

THE EU CLEAN INDUSTRIAL DEAL:

THE NEED TO SERVE PEOPLE AND PLANET



Europe has a strong and innovative industrial base, which provides work to millions of people. The past few years have shown significant challenges for the EU industrial policy, from the COVID-19 pandemic jeopardising global value chains, to the Russian war of aggression against Ukraine leading to soaring energy prices on the continent.

As Greens/EFA, we firmly believe in a forward-looking industrial policy using every tool possible to develop new industries (from renewables to depollution, to adaptation) while accompanying the transformation of existing industrial sectors in Europe (from ceramics to aluminium, to lighter industries) towards a climate-neutral, resource-efficient and socially just circular economy.

Today, we have a unique opportunity with the Clean Industrial Deal to provide **strategic focus for a renewed European industrial policy, making the internal market stronger and promoting the European Union as a frontrunner in the decarbonisation and depollution agenda. The global race around “clean tech”**, including to decarbonise heavy industry like steel, cement and aluminium, fuelled by massive public interventions in countries like the US, China, Japan, India, UK, Canada... **is indeed intense**, to the point that more than 40% of GDP growth of China in 2023 was related to clean tech, while clean energy jobs exceeded that of fossil fuels in 2021 and continues to grow. In the European Union, more than 30% of GDP growth in 2023 was in clean tech, and renewables alone represented 1.5 million jobs in the EU in 2021, with a growth of employment outpacing the growth in the overall economy.

In addition to achieving our climate and environmental targets, the Clean Industrial Deal is a tool **to strengthen European autonomy and resilience**. At a time where trade multilateralism is suffering and other large economies will turn to a more protectionist approach, transforming our industrial base is a must. This transformation should **go hand in hand with fair and green trade policy**, along with a **massive upscale in investments**. We have no other choice but to invest heavily in innovation, and nurture start-ups and scale-ups that strive to build tomorrow's industries. This will accelerate the modernisation of energy and carbon-intensive sectors, like cement and steel, and make the energy **transition affordable for all industries**. We need to **scale-up demand for non-toxic and circular products**, while simultaneously preparing a **roadmap to reduce resource use**, in order to stay within planetary boundaries.



Coordinating the transition of EU's industrial activities, including those which have no future in a fossil free society, will require **proper governance to guarantee European integration and cohesion**. The **protection of workers must be a key priority**, in particular the reskilling and upskilling of workers in fossil fuel-related sectors, which will be subject to great change in the future.

Let's turn the current challenges into opportunities. Our current economic model is outdated, given that Europe is poorly endowed in natural resources. This leaves us with no other choice but to change to **a system aligned with our physical realities**. Instead of mourning the past and blaming environmental policies, let's **build Europe's competitiveness on embracing the Green Deal and its accelerated implementation**. This will drive and catalyse innovation, while creating lead markets for Europe to be a global leader in green industries. It will also safeguard our security and independence, create jobs and benefit people and the planet. There is no time to waste: the costliest path, which we have followed for too long, is the one of inaction.

To ensure a truly sustainable European industrial policy, the Greens/EFA propose a **Clean Industrial Deal composed of seven intertwined pillars**:



1. Ensure social and territorial justice and quality jobs



2. Unleash investments into sustainable development



3. Make the energy transition affordable for industry



4. Strengthen European integration and cohesion



5. Stimulate demand for non-toxic and circular products



6. Boost zero-pollution, non-toxic circularity and reduce resource use



7. Promote a fair and green trade policy

1. Ensure social and territorial justice and quality jobs

The Clean Industrial Deal must have social justice and fairness at its core. Historically, industrial workers are most often on the frontline of the industrial transformation, while being the first to suffer the consequences of industrial pollution, from silicosis to heat waves. That is the reason why we ask for:

A

A Just Transition Directive: This should oblige industrial operators to create Just Transition Plans that guarantee social dialogue, collective bargaining and participation of social stakeholders in strategic decisions concerning their future. Such a Directive should include a right to training during working hours funded by employers, enabling up-skilling and re-skilling. This would be facilitated in cooperation with companies, local authorities, trade unions and education professionals, whereby a focus on accessibility and inclusivity will be key. As part of this Directive, we must further secure the professional future of all European workers by providing them with a reliable safety net. Hence, while the first priority should remain to facilitate workers to shift from declining industries to new or transforming industries, we also need to create a new funding stream to **support short-time work schemes**, fund allowances while **workers are reskilled or upskilled**, and finance **the income of workers who temporarily suffer job losses** in the context of the profound transformation of our industry. This Directive also presents an opportunity to **strengthen the role of workers in business governance**, by requiring the inclusion of worker representatives on company boards and in strategic decision-making processes. It could also incentivise the establishment of cooperatives in case of business rescue, to better align the economic interest of workers and shareholders.

