

Eurochambres position on Net Zero Industry Act

Eurochambres welcomes the Net-Zero Industry Act (NZIA) as part of the Green Deal Industrial Plan to scale up the manufacturing of clean technologies in the European Union (EU) and facilitate the green transition. The EU needs simpler and faster permit-granting processes for all economic sectors. Investments into the green transition should not be held up in lengthy administrative process and burdensome sustainability and diversification requirements in public procurement. The EU should create reliable framework conditions for companies to diversify energy supply with new bilateral trade agreements.

1. Executive summary

The proposed legislation for NZIA aims to scale up clean technology manufacturing in the EU with a target to provide at least 40% of the EU's annual deployment needs for strategic net-zero technologies by 2030.

Eurochambres agrees on the need to set ambitious objectives to identify and overcome key challenges and specific obstacles that are holding back investments into clean tech. However, this aim should not be a regulatory requirement, but a political commitment.

The Act should provide a simplified regulatory framework for clean tech, while addressing bottlenecks arising from permitting procedures e.g., environmental regulation to speed-up the green transition. It is also important to accelerate permitting procedures for all economic sectors and too few selected.

The success of the regulation will also depend on supporting legislation and how other policies develop in parallel. There is a need to have consistency with other legal acts like the Critical Raw Materials Act (CRMA), Habitat Directive and Corporate Sustainability Due Diligence duty (CSDDD).

To take advantage of the opportunities offered by critical technologies, we will need the right skills to confidently adopt them. Eurochambres is against the establishment of a parallel structure of European "Net-Zero Industry Academies" besides the existing forms of vocational training and continuing vocational training in the Member States.

Eurochambres welcomes the Net-Zero Europe Platform governance platform and would be interested in supporting and contributing to its objectives.

Investments into the green transition should not be held up in lengthy administrative process and burdensome sustainability and diversification requirements in public procurement. Regulatory sandboxes should be made available to businesses from all economic sectors.

It will be crucial for the EU to create reliable framework conditions for companies to diversify. New bilateral trade agreements would allow for diversification of supply chains entirely without government quotas.

2. Why chamber network considers Net Zero Industry Act relevant.

The NZIA is a welcome development, as the scale up net-zero technology manufacturing in the EU will reduce Europe's dependence on fossil fuels whilst helping the industry to meet the ambitious EU Green Deal.

The chamber network welcomes the clear paradigm shift of the Commission - away from a primarily regulation-driven policy of green change towards a green industrial policy that carries a business-friendly note in terms of location and competition policy. The Commission is thus taking a long overdue step towards a coherent, effective, and targeted European industrial policy. The NZIA makes an important contribution to decarbonization, to reducing energy dependence on EU third countries, to reducing the vulnerability of the European energy system, and provides growth policy impetus through increased local value creation.

Our European businesses are facing huge challenges – implementing decarbonisation pathways, while defending their global competitiveness and securing jobs and industrial production in the EU. Just as indicated by the results of the 30th annual [Eurochambres Economic Survey](#) 2023, some of the highlighted challenges are access to affordable energy and raw materials, and a shortage of skilled workers.

As businesses navigate through this erratic environment, they ought to simultaneously deal with these business challenges and take action to ensure long-term competitive advantage. The green transition will require more energy than is available today, while current energy prices have been putting Europe at a competitive disadvantage globally. Therefore, the Green Deal threatens to jeopardise the current situation by increasing energy costs for Europe.

3. Summary of Eurochambres' main messages

- The objective to achieve by 2030 a European production capacity covering at least 40% of the deployment needs of strategic net-zero technologies should not be regulatory requirement but a political commitment.
- The Act should provide a simplified regulatory framework for clean tech. The act needs to address bottlenecks arising from permitting procedures e.g., environmental regulation to speed-up the green transition. It is also important to accelerate permitting procedures for all economic sectors and not only selected ones.
- Eurochambres calls on the Commission to prioritize technological neutrality and consider sustainable alternative fuel technologies, recycling technologies, hydropower, and critical infrastructure applications as Net-Zero industries.
- Regulatory sandboxes should be made available to businesses from all economic sectors, not just Net Zero industries. Furthermore, we believe, that the NZIA must take a bottom-up approach to the establishment of regulatory sandboxes: the need on the part of the business community is the decisive criterion for the sensible use of sandboxes.”
- To take advantage of the opportunities offered by critical technologies, we will need the right skills to confidently adopt them. Eurochambres welcomes the EC's ambitions to address the issue of education and training in Net Zero technologies via the establishment of Net Zero Industry Academies. The chamber network has a key role as VET providers. The proposal for European Academies needs more clarity on the nature of these educational institutions. However, EU funding can support national

