

THE AUTOMOTIVE SECTOR IN GALICIA

1. INTRODUCTION

Stellantis is the main car manufacturer in Spain where it has three production plants in Madrid, Zaragoza (Aragon) and Vigo (Galicia). The latter is where *Citroën* and *Opel* brands are marketed and is considered the most important in the country in terms of production capacity, **23.4% of the cars manufactured in Spain come from Galicia. *Stellantis* is also aiming for full electrification in Vigo's plant by 2028.**

The business fabric is strong and has been highly active for many years, **although it is not made up of a large number of companies: 150 instituted the sectorial cluster**, among which are **multinationals and especially SMEs**, many of them with Galician capital and not belonging to any multinational group.

Two key players stand out in this area: the **Galician Automotive Technology Centre (CTAG)**, which employs 800 professionals and carries out very important development work, and the **Galician Automotive Cluster (CEAGA)** which brings together the entire sector.

The industry has always been known for its cutting-edge innovation. For example, in 2015, a fully autonomous car resulting from a collaboration between *Stellantis* and CTAG made the Vigo-Madrid trip and became the first in Europe to travel such a distance. Moreover, the Galician Government has not only implemented innovation programs for CTAG, but also initiatives in collaboration with CEAGA, such as the **Business Factory Auto (BFA)** which helps the sector to work from an “open innovation” perspective.

The BFA corresponds to an “**initiative to support emerging companies whose objective is the acceleration and consolidation of projects specialized in the automotive sector and their transformation into innovative, viable and scalable companies that attract and retain talent**, thus contributing to strengthen the positioning of the sector and increase its international projection.” In the **six editions held, start-ups from 49 different countries have participated, which have employed 500 workers.** The BFA has recently been renewed for three more editions.

Considering the current context, there is the idea that the **automotive sector should be fully integrated into a broader concept of sustainable mobility**, for which CEAGA is being helped to design a more varied cluster and to include new companies related to other sectors (IT, naval, bicycles...), thus transforming the automotive industry into a mobility one.

It should be noted that the **Galician Energy Agenda 2030** - the roadmap in which the Galician Government combines the electrification of the economy with the decarbonization process - allocates **143.8 million euros** over the period 2022-2024 for the promotion of sustainable mobility (e.g., **promotion of renewable energy sources in transport, renewal of the vehicle fleet or the promotion of electric vehicles**). The Energy Agenda also supports the development of **innovation projects in the hydrogen field**, taking advantage of Galicia's wind and wind-sea capacities. This potential could be exploited in the naval sector and in the transportation of goods by sea a priori.

2. THE SECTOR IN FIGURES

i. Turnover

In 2021, Spain was the second Member State in terms of production, only surpassed by Germany. **In Galicia, the sector represents almost 14% of its GDP.** Despite the healthcare and raw material supply crisis, **it reported a turnover of €11.2 billion, managing to increase its income by 7.3% compared to 2020.**

ii. Exports

In 2021, Galicia accounted for 8% of Spain's total exports, exceeding €25 billion for the first time. The automotive sector had the greatest weight in terms of figures (followed by textiles and agri-food): **€8.2 billion, equivalent to 33.3% of Galicia's total exports.** There was an **increase of 12.4% compared to 2020 and 78% of exports were made to the rest of Europe.**

iii. Employment

23,450 people were employed in the automotive sector in 2021, representing almost 14% of all industrial employment in Galicia. Most of the workforce is highly qualified.

Despite its importance in economic terms and the increase in turnover, there is a concern over the decline in the number of workers, as in 2019 there were about 25,000 employed in the sector. This decline is associated, in the short term, with the impact that the semiconductor crisis has had on certain companies, and in the long term, with the fact that the electrification of the sector requires less labour.