B

Social conditionalities of financial public support to businesses at national and EU levels (in particular under the European Competitiveness Fund), including a claw-back mechanism in case of non-compliance. **Public funding should always serve the public good.** The Commission should, together with social partners, define a harmonised set of minimum social conditions across all Member States, that will truly benefit workers when granting public funds. This could be achieved by ensuring collective bargaining provisions, guaranteeing decent wages and decent working conditions, protecting workers' health, exploring working time reduction, and productivity changes to reduce inequalities. It could also involve creating job guarantees, generating high-quality jobs, investments in skills, guaranteeing no relocation of activities to third countries with lower standards (including for reasons of tax evasion), and ensuring that public money is used for investment, rather than ending up as dividends for shareholders, for instance via a temporary limit or ban of dividends and buyback shares.

C EU social schemes for EU manufactured green technologies and products at the core of the European Competitiveness Fund: From housing renovation, to heat pumps, to electric vehicles, most European households cannot afford the upfront investment required, because their savings and disposable incomes are simply not sufficient. That's why the Clean Industrial Deal must include EU social schemes to support the **market uptake of EU manufactured key green technologies and products, prioritising most vulnerable households**. This could include, for instance, a social leasing scheme for small EVs, and dedicated schemes/funding for building renovation, purchase of heat pumps or solar energy devices. The introduction of EU social schemes should go hand in hand with the elimination of irrational exemptions for wealthy people that have been included in climate legislation, such as private jets and luxury cars, and be well-articulated with **a reinforced Social Climate Fund**.

D Expansion of the Just Transition Fund: Regions that currently depend on fossil industries need sufficient support to transition away from these activities towards future oriented, high quality jobs. The budget of the Just Transition Fund should be increased, and its scope broadened to cover sectors like agriculture and tourism that are highly affected by climate change and need to transition, and to polluting chemicals facilities. Moreover, the Fund should complement existing financial instruments more effectively.



2. Unleash investments into sustainable development

Given the current challenges of the EU industrial sector, the Clean Industrial Deal will only succeed with additional investments. For the industrial decarbonisation alone (not considering Europe's zero-pollution, biodiversity and circularity objectives), the Draghi report puts the need at 450 billion euros a year until 2030 on top of current investment levels, the European Commission at around 660 billion euros a year from 2031 to 2050. Europe needs to ramp up cross border public investments to restore the level playing field within the EU and foster the single market while leveraging private investments. The Clean Industrial Deal needs to unleash investments by:

A **Joint borrowing in a European Green Competitiveness Fund:** we ask the Commission to set up a new joint borrowing scheme to finance the Clean Industrial Deal. This money should not be invested through national programmes like the Recovery and Resilience Fund, but top up existing and new European support instruments like IPCEIs, the CEF, the next Framework Programme (FP10) and the Innovation Fund, including EU Carbon Contracts for Differences (CCfD). This would provide a uniform framework and facilitate access to EU finance for companies. These investments should be coming together and in addition to national investments or other European funds, like the European Regional Development Fund and Just Transition Fund, providing for a better regional balance of industrial spending, and be subject to environmental and social conditionalities.

B **Developing Green State Aid Rules:** this would comprise of a reformed State Aid Framework to foster the transition to a net-zero economy. It should provide room for targeted investments in the scope of strategic technologies (see Section 4 point A) and in the transition of industrial sectors towards reduced resource use and material footprint, toxic-free material cycles and zero-pollution, circularity, nature preservation, energy efficiency, fossil-fuel phase out and use of renewable energy and related infrastructure. It must require **environmental and social conditionalities**, including proof that the project or measures contribute to the achievement of the EU climate targets, and must be **complementary to the European Green Competitiveness Fund**. This is important because most national budgets are constrained and, just as importantly, a purely national approach will lead to fragmentation, inefficiency and will favour Member States with the deepest pockets. Furthermore, the Stability and Growth Pact must facilitate public support for the transition to a net-zero economy.

