

The Green Deal Industrial Plan: putting Europe's net-zero industry in the lead

Eurochambres acknowledges the urgent need to adapt the EU Industry Strategy. The communication by the European Commission on the Green Deal Industry Plan was timely and necessary. Strengthening our own EU industrial location, keeping a fair level playing field for EU member states, and avoiding a zero-sum game with other economic areas in the world is important. Eurochambres calls on the European Commission to ensure fast deployment of the existing EU financial instruments and provide incentives for private investments on green technologies and renewable energies.

1. Executive summary

Despite the focus of the [New Industrial Strategy for Europe in 2021](#), on the twin transitions, it has not yet began to reap the fruits of its efforts to turn both into an industrial opportunity for Europe. Eurochambres welcomes the communication by the European Commission on the Green Deal Industry Plan.

Eurochambres acknowledges the urgent need to adapt industrial policies and mobilize financing in a predictable, adequate, and timely manner to address this crisis, as well as to ensure that other key competitiveness levers such as the single market and the EU's trade agenda are optimised.

Europe is facing a new wave of "deindustrialization", this time heavily influenced by rising energy prices and imported inflation, further exposing existing challenges. The EU must ensure that it is an attractive manufacturing location.

The state aid debate and subsidy race is a double-edged sword, and our top priority must be to preserve the internal market's level playing field and integrity.

The United States' recent Inflation Reduction Act (IRA), which includes a \$369 billion package in federal subsidies for green technologies and renewable energies, will undoubtedly impact EU businesses. In this respect, we call for swift transatlantic solutions to remedy the detrimental and discriminatory elements of the IRA on European businesses.

Eurochambres welcomes the Commission's attempt to coordinate the various existing EU financial instruments for a better outcome. We call on the European Commission to ensure fast deployment of the current allocation of EU financing and provide incentives for private investments. The EU Green Industry Plan, REPowerEU, and the revised Temporary Crisis and Transition Framework can help provide a strong anchor to keep investment in the EU.

Eurochambres has always been at the forefront of actions to improve the better regulation agenda. Therefore, the competitiveness check should be a key part of balanced EU decision-making and should be applied in the context of any EU policy and law-making process.

2. Why chamber network considers EU Green Industrial Plan relevant.

Our European businesses are facing huge challenges – implementing decarbonisation pathways, while defending their global competitiveness and securing jobs and industrial production in the EU. Indeed, the results of the 30th annual Eurochambres Economic Survey, based on feedback from over 42,000 entrepreneurs in 25 European countries, highlighted challenges such as access to affordable energy and raw materials and a shortage of skilled workers. Eurochambres stand fully by their commitment to EU Green deal objectives but need to have the right framework conditions. Access to low-carbon energy at competitive prices is a key part of our transition.

3. Summary of Eurochambres' main messages/recommendations

Pillar 1 – A predictable and simplified regulatory environment

- Eurochambres welcomes the introduction of a Net-Zero Industry Act that sets the regulatory framework to support industrial manufacturing of key technologies in the EU. The ongoing multiple crises are putting European companies under increasing pressure. In particular, the manufacturing sector is affected by high energy prices, interrupted supply chains, and heavily subsidised competition from third countries. There is a real danger of European deindustrialisation. Eurochambres therefore welcomes the commissions' plan to provide a simplified regulatory framework for production capacity of products that are key to meet climate neutrality goals. At the same time, however, we insist that the principle of technological neutrality must be respected in this context.
- Eurochambres also welcomes the plan to apply a “competitiveness check” to address potential competitiveness impact. The competitiveness check must be a key component of the EU decision-making and it should be applied to any EU policy and law-making process, including legislative initiatives, secondary legislation, fiscal measures, strategies, and programmes, as well as international agreements. To provide added value, the competitiveness check should focus on quantifying the cumulative burden, i.e., look at the broader implications of the potential new initiative and consider existing and pending legislation on a particular sector or segment of the economy. In this regard, the Regulatory Scrutiny Board plays a key role and needs to be respected.
- Europe needs to increase its innovation capacity in order to support the scale up of its innovative and breakthrough market operators. The use of regulatory sandboxes, as spaces of development and experimentation under controlled framework conditions, will allow faster identification of innovative products and services, provide shorter time-to-market, and enable a culture of trust to emerge in the single market. From the point of view of the chamber network, a European bundling of resources is advisable in order to secure the supply of critical raw materials for companies. Chambers emphasize that government monitoring of raw materials would only make sense if it did not create additional bureaucratic burdens for companies.
- In principle, the chamber network supports an update of the current electricity market rules. In order to prevent irreversible damage to the European economy, chambers call for an electricity market design that which reflects the unusual circumstances and corrects possible market failures, by all means and without exclusion a priori. We believe that the focus on long term price contracts could play a crucial role to enable businesses to benefit from more predictable costs of renewable energy. However, any market update represents an intervention in the free market, which is associated

with considerable risks. Therefore, any revision of the market rules must be carefully considered given the negative economic effects that intervention in the market may cause. Price signals should continue to provide incentives for energy savings and ensure maximum market stability.

