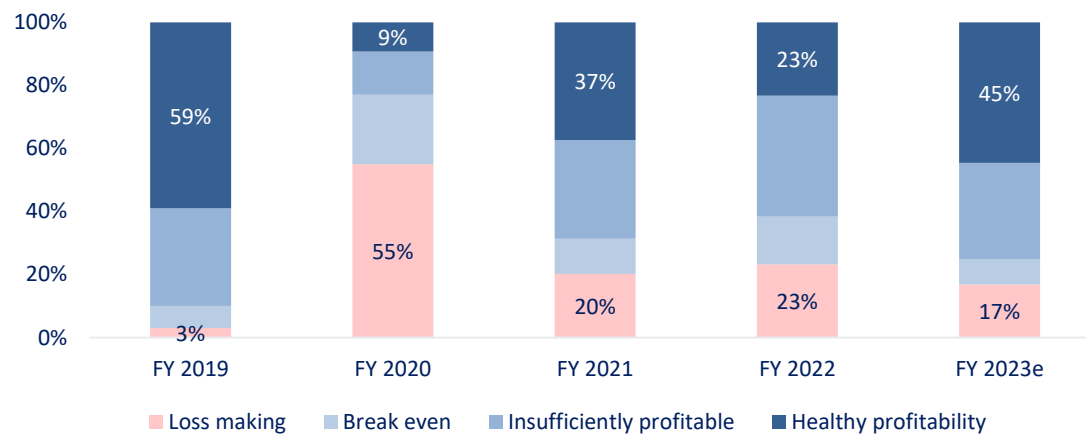


# STATE OF THE INDUSTRY

## Profitability

### Automotive supply industry profitability radar

Source: McKinsey CLEPA pulse check; CLEPA analysis



- Share of suppliers operating at a healthy profitability level (EBIT) remains below pre-pandemic levels
- 45% of suppliers operates at healthy profitability, up from 23% in 2022

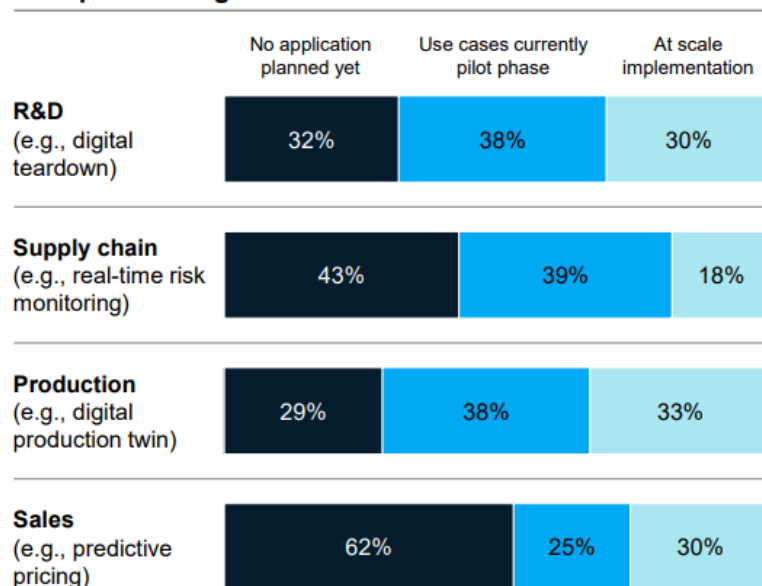
- “ Despite some challenges in our environment, we see **decent revenues** ”
- “ The **situation for us has clearly improved** compared to recent years ”
- “ With one word: Challenging. There is huge uncertainty, and we are affected by **high demand variability** ”
- “ We are feeling quite some **uncertainty around the demand for EV** ”