C **End all fossil fuel subsidies and other harmful environmental subsidies:** Member States' fossil energy subsidies (excluding other fossil sectors) amounted to 123 billion euros in 2022. Our taxation and subsidy system has to accelerate instead of jeopardise the decarbonisation and depollution of industry by phasing out both direct and indirect fossil fuel subsidies. We call for **a dedicated framework** with a deadline and milestones in the context of the Clean Industrial Deal, and national plans to ensure funds freed-up this way are reinvested in the just transition, such as collective renovations, public transport or social car leasing schemes for low income households through the Social Climate Fund. Such a dedicated framework could be integrated in the European Semester and enforced through Country-Specific Recommendations. Moreover, the Member States need to agree on the revision of the **Energy Taxation Directive. Minimum tax rates for fossil energy products need to be updated** to incentivise the consumption of

energy efficient and renewable based energy sources. While the bulk of Europe's fossil fuel subsidies come from Member States' budgets, the EU also still supports fossil fuels. The next Multiannual Financial Framework should be free from both direct and indirect (or hidden) fossil fuel subsidies. EU support for hydrogen infrastructure and CO2 management must be restricted and tied to stringent and verifiable criteria. This will prevent the risk of perpetuating our fossil fuel dependence. Finally, the commitment in the 8th Environmental Action Programme to phase out harmful environmental subsidies should be fully implemented.

D Expanding the size of the Innovation Fund: 10% of ETS revenues are invested through the Innovation Fund. This is excessively limited and does not allow for scaling up innovative solutions to commercial breakthroughs. We need to urgently enlarge the budget of the Fund, in particular for its **Clean tech Manufacturing compartment**. We should also introduce new funding instruments if needed, like EU CCfDs for **Green Steel on the model of the Hydrogen Bank**. In addition, Member States should be further incentivised to use "auction-as-a-service" schemes to fund additional projects with national ETS revenues.

E Boosting the uptake of financial instruments: Public funding remains under-utilised, while being crucial to massively mobilise and de-risk private investments in the context of the successor of InvestEU, as each euro from the EU budget in guarantee leads to 12 to 14 euros mobilised. For instance, the Innovation Fund is not well-suited to support all types of companies. Notably, due to the requested financial guarantees imposing conditions too stringent for newcomers like start-ups and scale-ups, it is also essential that other financial instruments are offered, such as the latest EIB pledge to provide 500 m€ in **counter-guarantees for clean tech companies** which strive to build tomorrow's industries.

F Reforming and bolstering the IPCEI process: the IPCEI process is too lengthy and cumbersome. The Commission should streamline the process and properly staff the units dealing with the IPCEI reviews. With additional finance and increased commitment from the Member States, IPCEIs should be a crucial instrument to facilitate industrial development at a scale that can compete with the US and China in strategic sectors and technologies. By broadening the logic of intervention of IPCEI beyond the only state aid dimension and opening the door to EU financial contribution, **this will support territorial cohesion and fiscal justice between Member States**.

G Redirecting private capital is crucial to making the Clean Industrial Deal a reality: Today, banks, insurers, and asset managers still channel billions into harmful activities that damage our planet and communities. To change this, private investment must reflect the true costs of environmental and social harm. Prudential regulations should integrate these risks. Additionally, the sustainable finance agenda must go beyond disclosure and include binding behavioural requirements. In the same vein, the green taxonomy should be complemented by a brown taxonomy to empower retail investors to use their savings for activities that truly align with a sustainable and fair future. This also necessitates that retail financial markets are adequately regulated to avoid conflicts of interest and address information asymmetry.

H Green banking: Monetary policy could also play a pivotal role. By implementing green targeted long-term refinancing operations (TLTRO), the ECB could incentivise banks to finance projects in line with the taxonomy objectives, proving that sustainability contributes to price stability.

