

Non-paper on the Clean Industrial Deal

We welcome the European Commission's plan to present a **Clean Industrial Deal**. Given the economic, ecological and geopolitical challenges, the need for such a deal is urgent.

The core objective of the Clean Industrial Deal should be to strengthen the **EU's international competitiveness**. The focus of the Clean Industrial Deal should be on increasing prosperity and growth in Europe through better conditions for industrial value creation, boosting research and innovation, raising productivity through structural reforms and successfully realising the digital and green transformation towards climate neutrality by 2050.

Building on the agenda and implementation of the Green Deal and Green Deal Industrial Plan, the Clean Industrial Deal needs to set a comprehensive agenda for investment, innovation, simplification and acceleration, and economic resilience. It must also map out plans for close cooperation with our European partners and strategic cooperation with international partners, based not least on trade and investment agreements and new partnership instruments. Such an agenda will allow the EU to continue to play a leading role in competition with other regions of the world. The systematic improvement of the competitiveness of the European economy should be the guiding principle for the new legislative period of the Brussels institutions, and this must also be reflected in the Clean Industrial Deal. Accordingly, the Clean Industrial Deal should complement the urgently needed European initiative to reduce bureaucracy and reporting requirements.

Sustainable, secure and affordable energy supply

We need a reliable and secure supply of clean energy at competitive prices. To do so, we need the following:

- **Further acceleration of renewables and energy infrastructure expansion** (electricity, heat and hydrogen), including the necessary planning and approval procedures, and continuation of the acceleration measures from the emergency regulation, insofar as these have not yet been implemented under RED III. The existing measures should be **extended** to other **infrastructure and transformation projects**, in particular heat networks, heat generators and hydrogen infrastructure.
- The long-term goal must be to achieve a reliable supply of green, long-term sustainably produced hydrogen to the EU. Achieving this will first of all require pragmatic and internationally compatible support for the hydrogen market ramp-up. Here, it is important to ensure the required quantities of hydrogen also during the market ramp-up phase and swiftly initiate the necessary projects to secure demand until green hydrogen is available in sufficient quantities and at competitive prices. Specifically, we need greater openness and more pragmatism, at least in the coming years, particularly in the use and production of hydrogen. For example, this applies to the definition of what constitutes green or low-carbon hydrogen, as well as the regulatory basis for State aid. It is also

essential for the hydrogen ramp-up that we press ahead with the development and expansion of a European hydrogen network. To allow for a swift transformation, it should initially be possible, e.g. for the steel industry to also operate its plants using natural gas, in order to mobilise and implement the necessary investments for transitioning to climate-friendly production processes earlier, provided that the phase-in of hydrogen needed for the ramp-up of hydrogen and a net-zero economy takes place in good time.

- **Better financing of the grid infrastructure**, e.g. through dynamic grid charges, which will also ensure the competitiveness of industry. This will also require a sufficiently flexible State aid framework.
- For electricity-intensive companies without or limited potential for flexibilisation, existing relief effects must be maintained, and options for relief should be developed further in a future-proof manner.
- Greater **flexibility** on the supply and demand sides, in particular through storage, the expansion of interconnectors, digitalisation, mechanisms for passing on prices and a price-responsive supply.
- Improvement of the European policy environment for **offshore wind energy** and favourable market rules for offshore grid hybrid projects.
- More ambitious and better coordinated planning at EU level for the expansion of **cross-border grid infrastructure** for electricity and hydrogen ("grid union").
- Serial renovation solutions that significantly reduce refurbishment costs through the use of modular prefabricated elements and an energy efficiency platform to create greater transparency with regard to potential savings and, in turn, provide stronger incentives to invest in energy efficiency measures.
- Incentives for the construction, expansion and conversion of **heat networks** as an efficient option for decarbonisation.
- The strengthening of **fusion technology** in research and science, start ups and industry.