- As already stated in previous Eurochambres positions, we support the introduction of an Ecodesign for Sustainable Products Regulation, as an instrument that considers all aspects of the life cycle of a product, while respecting the principle of proportionality. However, the new performance and information requirements must meaningfully contribute to the improvement of the products circularity. The burden on businesses must be proportionate and the competitiveness of the European economy must not be jeopardized.
- Amid the Russian war in Ukraine and the related energy crisis, we want European businesses to get a regulatory breathing space from incomprehensible requirements that would unnecessarily increase costs for businesses already under strain. The Commission should reflect on how to reduce administrative and reporting burdens in the single market in order to allow companies, especially SMES and start-ups, to recover and grow.
- As a strong representative of the European business community, we believe that the Green Deal Industrial Plan can only be successful if all stakeholders are equally involved in the development of the proposed initiatives. As a network of chambers, we have expertise and experience in all areas of the European economy and can therefore act as a bridge builder between politics and business.

Pillar 2 – Faster access to sufficient funding

- Eurochambres calls for swift deployment of national subsidies that still considers a fair level playing field and facilitate businesses' access to private funding by completing the Capital Market Union¹Re-organising the funding for Horizon Europe 2021-2027 to reinforce the European Research Area for the deployment of new innovative solutions in the green and digital fields. To improve the attractiveness of European funding, the Commission should drastically simplify the regime to exploit tax incentives for investments in critical infrastructures and the production of clean technologies such as wind and solar developers, among others. This is crucial to redirect imports of components and intermediate goods from third countries to the European market and increase the production capacity within the EU.
- The Temporary Crisis and Transition Framework must be targeted at improving companies' resilience and competitiveness and State Aid rules should prevent the disruption of the level playing field. Eurochambres highlights the importance of supports in the form of State Aid and the need for effective flexible schemes and a state aid control mechanism for member states. This should be complemented by raising the ceilings under which member states can dish out subsidies without having to notify them. Yet, the Commission should carefully evaluate the need for a matching subsidies tool. This must be well-targeted to avoid an intra-European bidding war to subsidise industry which would further distort competition within the Single market. We urge the Commission for a response to the liquidity need and loan requests from companies, especially the ones operating in the energy sector. State guarantees should consider the current framework by increasing the financial indicators and ceilings for granting loans. This should consider the turnover and total balance sheet, leaving out the number of employees. This would guarantee a better reflection of

¹ A recent Commission study on energy subsidies estimated that around €76 billion in energy subsidies were paid in the EU27 in 2021 and 2022 to address rising energy prices (including fossil fuel subsidies, hydrogen and nuclear).

modern economic trends such as Industry 4.0 or freelancing. In addition, we would welcome a significant increase in the current ceiling of €4 million in point 66 f of section 2.4 of the Temporary Framework. It is important to ensure that companies who have already made substantial investments in energy efficiency are not further burdened by additional red-tape as it can affect the overall cost efficiency of domestic firms.

Pillar 3 – Skills

- 2023 is the European Year of Skills and the EU's new Green Deal Industrial Plan rightly listed skills as its third pillar.
- Eurochambres welcomes the focus put on the need for a large-scale up-skilling and re-skilling effort to take full advantage of the twin transitions and to address the growing skills shortages.
- We welcome the creation of Net-Zero Industry Academies focusing on up-skilling and re-skilling in key areas for the green transition (raw materials, hydrogen, solar).

Pillar 4 – Open trade for resilient supply chains

- Eurochambres welcomes the emphasis of the EU's trade policy to focus on delivering an ambitious trade agenda for the remainder of this Commission's term, to help our firms grow, diversify and become more resilient, especially our internationally active SMEs.
- In this regard ratifying and finishing key trade agreements such as Australia, Chile, Mexico or Mercosur is of utmost importance to European business. In particular we must make progress in the wider Indo Pacific region, a key growth area for European business, as well as in Africa.
- In view of the challenging geopolitical environment, it is clear that the transatlantic partnership remains an absolutely vital one for European business. Finally, we call for swift transatlantic solutions to remedy the detrimental and discriminatory elements of the IRA on European businesses. The Trade and Technology Council (TTC) is thereby a crucial opportunity for the US and EU to jointly secure their future trade, economic, and technological leadership, and function as a counterbalance to geopolitical challenges that risk undermining the transatlantic relationship. We call for concrete deliverables and effective business participation to facilitate transatlantic trade and create more integrated approaches to emerging technologies and the twin transition to the benefit of companies on both sides. Progress in the TTC should be complemented with collaboration in other existing bilateral and multilateral fora, such as the WTO, G20, and OECD.
- Eurochambres is in favour of a swift agreement of EU-MERCOSUR, as this trade agreement will not only eliminate key market access barriers for our companies but will also boost the competitiveness in both markets for the coming years.
- Moreover, connectivity initiatives of some third countries have led to market distortions, non-sustainable financing conditions and non-compliance with international standards. It is key that the EU Global Gateway offers a real and sustainable alternative, building on the strengths of European companies and developing the capacities of the third country private sector.



Eurochambres, the Association of European Chambers of Commerce and Industry represents over twenty million businesses in Europe through 45 members (43 national associations of chambers of commerce and industry and two transnational chamber organisations) and a European network of 1700 regional and local chambers. More than 93% of these businesses are small and medium sized enterprises (SMEs).

More info and previous positions on: <https://bit.ly/ECHPositions>

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