3. Make the energy transition affordable for industry

Accelerating the energy transition is essential for industry to achieve the twin goals of sustainability and competitiveness: decarbonising production by increasing energy efficiency and renewables to become more sustainable, and lowering production costs thanks to affordable energy prices allowing industry to become more competitive. **Renewables integration, grids, energy efficiency are the three focus points to ensure a stronger internal energy market and the long-term competitiveness of the EU economy.** That is the reason why we ask for the Clean Industrial Deal to focus on:

A Prioritising the most energy efficient and renewable decarbonisation options for industrial processes, particularly renewable electrification: Industry is a large consumer of fossil fuels. For most industrial processes, there are already cost-effective renewable energy options, notably renewable electrification and direct use of renewable energy, such as solar thermal and geothermal heat. These need to be supported by:

a) Ensuring that Member states implement RED and its sectoral sub-targets ambitiously and on time, with supplementary Commission guidance as needed.

b) Setting up further measures to strengthen the integration of renewables, such as **supporting the uptake of renewable Power Purchase Agreements, expanding energy sharing, and promoting energy communities involving local businesses.**

c) Prioritising renewable electrification through funding and through taxation. Investments in industrial electrification from renewables should be prioritised over other decarbonisation options, including under the new Competitiveness Fund, in the existing funds, and in the financial tools of the European Investment Bank.

B Supporting energy efficiency and optimised processes: the cleanest and cheapest energy for industry is the energy that is not used. The economic potential for reducing final energy consumption in the industrial sector by 2030, compared to a business-as-usual scenario, is estimated at 23.5%. Hence, we must:

a) Focus on energy efficiency investments, especially supporting light industry and SMEs with targeted actions, as over 70% of short-term industrial energy efficiency savings are found there. With a focus onto light industry in areas like food processing, textiles, consumer goods, vehicles and machinery, the EU can achieve substantial reductions in energy consumption and emissions. This would support both industrial competitiveness and environmental goals, by bringing energy bills down while reducing the pressure on energy prices for everyone.

b) Promote reuse of unavoidable heat, and even mandate it in new and upgraded industrial installations.

c) Subsidise targeted energy efficiency advisor programs for SMEs and light industry, and proposing the support when implementing better energy management practices.

d) Promote the development of a sustainable data centre industry.

C Fair electricity tariffs design for both industries and households: The challenge lies in striking a balance between exposing all consumers – households and industries alike – to sufficient price signals to encourage efficient, flexible energy use and the integration of renewables, while simultaneously shielding vulnerable households and targeted companies (including SMEs) from price surges and inequitable network cost burdens over time. Spikes in energy prices are exacerbated by speculation on financial markets, and this should be addressed by amending the Markets in Financial Instruments Directive, as called for by the Draghi report.

D European Renewables Grids Act: to avoid hampering decarbonisation investments, the faster deployment of renewables and electrification needs to coincide with grid smartening and upgrades, including cross-border connections, flexibility and storage solutions. It is essential to speed up an efficient and integrated development of networks across Europe - both in transmission and distribution levels. A European Renewables Grids Act should therefore:

a) **Unlock flexibility in industry.** Incentivise demand-side response through remuneration. A **new EU framework on grid charges** should enable more flexible consumption and value locational choices. It should ensure that appropriate market price signals are developed and incentivise investments in flexibility, through robust de-risking instruments. Companies investing in 'smart electrification', thereby lowering the overall grid costs, should be supported through lower tariffs or funding. For this reason, **the Commission should present the Flexibility Strategy** announced in the Electricity Market Directive in a timely manner, by the end of 2025 at the latest.

b) **Ensure timely distribution grid planning and faster grid connections for decarbonisation:** Electrification needs and their evolution should be properly evaluated in advance to planning at distribution level, while also looking at how to enable anticipatory investment. We should ensure the right to connect by establishing a maximum timeframe to connect industrial sites seeking a distribution network expansion. In this regard, mature decarbonised projects must be prioritised. Dynamic and efficient management of grid connection queues and requests must be ensured, and adequate flexible connection agreements must be offered.

E **Transparent planning of green energy infrastructure:** the development and evolution of energy infrastructure, especially at transmission level, should be assessed at the scale of the EU or regional scale rather than on individual project proposals by national TSOs. **A dedicated European authority for infrastructure planning** should be in charge of the planning process, and in particular the Ten Years Network Development Plans (TYNDP). It should take a holistic view on the energy system in the transition to a 100% renewables-based system, fully factoring in energy efficiency, cost efficiency and demand-side solutions that do not require infrastructure expansion, allowing for the most efficient decarbonisation pathways for industrial consumers. It should take on permitting of cross-border grid connections, mediate and, in exceptional cases, take binding decisions on strategic projects. This would contribute to further transparency and independence in planning infrastructure.