# STATE OF THE INDUSTRY

## Digitalisation & Talent acquisition

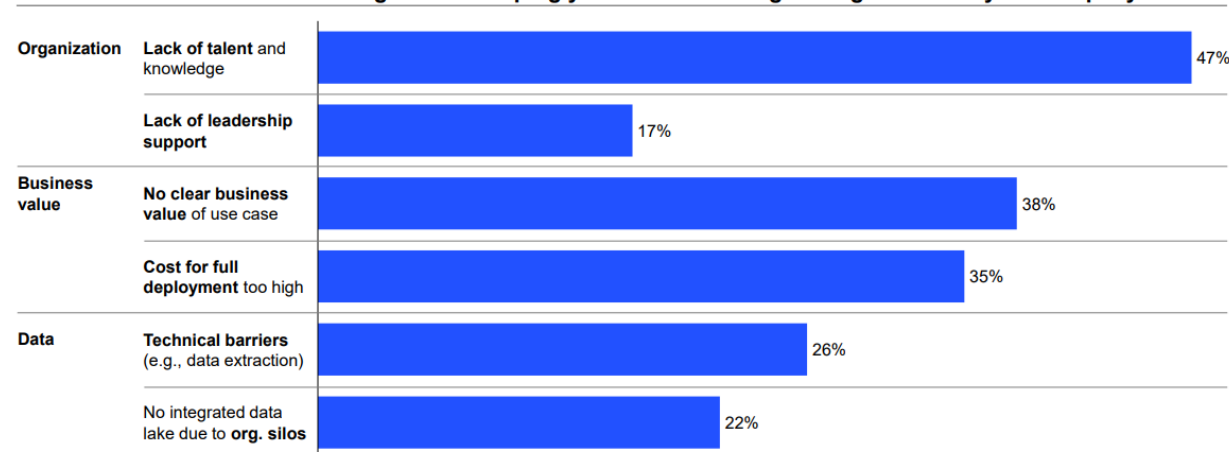
In which areas is your company implementing or exploring to implement digital use cases at scale?<sup>1</sup>



1. N=156 (September 18<sup>th</sup> – October 6<sup>th</sup>, 2023)

Source: McKinsey CLEPA Pulse Check Survey

What have been the main blocking factors keeping you from advancing the digitization of your company?<sup>1</sup>



1. N=156 (September 18<sup>th</sup> – October 6<sup>th</sup>, 2023). Responses based on multiple choice options

Source: McKinsey CLEPA Pulse Check Survey

McKinsey & Company 20

Lack of talent and “war for talent” slows down the transformation



# STATE OF THE INDUSTRY

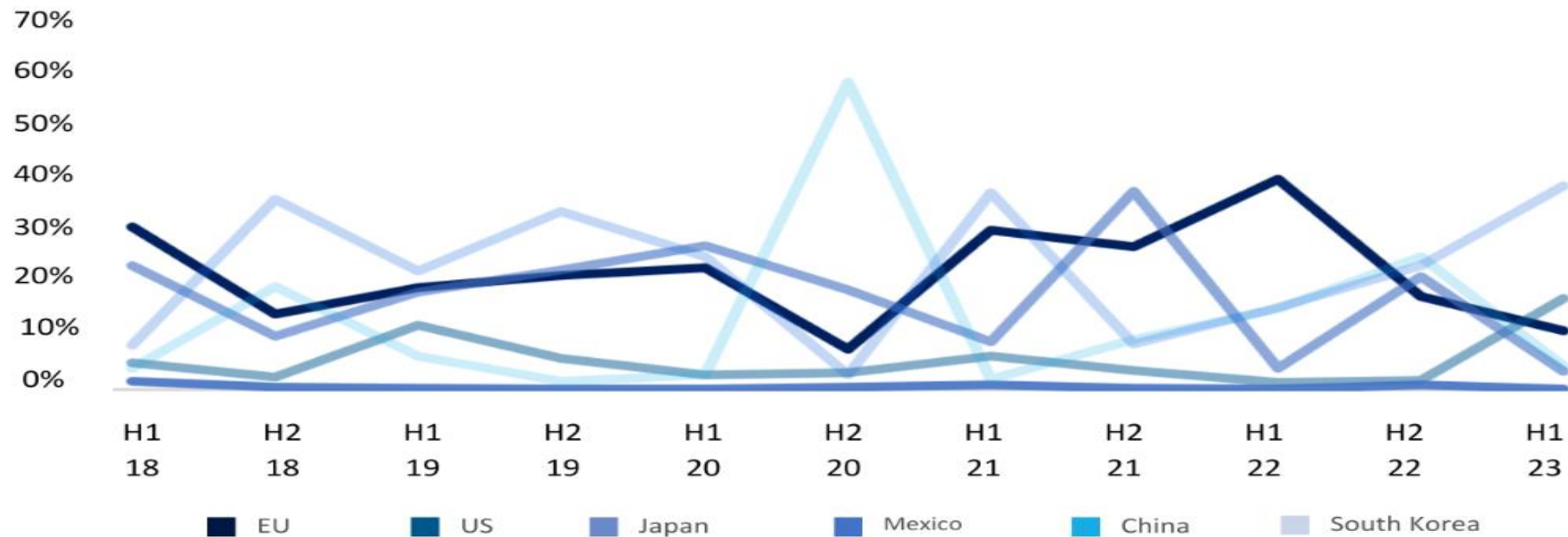
EU suppliers face FDI decline and new challengers