Supporting industry in the green transformation

We need to strengthen the competitiveness of industry, help it decarbonise and create a policy environment that enables it to become a leading developer and manufacturer of transformation technologies and forward-looking technologies at the same time. To do this, we primarily need horizontal measures, including the following in particular:

- Creation of a framework for the growth of **lead markets for green technologies and raw materials and products** should be a key component of the Industrial Decarbonisation Accelerator Act (not merely NZIA 2.0 for the decarbonisation of industry). In particular:
 - Development and harmonisation of standards for climate-friendly basic materials, and coordination with international partners within the framework of the Climate Club in order to reduce the reporting burden for companies operating across different markets.
 - Climate-related regulation for the placing on the market of emission-intensive goods (e.g. steel and cement) within the EU internal market,

integrated as far as possible into a multilateral initiative within the Climate Club.

- Strengthening of green lead markets, particularly through the demand side, for instance through public procurement markets.
- **Effective carbon leakage protection** through the CBAM, including for producers of downstream products, and the implementation of WTO-compatible, EU-wide uniform solutions to prevent competitive disadvantages for EU exporters in foreign markets without comparable carbon pricing. To this end, the bureaucratic burden must be minimised. In addition to the CBAM, carbon leakage protection should also be considered in other policy instruments, such as product standards for instance.
- Unbureaucratic and – where appropriate – standardised implementation of the **NZIA and CRMA**, taking into account the expansion targets for renewable energy.
- **Carbon Contracts for Difference** for energy-intensive industrial sectors, e.g. via the EU Innovation Fund.
- Implementation of the EU Industrial Carbon Management Strategy concerning the use of **CCU/CCS**, particularly in hard-to-abate sectors, and the development of cross-border infrastructure for **CO2 transport and storage**.
- Incentives for **negative emissions**, e.g. through inclusion in the Emissions Trading System.
- Extension of the transformation chapters 2.5, 2.6, 2.8 of the TCTF and the acceleration of **State aid procedures**.
- Continuation of the **electricity price compensation** until 2030 and beyond. Additionally, enabling the extension to other sectors and, possibly on a transitional basis, further relief for electricity costs, particularly for energy-intensive companies.
- Strengthening, simplification, flexibilisation and significant acceleration of the **IPCEI** instrument – which in principle should only be used in the event of market failure – while maintaining the high level of innovation.
- The presentation of the announced European legal framework for **biotechnology** and a strategy for **lightweight construction**.
- A practical simplification of REACH that maintains the balance between environmental and economic interests, retains the risk-based approach, and ensures predictability and rapid clarity regarding the substance group of perfluorinated and polyfluorinated alkyl compounds (PFAS) through the **chemicals package**, while avoiding total bans. This will ensure that industry is supplied with the materials it needs for decarbonisation.
- A strategy for the European **maritime industry**.
- A strategic dialogue with the **automotive industry**. This should not focus solely on the change in drive systems, but above all on supporting innovation capacities and the future potential for value creation (e.g. software/operating system, autonomous driving, battery production).
- An invitation to a European **steel summit** in early 2025, as many levers for successful transformation lie at EU level (protection against overcapacities, sanctions against Russia, and a concept for lead markets for green steel).

Accelerated digital transition, use and (further) development of innovative technologies

We have to better enable our companies to utilise and further develop key technologies like artificial intelligence, and we must support strategic sectors in a targeted manner while upholding a high level of competition, thereby ensuring international interoperability to safeguard value chains. To do so, we need the following:

- An increase in **IPCEIs in the AI and Edge infrastructure fields**, “**AI factories**” and the ability to leverage synergies with **IPCEI-CIS (Next Generation Cloud Infrastructure and Services)**, as well as development of a strategy on AI use in close cooperation with the Member States.
- An integrated, coherent European **Startup and Scaleup Strategy**. The focus here should be on key technologies (e.g. AI, biotech, quantum computing), among other areas. The reduction of bureaucracy and regulation is also of particular importance for facilitating access to financing.
- Strengthening of **strategic standardisation policy**.
- A legally and practically simpler implementation of **regulatory sandboxes**.
- Encouragement of **industrial testing and scaling partnerships** between startups and industrial companies.
- Permission for an antitrust-compliant **exchange** and **cooperation** between competitors **in key forward-looking technologies**.
- Targeted support for **cutting-edge research and its industrial use** at European level.