- efforts through pilot programs and development of learning materials. While European framework guidelines can enhance comparability and recognition of qualifications, it's important to note that curricula development is not an EU mandate.
- The regulation proposal announces a Net-Zero Europe Platform that will assist the European Commission and Member States to coordinate action and exchange information, including around Net-Zero Industrial Partnerships. Eurochambres welcomes this governance platform and would be interested in supporting and contributing to its objectives.
- From our perspective, the NZIA is characterized by a highly uncertain financing situation with a confusing collection of measures and funding with different terms and requirements. This results in a significant disadvantage for Europe in terms of industrial location policy compared to other economic regions. The Inflation Reduction Act (IRA) in the USA, for example, stands out for its simplicity by focusing on a central instrument - tax credits for operational and investment expenses. A Net-Zero industrial strategy must include a clearly identifiable approach to support significant expansion of EU-wide green value chains for all sizes of businesses.
- The EU has already mobilised significant funds for this purpose, through the Recovery and Resilience Facility (RRF) and Repower EU. A better use of the funding already available ought to be prioritised to speed up implementation at local and regional level with 450 bn EUR still outstanding, and swiftly finalise Repower EU chapters. Instead of a confusing arrangement of new funding pots and instruments as in the past, we call for the establishment of a long-term, clear, lean, and efficient European fund by standardizing and reallocating existing EU funds. A stronger concentration of instruments at the EU level would additionally promote the efficiency gains envisaged in the NZIA and contribute to maintaining a level playing field between EU member states in the internal market.
- The EU should create reliable framework conditions for companies to diversify with new bilateral trade agreements, which would allow for diversification of supply chains entirely without government quotas.

4. Detailed comments on the proposal

Rationale with the [EU Green Deal Industrial Plan](#)

Eurochambres acknowledges the urgent need to adapt the EU Industry Strategy. The EC is thus taking a long overdue step towards a coherent, effective, and targeted European industrial policy. The NZIA makes an important contribution to decarbonization, to reducing energy dependence on EU third countries, to reducing the vulnerability of the European energy system, and provides growth policy impetus through increased local value creation. Europe is facing the risk of deindustrialisation, heavily influenced by rising energy prices and imported inflation that are further exposing existing challenges. The state aid debate and subsidy race exacerbated by global competitors is a double-edged sword and our top priority must be to preserve the single market's integrity. Therefore, the EU must ensure that this remains an attractive manufacturing location, not only for already established businesses, but also to foreign investors. Only by avoiding market distortions and guaranteeing fair international competition in critical sectors the single market will the maintain its innovative leadership on an international level.

Consistency with other EC regulations

The NZIA would need to avoid overlapping with other EU legal acts such as Critical Raw Material Act, Corporate sustainability due diligence duty, Habitat Directive.

The CRMA presents several binding targets for increasing domestic capacities, which are welcome in principle but risk being watered down in the legislative process. The international element of the CRMA is a reminder of how important third country sources of critical and strategic raw materials are. More work needs to be done on the concept of establishing a Critical Raw Materials Club. Eurochambres would welcome progress with the United States on bringing this concept to reality. It remains to be seen how the CRMA obligations would interact with other EU legislative frameworks that also cover sustainability and reporting/tracking obligations. Examples of this would be the Corporate Sustainability Reporting Directive (CSRD), the proposal on a framework for setting eco-design requirements for sustainable products, and the proposed CSDDD.

Another element of potential overlap is the requirement under the proposed CRMA for certain companies to map where the strategic raw materials they use are extracted, processed, or recycled, imposing a requirement on such companies to map their supply chains. Indeed, it is likely that companies having to comply with the proposed CSDDD will, at least in certain cases, start mapping their supply chains and ensure traceability of their products. Such mapping and traceability requirements and their enforcement will have to respect antitrust rules, as well as commercial interests and sensitivities of different market players at different supply levels. Some guidance to address these issues could be drawn from the existing Conflict Minerals Regulation.

Eurochambres is in favour of handing out the status "in overriding public interest" to industrial projects, but they must be clearly justified. Consider, for example, the Habitats Directive clause conditions.