Figure 3

**Share of global FDI into automotive components, by source**

Source: FDI Markets



CLEPA Data Digest #9 - August 2023

# STATE OF THE INDUSTRY

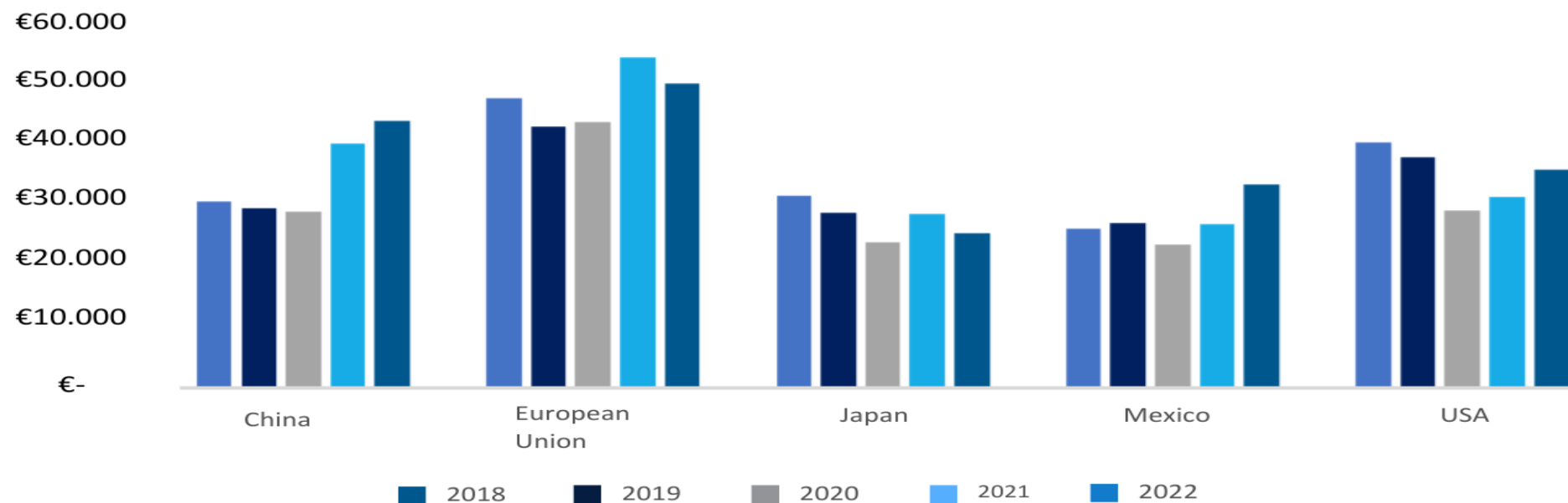
EU's export dominance of conventional components seeing growing pressure



Figure 4

**Export of automotive components (excl. batteries)**

Source: UN Comtrade



CLEPA Data Digest #9 - August 2023

## **Political agenda: Wrapping up legislation, gearing up for election campaign**



# WRAPPING UP THE AGENDA 2019-24

## Priority topics....

### Euro 7

#### Objectives

- Adoption of the regulation within the legislative term
- Meaningful ambition for air quality and stimulating innovation
  - Realistic time window for implementation

#### Challenges

- Limited ambition across the board

#### Key activities, Timing

- Joint industry statement, outreach to policymakers during trilogue phase

### CO2 standards for trucks

#### Objectives

- Realistic short/medium term targets
- Maintain technology openness (H2 ICE, FCEV, e-trailer, renewable fuels)

#### Challenges

- Very critical interlocutors in the European Parliament

#### Key activities

- Communication and advocacy campaign #TruckDiversity, inform debate in the EP and Council

### Access to in vehicle data

#### Objectives

- Ensure a proposal by the European Commission on access to in-vehicle data

#### Challenges

- Not a priority for the responsible Commissioner
- Proposal long overdue, now expected end-of-year
- Risk of further delay for the duration of the EU elections

#### Key activities

- Outreach to decision makers in coordination with likeminded associations, prepare the debate in the EP& Council

### PFAS restriction

#### Objectives

- Derogations for critical applications; exclusion of fluoropolymers; exemptions for vehicles/parts/replacements already on the market

