

FACT SHEET: EU-UK RULES OF ORIGIN

September 2023

WHAT ARE RULES OF ORIGIN?

- When goods are exported under the terms of EU free-trade agreements (FTAs), they must comply with rules of origin (ROO) to obtain tariff preferences
- The standard ROO for vehicles is either 40 or 45% non-originating content (NOM), with the UK (temporarily) exempt from this rule
- Given the relative value of a battery in a motor vehicle (30-50% depending on the type, size, and value), if the battery does not 'originate', it is almost impossible for manufacturers/exporters to meet the rule at the vehicle level

HOW DO THEY WORK TODAY?

- If EU electric vehicles do not comply with rules of origin, export tariffs must be paid (10% to the UK)
- In the current first transitional period of the UK Trade and Cooperation Agreement (TCA), the ROO require that batteries be assembled in Europe
 - All batteries made in Europe qualify for European origin under this arrangement. This rule will apply until 31 December 2023, and the compliance rate is around 99%

WHAT HAPPENS FROM JANUARY 2024?

- From 2024 until the end of 2026, there will be a second transitional period with significantly more restrictive rules
 - The ROO from January 2024 onwards will require all battery parts and certain battery materials to be originating. The compliance rate is expected to be around 10% in 2024