Habitat directive: Should there be a negative assessment of the implications for the site, and in the absence of alternative solutions, a plan or project must be carried out for crucial reasons of overriding public interest, including those of a social or economic nature. In which case the Member State shall take all compensatory measures necessary to ensure that the overall coherence of Natura 2000 is protected. It shall inform the EC of the compensatory measures adopted.

Three conditions can be distilled from this:

- Absence of alternative solutions
- Imperative reasons of overriding public interest
- Need for compensatory measures from the Member State

Condition two is thus met under the Net-Zero industry act. However, it could be argued that there are no alternatives. Such ambiguities and questions should be removed by issuing clear guidelines based on an overarching vision that leaves no room for interpretation, which is currently lacking in the directive. It is precisely these alternative solutions that can be easily questioned, delaying the permit process. It can also be argued that if Europe wants to effectively move towards Net-Zero, it will have to use every possible renewable energy site and the 'alternatives' criteria can be solved.

Finally, this 'clause' from the Habitats Directive is only possible for Net-Zero resilience projects, leaving 'regular' projects with the same issues. In addition, the burden of proof for the lack of alternative solutions is also very intense, which puts projects (such as the installation of a single wind turbine) at a new threshold.

Technology Neutrality for clean tech

The Act should provide a simplified regulatory framework for clean tech. However, it is important that we seek solutions that are evidence based and cost-effective, giving the best conditions to speed up the green transition of the European economy. Therefore, the act should have a stringently defined scope that takes technology neutrality as a starting point and identifies products critical for meeting the EU's climate neutrality target. For the NZIA to remain coherent, it is necessary to align the technologies listed under the definitions of "Net-Zero Technologies" with those technologies listed in the Annex as "Strategic Net-Zero Technologies".

Sustainable alternative fuel technologies, energy-system related energy efficiency technologies and carbon utilisation are not in the Annex. The entire text is therefore incoherent, and these technologies need to be listed. It is not enough to give a one-sided commitment to individual technologies. For the CO₂ injection capacity based on Directive 2009/31/EC in countries such as Austria or Germany there are still laws which forbid CCS. In the case of Austria as a landlocked country, as well as the 2011 law banning geological storage of CO₂ in force on its territory, there is a massive distortion of competition due to the unique situation created by the proposed CCS obligation. Accordingly, there must be an exemption for those companies covered by the obligation that have no possibility to comply with the obligation in this member country due to the applicable national legal situation.

To strengthen Europe as a whole, it should be possible for companies in all sectors to realise new projects quicker and to modernise existing plants efficiently.

Realising the NZIA's stated goal of a cross-border single market approach for CO₂ storage services will require more pieces to fall into place, besides the acceleration of storage capacity. A consistent regulatory, permitting and planning regime for CO₂ transport networks across the EU will also be necessary for infrastructure to be adequately funded and deployed at scale, as well as a common set of technical standards.

Among the multitude of support schemes for low-carbon technologies, one pillar of decarbonisation is glaringly absent: circularity. The NZIA does list "circular manufacturing practices" as one of the selection criteria for net-zero strategic projects, which is encouraging. Recognition of recycling technologies (both mechanical and chemical recycling), hydropower, and critical infrastructure applications (including control elements, converters, and related digitization technologies) as Net-Zero technologies.

One last problem with the NZIA is about competitive distortion. The NZIA adds to an already lengthy list of announced support programmes including the Innovation Fund and the European Hydrogen Bank, which focus on a small selection of technologies. There is a need to be consistency in the different EU support programmes and alignment in permitting procedures. This creates competitive distortions to the benefit of these technologies at the expense of others.

Streamlining and simplifying administrative procedures to speed up permits.

Investments into the green transition should not be held up in lengthy administrative processes. To this end, the act needs to address bottlenecks arising from permitting procedures e.g., environmental regulation to speed-up the green transition. Clear objectives and guidelines need to be established, giving the applicant the best guidance up-front even before the application is submitted. Establishing these can also benefit the processing of applications by authorities. Furthermore, issues related to tender procedures should be

investigated. European businesses need to get a regulatory breathing space from incomprehensible requirements that unnecessarily increase costs for businesses already under strain. The Commission should reflect on how to reduce administrative and reporting burdens in the single market to allow companies, especially SMEs and start-ups, to recover and grow.