#### Challenges

- Strong environmental aims of COM and MS, industry impact analysis very complex and expensive

#### Key activities

- Identify PFAS use in automotive, define critical applications, issue socio-economic impact analysis, cooperation with ACEA





# 2024: Election Year

# President von der Leyen's State of the Union 13/9, some key messages

# President von der Leyen's State of the Union 13/9, some key messages


“Similar investigations often lead to an increase of a tariff by 10 to 20%”



**Clean transition  
dialogue with  
industry**

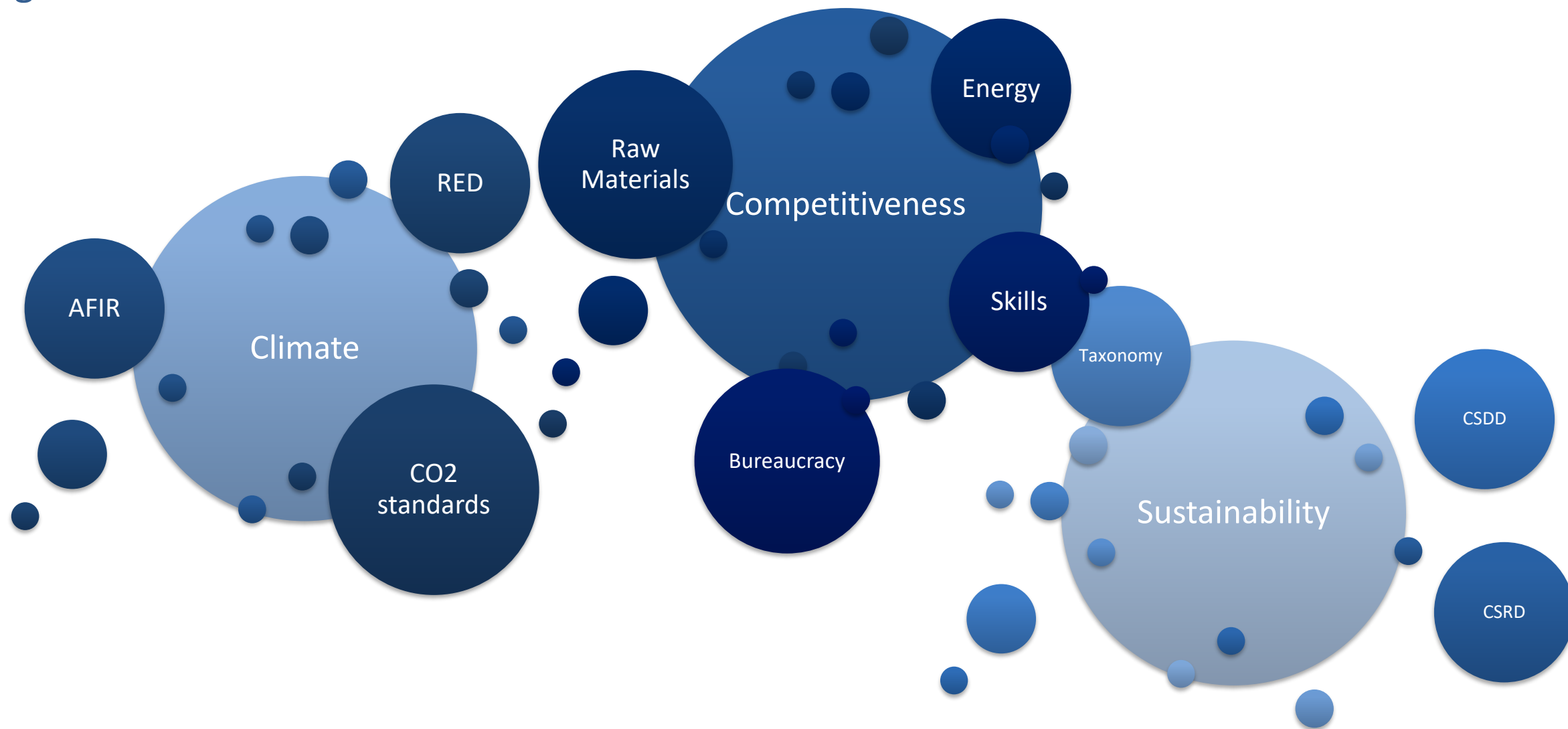
Safeguard  
European  
**Competitiveness**  
**(Draghi report)**

Anti-subsidy investigation into EVs coming from China



# OUTLOOK 2024-29

Agenda.....



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