Deepening of the European Single Market, reduction of bureaucracy and acceleration of procedures

We need further **strengthening, deepening and forward-looking further development** to harness the full potential of our shared **internal market** for the Clean Industrial Deal. In addition to a rigorous implementation and enforcement of internal market rules we need i.a. more integration in strategic sectors, especially those pertaining to services, energy, the financial market and telecommunications, as well as resolute advocacy for a **level playing field in the internal market**. Modernisation of competition law and procurement law also assume an important role.

Additionally, we must **free** the European economy and industry **from the shackles of unnecessary bureaucracy**, ensure the most effective and **non-bureaucratic regulation** possible at European level, **significantly increase the speed of planning, application and approval procedures** and take specific action to **bolster SMEs**. Important points of approach include the reduction of reporting obligations beyond the goal of 25%, as well as a significantly higher reduction for SMEs, the introduction of “reality checks” and implementation dialogues, SME checks and the acceleration, simplification and digitalisation of calls for tenders and approval processes. The omnibus packages planned by the Commission with the goal of reducing bureaucracy

in sustainability reporting and harmonising sustainability reporting requirements is welcomed, provided that the goals of the Green Deal and existing protective standards are upheld.

New sales markets, access to raw materials and energy

In view of the international integration of European industry, the Clean Industrial Deal must be embedded in an international context, especially by forming a strategic and coherent linkage with the forthcoming EU external economic policy and the objectives of the Critical Raw Materials Act (CRMA), and it requires active communication with international partners. To open up lead markets for climate-neutral products, it is essential that other regions of the world also decisively drive forward their transition to climate neutrality, and that we work towards fair framework conditions and a level playing field. As an inclusive, intergovernmental forum, the Climate Club provides the opportunity to advance coordination with other states in order to collectively lead the transformation of industry to success.

We must open up **new sales markets** not only with our direct European neighbours but especially in Latin America and the Indo-Pacific, ensure sustainable, affordable and reliable **access to raw materials, upstream products and energy sources** and strengthen the **resilience** of industrial value-added chains.

The Clean Industrial Deal must be accompanied by attractive WTO-compliant offers for **new ambitious trade agreements** with non-EU countries – as purely EU agreements where possible and sector-specific as needed – as well as **Clean Trade and Investment Partnerships**, such as those for the expansion of raw materials cooperation. Where not otherwise possible, **trade defence instruments** must be put to rigorous use when needed to preserve fair competition. The Clean Industrial Deal should also strengthen economic security, which secures European competitiveness in the long term and is important for strategic sovereignty.

We must also support strategic partnerships and efforts to **expand international carbon pricing**. Lastly, we need an early-stage internal and external **communication strategy**, especially via active EU delegations in non-EU countries. European companies need a point of contact for implementation questions.

Transition financing

We must mobilise the primary private and supplementary public investments that are needed for the green and digital transition. To this end, we need **ambitious and goal-oriented progress in deepening the capital markets union**, more investments in cross-border infrastructure (also via the **European Investment Bank**), and optimisation of the **sustainable finance regulation** at European and international level, as called for in the letter from Federal Ministers Dr Wissing, Dr Kukies, Dr Habeck and Heil to the European Commission dated 17 December 2024, with the goal of simplifying sustainability reporting and making it more coherent in order to relieve the pressure put on companies, and especially SMEs, by unnecessary bureaucracy. We

cannot prejudge decisions for the **Multiannual Financial Framework** from 2028 in the context of the Clean Industrial Deal.

Creating planning and investment security through reliable targets

We must provide companies and investors with reliability, planning security and continuity in order to enable fundamental, long-term investment decisions and unleash the full growth potential of the green transition. To do so, we need an effective, fair and cost-efficient implementation of the legislative acts agreed upon in the context of the **Green Deal** and the **Green Deal Industrial Plan** and a clear strategic orientation, including a **2040 climate target** in line with a 1.5-degree-compatible reduction pathway and the goals of the Paris Agreement.

Table.Briefings