4. Strengthen European integration and cohesion

A **Adopt a strategic focus:** the key to successfully transforming our industrial fabric lies in deploying our energy and resources in the most efficient and sustainable way. Given resource constraints inherent to Europe's territory, the Clean Industrial Deal must strategically concentrate our collective efforts on a **scope of sectors and technologies** that are **widely consensual**, that are **essential** for the transition in the decade to come and that are of highest importance for our economic, social and geopolitical security. In particular, it should **primarily focus on development and manufacturing** of the following technologies and related key components: **solar, wind, ocean, energy efficiency technologies, energy storage, heat pumps, electrolysers, and electricity grid equipment**. It should equally cover **decarbonisation of involved basic materials** (in particular steel and cement).

B **Develop sectorial roadmaps fitting the strategic focus, with the buy-in of businesses and trade unions:** There are too many platforms, bodies and fora dealing with transformation of existing and emergence of new industries, of diverse nature, importance, and purpose, while gaps also remain. The Clean Industrial Deal must lead to a rationalisation of this landscape, and develop sector specific roadmaps for the strategic sectors and technologies identified. It should lead to a robust **quantification of the needs of main resources for our continent, and be based on common guiding principles**, including resource and energy efficiency and sufficiency first principles.

C **Set up a dedicated governance Body:** To **orchestrate and implement on the ground those sectorial roadmaps**, the Clean Industrial Deal requires a dedicated body for an integrated and multi-stakeholders governance **dealing simultaneously with climate, energy, environmental, trade, financial, resources and the social dimension at EU level**, and enable the **coordination of the relevant instruments**. This Body should be under the leadership of a high-level team at European level politically backed by the three relevant EVPs within the College. Its mandate should be to ensure the emergence and transformation of industrial activities in line with the corresponding sectorial roadmaps, with a clear mandate to mediate between Member States, and ensuring **territorial cohesion** across the Union by notably taking due care of spill-over effects **as well as social cohesion**.

Sectorial roadmaps serving as lighthouse

Purpose:

These roadmaps should become the cornerstone for the effective **quantification, planning and implementation** of the necessary actions along the **full supply chain of the strategic sectors and technologies across the Union**, starting from critical and strategic raw materials, to the **manufacturing** of products and key components, and including the **decarbonisation** of the related basic materials.

They should become the lighthouse for **all relevant tools and policies**, such as regulatory requirements, funding, trade, infrastructure development, research & innovation, demand-side and just transition policies.

They should also provide the currently missing **long-term horizon to economic and social actors**, make effective planning possible, and provide individualised support for the rise, transformation or decline of the respective sectors.

Methodology:

Their legitimacy, credibility and stability must be above all doubt. Hence, they must be **science and evidence-based, and protected from the risk of capture from political and vested interests**.

They must be developed in a **transparent and inclusive manner, in close cooperation with businesses, trade unions, civil society and academia**. In particular, businesses and trade unions must be fully involved in all stages, in its development, implementation as well as its monitoring, to secure their strong buy-in.

Guiding principles:

While we should learn from solutions that have proved to be effective in one sector, there is no silver bullet that will work anywhere. Hence, **we should follow a tailor-made approach, but following common guiding principles:**

1. Resources, material and energy efficiency and sufficiency first principles;
2. Cost efficiency;
3. Employment potential and corresponding necessary skills on a long term basis;
4. Resilience through circularity and diversification of supply;
5. LCA-based environmental footprint limitation and phasing out of polluting chemicals.

Articulation:

They must be in line with the assessed **National Energy and Climate Plans** for the projected deployment of each strategic technology in the Union. As an example, the quantification of necessary manufacturing capacity for wind turbines and related components should be linked to the aggregated deployment of wind energy across the Union according to the 27 NECPs.

They should be articulated with the governance **framework for sustainable resource use** (section 6 point A).

They should **build upon the adopted Green Deal legislation**, which provides a clear direction of travel to the industry. The pathway for reduction of CO₂ quotas, including the free ones, enshrined in the ETS, provides a clear signal to the ETS industries that they need to rapidly and drastically reduce their emissions. To maintain investment predictability and in order not to deter the necessary emission reductions, any future framework to enhance removals of CO₂ from the air should be set separately from the ETS.

Scope:

These roadmaps should essentially cover each of the **strategic technologies** (and related key components) mentioned above, namely: solar, wind, ocean, energy efficiency technologies, energy storage, heat pumps, electrolysers, and electricity grid equipment. They should also cover key components, as well as **main basic and critical raw materials** involved in those technologies.