When the new **One Stop Shops** are to be set up, it must be specified in advance which national authority, or which domestic ministry will be the central point of contact. This is of central importance not only for a faster procedure, but also for the central information control concerning legal and financial questions of future projects. The appointment of the corresponding national authority or the domestic ministry should then also take place at the time of the entry into force of the regulation and not, as proposed in the draft, three months later. The labour shortage problem must also be considered for One Stop Shops. It also brings with it a shortage of labour in government agencies. Therefore, the possibilities of digitization must be utilized in the processes as far as possible.

Do not overburden public procurement with sustainability and diversification requirements

The NZIA grants some net-zero technologies easier access to the important public procurement market by asking government agencies to consider sustainability and diversification of sources for green technologies in their decisions. Government mandates for diversification, however, overshoot the mark. Companies are independently adjusting their supply chains based on their risk assessments for business reasons.

The idea of introducing a new form of evaluation criterion in the public procurement of Net-Zero technologies is a very risky one. In addition to the environmental effects, the contribution to Europe's resilience ought to be included as a quality criterion in future award decisions in public procurement. As the latter is linked to the origin of the products used, it might be seen as a sign of the Commission's intention to use this to enforce a form of "Buy European" principle. Such principles should only be used when it comes to products with strategic dependencies or security concerns.

Advancing trade agreements and partnerships

Another focus of the NZIA is international partnerships. The goal is to facilitate trade with other countries and ensure a fair playing field. From a business perspective, the idea of such partnership could be helpful in the EU-US negotiations on the Inflation Reduction Act (IRA): it could secure access to the American market for European "Net-Zero technologies." In addition, the EU should create reliable framework conditions for companies to diversify with new bilateral trade agreements, which would allow for diversification of supply chains entirely without government quotas.

The United States' recent IRA, which includes a 369 USD bn package in federal subsidies for green technologies and renewable energies will undoubtedly impact EU businesses that is why Europe's reaction was timely and necessary in a time of growing "deindustrialisation" and influenced by rising energy prices and supply chain shortages.

In view of the challenging geopolitical environment, the transatlantic partnership remains a vital one for European business. Finally, Eurochambres calls 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. Eurochambres urges 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.

Innovation

From companies' point of view, innovation policy must take a bottom-up approach to the establishment of regulatory sandboxes: companies' needs are the decisive criterion for the useful use of sandboxes. If existing programs (e.g., funding programs) offer corresponding starting points, synergies should be used for implementation. The design of the management and control of sandboxes is pivotal. An objective decision-making process must ensure transparency and competitive neutrality - especially about a non-discriminatory selection of participants.

The following recommendations are:

- A transparent and uniform selection process.
- Testing phases limited in terms of content, time, and, if necessary, space - no "eternal" exception, no "regulatory vacations," but the possibility of extension according to narrow, predefined criteria.
- Ensuring competitive neutrality and thus a level playing field. Innovative technologies, products and services are to be promoted, not specific characteristics of companies such as age or size.
- Competent authority or intermediaries such as funding agencies function as a companion - not merely as a monitoring body.
- Ongoing evaluation and transparent presentation of the results and regulatory findings of regulatory sandboxes.
- Clear perspectives and rules for the "transition" to normal operation
- Regulatory sandboxes are innovation policy instruments, not instruments for deregulation or the dismantling of safety, protection, or qualification standards.
- If existing programs (e.g., funding programs) offer corresponding points of contact, synergies should be used for implementation.
- When designing a regulatory sandbox, limits under European and constitutional law must be observed, the principle of legality and the principle of equality.
- Regulatory sandboxes should be made available to businesses from all economic sectors, not just Net Zero industries.

Net Zero governance platform

The regulation proposal announces a Net-Zero Europe Platform that will assist the European Commission and Member States to coordinate action and exchange information, including around Net-Zero Industrial Partnerships. Eurochambres welcomes this governance platform and would be interested in supporting and contributing to its objectives. It should support investment by identifying financial needs, bottlenecks, and best practices for projects across the EU. Furthermore, it should foster contacts across Europe's net-zero sectors, making particular use of existing industrial alliances. It is crucial that the platform relieves companies of administrative and bureaucratic burden. It needs to have a coordinating and informing function and thus provide added value for the industrial sectors by enhancing cooperation and using synergies. Additional reporting requirements and accountability obligations must not be a result of its work. Specific NZI Partnerships with other countries are welcome, but in general the ambitious EU trade agenda needs to be boosted.