3. STRATEGIC RECOVERY AND TRANSFORMATION PROJECT FOR THE DEVELOPMENT OF ELECTRIC AND CONNECTED VEHICLES

i. First Call

In the context of the Recovery and Resilience Plan, the Spanish government launched, in July 2021, a **Strategic Project for Recovery and Transformation (PERTE for its Spanish acronym) for the development of electric and connected automotive.** This was a call for **€3 billion, of which only €600 million (just over 20%) was allocated. Stellantis has received 15 million euros, most of which will be invested in the Aragon factory.**

In addition, although the Spanish regions suggested a scheme in which they could play a role in specific calls for proposals, the central government decided to manage 100% of the funds in the industrial area, so **there is no decentralization of any kind.** However, the government of Galicia maintains fluid communication with the Ministry of Industry.

Additionally, there are a number of concerns related to this PERTE:

- **There is almost no participation of the Galician business community.** Although some Galician companies participate in consortiums that have been supported, *Stellantis* has hardly received any funding, given that it had already undertaken most of the investments that it could carry out within the PERTE framework.

- In general, there is a lack of interest from the sector due to two reasons: i) the call for proposals is extremely complex, complicated and unfriendly to accommodate projects; ii) a support line has been articulated that does not adjust to the real investments necessary to achieve electrification (e.g. it is considered that to adapt any factory to the electric car, very relevant investments in *capex* are necessary, which are completely ruled out in the PERTE, such as the new electric vehicle claw systems).
- It is considered that, regardless of whether the funds are committed before December 2023, the execution times will not be adequate for the existing business projects.
- In many cases, the maximum aid intensity allowed by the regulations has not been reached.

ii. Second Call

As a large number of funds were not available during the first call, a second call is expected to be launched in May 2023. This would have been adapted to the facilities offered by the **new crisis and transition timeframe and the modification of the General Block Exemption Regulation**, which will allow for more attractive support to companies and individual projects than under the previous grouped project formula. In particular, the necessary *capex* support is expected. Taking advantage of the regulatory changes, there seems to be a willingness to adapt the PERTE to the real needs of the industry.

4. PARTICIPATION IN REGIONAL NETWORKS

Since its foundation in 2009, Galicia has been **part of the Committee of the Regions' Future of the Automotive Industry interregional group (CoRAI)**. This is an informal network of regions with specific interests in the automotive sector that promotes industry and stakeholder cooperation and serves as a link with the European institutions. In the beginning, Galicia took over one of its vice-presidencies.

Galicia is also one of the founding regions of the **Automotive Regions Alliance (ARA)**, which seeks to promote a just transition for automotive regions and was officially launched by the European Committee of the Regions in June 2022. ARA aims to drive a process similar to the one already conducted with the regions considered in transition by the EU, which have a **Just Transition Mechanism with associated funding of their own**.

5. EUROPEAN PROJECTS

Within the framework of the **European Industrial Strategy**, Galicia considers **the mobility, transport and automotive ecosystem** as one of the most relevant due to its industrial fabric, especially made up of SMEs that will suffer a greater impact during the transition to electric vehicles.

In order to try to compensate for this, collaborative projects are carried out with five main objectives:

- a) To increase the **competitiveness** of companies, particularly SMEs.
- b) To promote **entrepreneurship and innovation**, focusing efforts on companies that strengthen the value chain.
- c) Help renew or **transform the business model** of companies linked to or dependent on combustion vehicles.
- d) **(Re)train the workforce** and talent already present to adapt their skills to electric vehicle production.

- e) Control and compensate for **rising costs in electric vehicle production** to maintain the competitiveness of the ecosystem.

In this regard, it is worth highlighting two examples of projects in which Galicia participates, both funded by "Horizon Europe":

a) **Resilient transport Infrastructure to extreme events (RESIST)**

It aims to help SMEs in their green and digital transition, thanks to a total support of one million euros divided into several calls. This collaborative project aims to strengthen networking, innovation, adaptation, training and internationalisation.

b) **SURE 5.0**

Formed by CEAGA and 10 other partners from 8 European countries, it focuses on the transition to Industry 5.0 in the field of automotive, space and electronics. It offers cascade funding of €2.6 million and benefits 53 SMEs.