They should set the course for reduced resource use (including water, land, and raw materials) and material footprint, toxic-free material cycles, zero-pollution, circularity, and nature preservation.

They should enable the **full decarbonisation of related energy-intensive industries**. In this context, specific attention must be paid to the role of **hydrogen and Carbon Capture and Storage (CCS)** which must be dedicated to applications with the highest environmental and societal benefits, to avoid the risk of oversizing their roles and wasting natural and public resources on very capital-intensive and infrastructure-driven technologies. As an example, renewable hydrogen production should be devoted to applications where electrification is not an option in the near future, in particular maritime and aviation.

In this regard, the EU should develop a **sound methodology for the estimation of “unavoidable and residual emissions”, factoring in the cost of avoiding emissions**, and considering first material efficiency, substitution, circularity, and renewable energy based electrification. Support to CO₂ capture should be conditional on the fulfilment of stringent environmental, safety, efficiency and permanence criteria. In line with the recommendations of the European Advisory Board on Climate Change, industrial CO₂ capture technologies should be only for residual emissions.



5. Stimulate demand for non-toxic and circular products

To further provide certainty to European businesses shifting their manufacturing processes to green products and materials and to European consumers, the Clean Industrial Deal must foster lead markets for European green and toxic-free materials, products and technologies. For this, we ask to:

A Accelerate the development of green performance standards and minimum requirements: Ecodesign for Sustainable Product Regulation and Construction Products Regulation entered into force recently, and now the Commission must dedicate enough resources within DG GROW, ENER and ENVI to avoid delays and ensure proposals that meet the required ambition level in the corresponding secondary legislation for standards and products requirements (e.g. durability, reparability, free of substances of concern, recycled content requirements based on mechanical recycling, embodied carbon requirements) for major material and product streams. Indeed, the EU needs to speed it up, for those standards and requirements to be further used in public procurement and eventually serve in pulling the market.

B Act without delay specifically for steel and cement: Creating lead markets for EU green steel and low-carbon cement must be chronologically prioritised, for instance within the **Industrial Decarbonisation Accelerator act (IDAA)**. Indeed, steel and cement are basic materials essential across the entire economy, together representing around 10% of EU's GHG emissions, and are manufactured in almost every EU Member State. The IDAA should support the market uptake of green basic materials, **for instance by imposing quotas of green steel and cement to large construction and infrastructure projects**. The first step should be for the Commission to promote a science and environmental performance-based approach in the ongoing revision of the standards for cement (under CPR), to facilitate the market uptake of low carbon cements, in particular by allowing for drastic clinker reduction in cement. For steel, the standards concerning "green" steel is expected to be developed as part of the priority products under ESPR. It would be essential that ambitious standards be developed in this regard, to be swiftly used by market uptake provisions in the IDAA.

C Seize the opportunity of public and private procurement: governments and large companies can and should play a key role in ensuring demand for green products and materials. Public procurement alone amounts to 2 trillion euros every year already, equivalent to about 14% of European GDP. The Commission should therefore:

a) Include in the revision of the public procurement Directives the **mainstreaming of sustainability and resilience criteria as well as setting of clear sustainability targets**. These requirements and targets - reduction of GHG emissions, resources use, pollution, nature protection, local sourcing - should be of a mandatory nature, get more important weighting and be gradually introduced to eventually apply to all goods and services purchased by public authorities. Such an approach would allow, on the one hand, to move away from 'lowest-price criterion only' that does not take into consideration quality features, while also, together with strong social conditionality, close the door to unfair competition based on environmental and social dumping.

Furthermore, the revised public procurement directives can further strengthen our social and economic resilience. Indeed, with simplified administrative procedure and more technical support when procuring, local authorities can become a driving force behind the local economic fabric, by procuring greener and more local goods and services.

b) **Use private procurement as a lever for demand.** In capital-intensive sectors, private companies should support the demand for green products and materials, for instance with a **greening of corporate** fleets for private fleet operators, and be incentivised to use green and circular products and materials.