Finance

Ensuring that our industry is at the forefront of the global race towards sustainability requires strong commitment from governments and the private sector. The EU has already mobilised significant funds for this purpose, through the Recovery and Resilience Facility (RRF) and Repower EU and we must as a priority make better use of the funding already available by speeding up implementation on the ground with 450 bn EUR still outstanding, and swiftly finalise Repower EU chapters. Further initiatives should be considered, including how to make optimal use of existing facilities on the EU budget such as Invest EU and increase the involvement of the European Investment Bank in support of industrial decarbonisation.

Net Zero Academies

Eurochambres launched a survey on the Twin transition in September 2022 which gathered feedback from national and regional chambers of commerce and industry in 19 countries across Europe. The survey's objective was to gather feedback on business barriers and incentives in relation to greening of their activities. According to the respondents, the lack of expertise in the fields of energy efficiency, waste sorting, reduction of greenhouse gas (GHG) emissions, and water treatment prevents the smooth implementation of green practices. The survey also identified that there is a lack of knowledge on the ongoing compliance, with evolving environmental standards and policies due to unclear regulations and guidelines.

As a result of the green transition, European businesses will face significant skills shortages and be forced to invest in employee training. These challenges will entail substantial support from the EU and member states in the form of funds for reskilling and upskilling, as well as entrepreneurship promotion. The green transition is a long-term goal for the entire economy and society that requires appropriately skilled workers. The up-and reskilling of workforce is a huge project, and the private sector will bear a sizeable portion of the cost of this transformation. To support businesses in that regard, public funding targeted particularly towards businesses, must be increased both from EU funds and from national programmes.

Eurochambres is a member of the European Commission Working Group on Vocational Training and the Green Transition, which examines how to prepare for labour-market relevant education in the context of the green transition. Eurochambres will continue to contribute to the working group through its activities.

The proposed NZIA would set up specialised European skills Academies, among other partnerships to assist the availability and deployment of people with skills needed in net-zero technologies. Eurochambres is against the establishment of a parallel structure of European "Net-Zero Industry Academies" besides the existing forms of vocational training and continuing vocational training in the Member States.

We do not consider the establishment of sector-specific European Skills Academies for each Net-Zero technology to be appropriate, since the demand for labour in the designated Net-Zero technology sectors does not only relate to skills that can be directly derived from technology, but also to various qualifications.

We caution against leaving the development of learning content for Net-Zero technologies purely to universities. Regarding labour market relevance and the professional usability of the acquired competencies, the social economic partners and vocational training institutions must be equal partners of the universities. If possible, learning outcomes should also be able to be acquired by way of dual training. However, EU funding for this additional task

could be a suitable lever to adequately support national efforts. Therefore, a funding program could also support pilots in the member states. These programs should also include adequate development of learning materials.

The attractiveness of technical professions must be enhanced. There is a need to strengthen and making VET more attractive, as well as on job-based dual and higher vocational training. Besides the creation of Net Zero Industry Academies, Eurochambres underlines the importance of upskilling unemployed people close to companies, upskilling of employees within the companies, and the enhancing of the attractiveness of jobs to achieve climate change for girls and women and for young people.

The development of European framework guidelines - also in the form of a transparency or skills framework - could strengthen the comparability and mutual recognition of qualifications. However, the responsibility for the development of curricula lies outside the mandate of the EU and is contrary to the principle of subsidiarity.

The creation of credentials under discussion remains unclear in detail. Precisely because this is a new concept in the context of education policy, it would first have to be more operationalized to be able to evaluate it from the point of view of business - not least with a view to competencies acquired in the workplace or even informally.

Through the process of the so-called transparency initiative, the EU Commission has made the fragmented landscape of regulated qualifications more predictable. In this respect, it is justified - also and especially - in the interest of companies to work towards mutual recognition. This has the dual effect of making it easier for urgently needed skilled workers to be deployed across borders and preventing barriers to trade in products and services.

Micro-credentials relevant to Net-Zero technologies must also be able to be awarded by vocational training institutions and by no means be reserved exclusively for universities. This additionally ensures their market value and is also in line with the Council Recommendation on a European approach to micro-credentials for lifelong learning and employability, which also explicitly provides for vocational training providers as providers of micro credentials.

