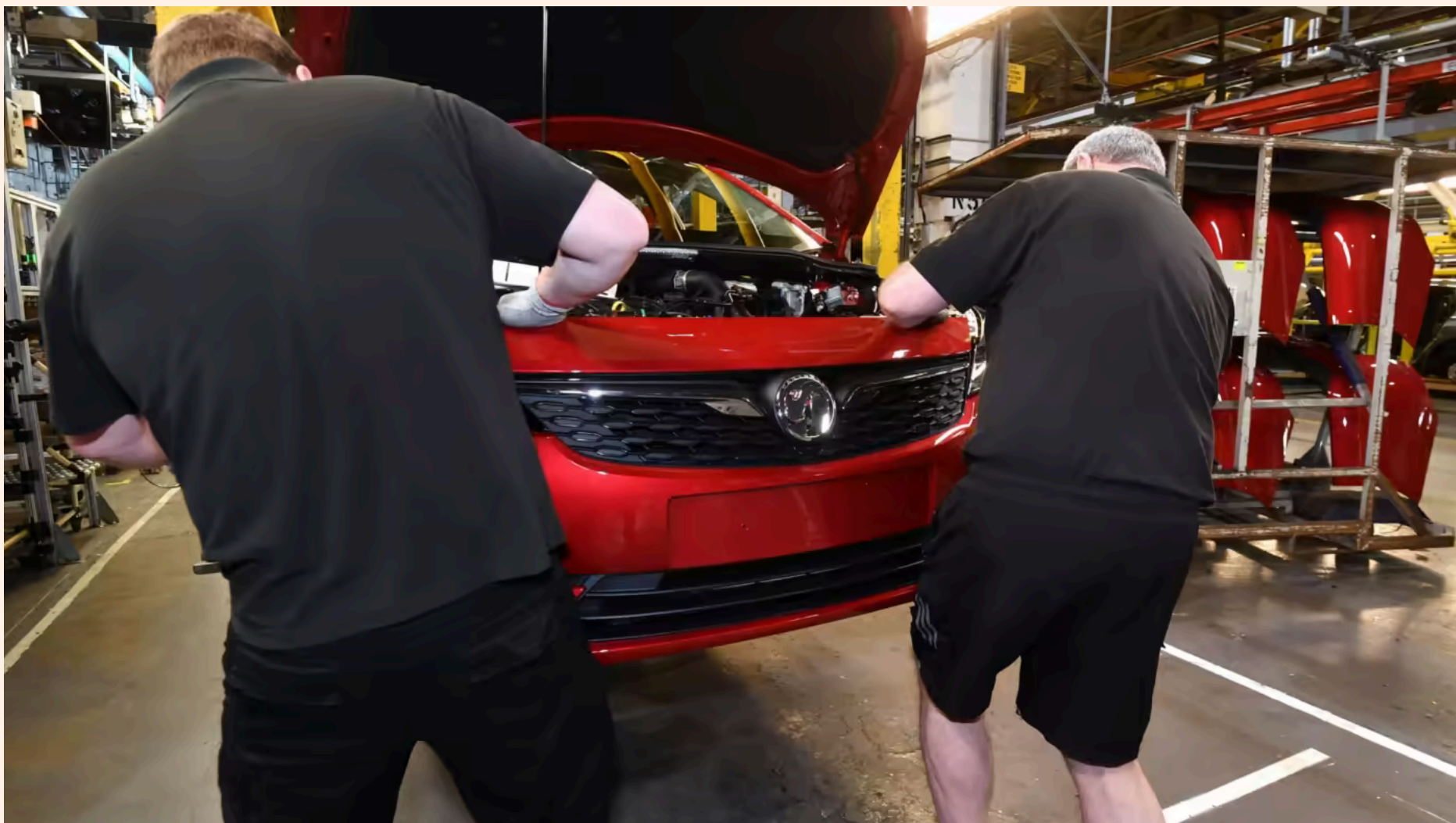
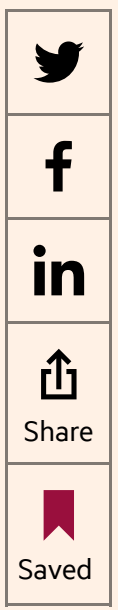




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# Stellantis warns of factory closure if Brexit deal is not renegotiated

Carmaker says Ellesmere Port facility for manufacturing electric vans is at risk over Rules of Origin tariffs



Stellantis decided to invest in manufacturing electric vans at Ellesmere Port in 2021 © Getty Images for Vauxhall

Peter Campbell in London MAY 16 2023

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Carmaker Stellantis has warned it may be forced to close its Ellesmere Port factory unless ministers manage to renegotiate a key part of the UK's Brexit deal with the EU.