D Buy European and Sustainable Act: The EU's ambition and legitimate goal to build a domestic manufacturing base for EU green industries and keep its technological leadership are increasingly at odds with the traditional EU's preference for liberalisation of international markets and against industrial policies. **While doubling down on high sustainability requirements,** we also need to set up a **consistent framework on local content requirements or resilience criteria** for strategic sectors essential for the resilience of the EU and its green reindustrialisation. These should be applied across European funding instruments, national state aids and public procurement. This can be done by limiting the amount of parts manufactured in third countries, as in the European Hydrogen Bank, or for the purpose of ensuring resilience in supply chains in public procurement like in NZIA and by dedicating quotas of those procurements to EU-based producers. In addition, to further stimulate the offtake of locally produced green products, **a mandatory labelling** scheme on a limited list of equipment (e.g. heat pumps, solar panels, e-bikes, EVs) should be set up for consumers to quickly see if the product is **"Made in Europe"**.



6. Boost zero-pollution and non-toxic circularity, and reduce resource use

Pollution is one of the three key elements of the triple planetary crisis. The “Clean Industrial Deal” needs to include effective action to significantly reduce the various sources of pollution. As the EU has relatively few material resources, in particular critical raw materials, mitigating resource use and maximising circularity is an essential feature for European resilience and meeting industrial demand. Strong circular policies will create a competitive advantage and create more locally embedded industrial jobs. However, the circular material use rate is currently stagnating around 11.5%. To turn this around, we need a bold Circular Economy Act at the core of the Clean Industrial Deal, that will:

- A** **Create a governance framework for sustainable resource use.** This should include legislation for targets on EU and national **material efficiency and the reduction of material and consumption footprints**, including via product lifetime extension and reuse targets. There should be common benchmarks and national and sectoral plans, building on the Critical Raw Materials Act, and be well-articulated with Ecodesign for Sustainable Product Regulation (ESPR). It must provide long-term clarity for industry and investors and strengthen European strategic autonomy. As part of this governance, **a list of “major consumer goods”**, i.e. most polluting and material and resource-intensive consumer goods, should be drawn up to facilitate effective and meaningful resource-sufficiency, zero-pollution and efficiency measures and strategies, including the phase-out of substances of very high concern from consumer goods and full traceability of substances of concern.

- B** **Facilitate intra-EU trade of critical secondary materials, by harmonising end-of-waste criteria for waste without lowering the level of protection of human health and the environment**, and incentivising the most efficient use of materials, avoiding incineration or land-filling. In addition, explore the possibility to **limit the export of waste containing CRMs to third countries**, in a WTO-compatible manner.

- C** **Improve EU chemicals legislation REACH to ensure that it effectively protects human health and the environment from substances of very high concern.** Include registration/notification requirements for polymers, ensure adequate information requirements on the properties and the use of chemicals and regulate substances in groups to facilitate risk management measures and avoid regrettable substitution. Fast-track restrictions of substances of very high concern in consumer products, dismiss insufficient applications for authorisation of substances of very high concern and reward the use of safer alternatives. Limit authorisations as well as derogations in the context of restrictions to essential uses, to simplify the tasks for authorities as well as for industry, and to accelerate decision-making.

D Enable the phasing out of all non-essential uses of “forever chemicals” (substances which are persistent, bioaccumulative and toxic, or very persistent and very bioaccumulative). Essential uses should only be allowed for a limited period of time, subject to a periodic assessment whether such uses remain essential, in particular where no safer alternatives have become available. All essential uses would be subject to strict emission controls to minimize emissions and losses to the environment. Enabling this phasing out notably requires R&D to develop substitution, and public support to anticipate and mitigate the social and industrial impacts.

E Promote a sufficiency-first principle with sufficiency measures and strategies, targeting individual products, for example via policies that will reduce the average weight and resource intensity of major consumer goods (such as electric vehicles), as well as collective and structural sufficiency measures. This would be achieved, for instance, via the adoption of a modal shift towards public transit, shared and active mobility. As the energy or materials we do not consume do not have to be produced, such measures can significantly cut costs for taxpayers, consumers and businesses, reduce emissions and, on average, create additional jobs in services. Particular attention should be paid to distributional impacts on different population groups, in order to ensure that sufficiency goes hand-in-hand with more fairness.

F Change financial incentives to reduce the extraction, production and consumption of resources, retain material values, and reducing waste and pollution. We call on the Commission to make secondary resources more affordable than virgin and fossil-based resources, for instance by harmonising and reducing VAT on mechanically recycled materials, and services aimed at resource reduction (such as repair and reuse, shared mobility).