Electric vans made at the Cheshire site by the Vauxhall owner will face tariffs of 10 per cent when exported to mainland Europe from next year because they will not contain enough locally sourced parts, the company said.

The rules state that 45 per cent of the value of an electric vehicle must come from the UK or EU from 2024 to avoid penalties.

In a submission to the UK parliament's business committee, published on Monday, the company said: "If the cost of EV manufacturing in the UK becomes uncompetitive and unsustainable, operations will close."

It added: "Our request to government is to gain agreement with the EU to maintain the current Rules of Origin until 2027."

Its warnings echo wider industry concerns that UK-made electric vehicles, such as the Nissan Leaf, will lose out to European-made rivals once the new rules come into force if exported cars become more expensive.

The Society of Motor Manufacturers and Traders, the UK trade body, warned in its submission: "The current manufacturing capability in the EU and the UK does not allow our sector to meet upcoming origin requirements for batteries and battery parts."

But Stellantis's submission is the first time that a carmaker has called openly on the UK government to renegotiate terms of the Brexit trade deal.

When Stellantis made its 2021 investment decision to manufacture electric vans at Ellesmere Port, a move that brought a £100m investment and safeguarded the site, the carmaker assumed it would meet the forthcoming local content standards.

But "following the rapidly changing operating environment due to Ukraine conflict and raw material cost inflation and supply issues", the company said, "we are now unable to meet these Rules of Origin".

Its warnings come as the UK vies with European rivals and the US to attract EV makers and their battery partners, as the industry prepares to shift to cleaner vehicles.

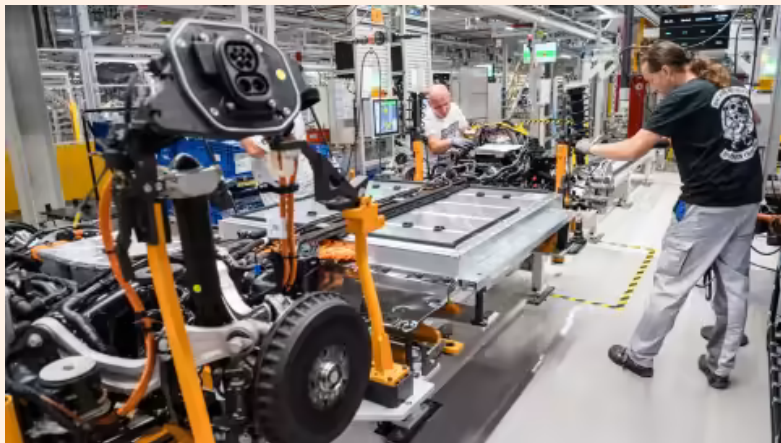
Stellantis highlighted Ford, which closed an engine plant in Bridgend, and Mini, which will shift electric car production to China, as examples of the UK losing work overseas.

The UK has had investments from Nissan and Ford into making EVs and parts but the country has struggled to attract new players such as Rivian or Tesla. The chances of building a homegrown battery industry were set back when Britishvolt collapsed into administration in January, which triggered the business committee's investigation into the industry.

Several big decisions are expected this year.

Tata Motors, the owner of Jaguar Land Rover, is close to deciding on whether to build a battery factory in the UK or Spain alongside its expected partner, China's Envision AESC.

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BMW is also expected to announce new electric models coming to its Oxford Mini plant later this decade, while both Toyota and Nissan face investment decisions for their plants, the Financial Times reported this year.

Stellantis is planning to buy batteries from ACC, a joint venture between the carmaker and oil group Total, once its European plants are operational, but has been forced to purchase batteries from other providers until the sites are ready.

The carmaker already makes electric vans in Spain and had planned to use Ellesmere Port to make vehicles both for the right-hand drive local market and for export to the EU.

The UK government said: "The business and trade secretary has raised this with the EU and is determined to ensure the UK remains one of the best locations in the world for automotive manufacturing, especially as we transition to electric vehicles."



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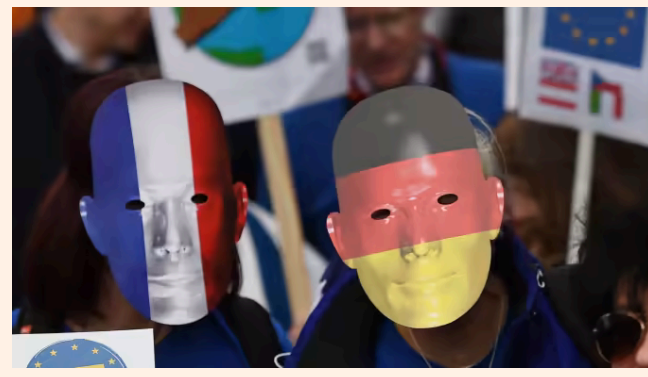
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