7. Promote a fair and green trade policy

The international race for clean technologies is in full swing, putting the EU's manufacturing base under extreme pressure. After Trump's victory in the US, the **trade wars** that will unfold, and due to China's **export of overcapacities**, the international trade environment is set for even more instability. The CID will therefore only be viable if, on the one hand, it provides adequate protection from unfair trading practices and, on the other hand, it fully integrates EU's environmental and social objectives into trade tools. In the present context, the EU has to portray itself as the protector of the rules-based international order; however, some international rules are becoming unfit for adequately regulating key challenges. This will require the EU to more clearly establish what its **Union interest** is when identifying strategic sectors, **fully in line with and in support of the objectives of the CID**, and to legitimately defend such interest. Additionally, preserving high regulatory standards and ensuring that imported industrial goods are compliant is necessary to strengthen the objectives of the CID. The drive to regulatory simplification must not lead to de-regulation and to any back-track on key EU Green Deal legislation. It is important to assure compliance of goods placed onto the EU market, hence the urgency to conclude the reform of the Union Customs Code. Finally, we have to rethink the modalities of engagement with trade partners, especially developing and resource-rich countries, so that they take advantage of the opportunities of the CID and are not negatively impacted by it. The Commission should therefore:

A **Ensure a level playing field with third country manufacturers:** Europe needs to assertively react to and counter state-subsidised export strategies and illegal trade practices. The EU should use its trade defence tools to their full extent, including using safeguards, launching more anti-dumping and anti-subsidy investigations in relevant sectors and more systematically and effectively include social and environmental dumping in the calculation of duties. **Trade defence instruments** could be further strengthened by, for instance, shortening investigation periods, systematically levying provisional anti-dumping or countervailing duties, and generalising the ex-officio launch of investigations in order to speed up the launch of procedures, notably in CID-relevant sectors. The EU has always followed a more generous approach compared to what is allowed by WTO rules on trade defence, compared to other trade partners in similar cases: the gravity of the present context does not allow for such unilateral flexibilities any longer. Additionally, an ambitious and efficient enforcement of the **Foreign Subsidy Regulation** – covering M&A, greenfield investment and public procurement in case of foreign-subsidised investors and bidders – will be key. In addition to existing instruments, we should consider a **specific overcapacity mechanism** to ensure fair market conditions to investors in European decarbonisation. Additionally, the EU should immediately step up action against unfair practices from online platforms that do have to abide by the rules that many SMEs in Europe do. In this regard, the customs duty relief threshold, which negatively impacts the EU's textile industry, should be removed.



Support and protection for EU's strategic sectors: given the CID's strong focus on investment, the CID must go hand in hand with a more strategic management of **foreign investments**. Foreign investors are starting to play a very prominent role in the production and deployment of critical clean tech in the EU: the case of batteries is the most blatant example of a sector where the EU has the political will to set up its own industry, but the challenges are enormous. The EU already has some tools at its disposal, but new ones will be necessary:

a) **The review of the Foreign Investment Screening Regulation:** this Regulation allows for the screening of FDI and for blocking or reviewing investment conditions for reasons of security and public order. The Regulation is currently being reviewed and will be a first important test-case for consistency between the CID and relevant trade and investment tools. IPCEIs are also covered by the scope of the screening Regulation: therefore, in cases where foreign investors bid for acquisitions of IPCEI-relevant assets, these should systematically be considered as relevant for EU security. Hence, screening should be mandatory, foreign participation could be forbidden and the Commission should have the last word in screening decisions. In sectors that are considered strategic, acquisitions by EU's public entities should be considered among the options that are necessary to preserve EU's economic security. Furthermore, the review of the screening Regulation is an opportunity for the EU to define what the union interest is, which is a typical area of tension with the MS, given the sensitivity of national security and the reluctance to expand EU's prerogatives. This is a necessary condition for the EU to set up a credible and strategic industrial policy.

b) **Regulating access to the EU market through FDIs:** Nowadays, we are witnessing a race among Member States to set conditions for the establishment of foreign investors in green tech sectors, notably originating from China, bilaterally with the PRC State-owned enterprises or PRC authorities. We can expect such a trend to continue in the future, since establishing a branch in the EU could also be a way to circumvent trade defence measures or other export restrictions or controls. Moreover, given the tech leadership of China and other Asian countries, in green tech, those investments may, to a certain degree, be desirable from an industrial policy perspective, while addressing security concerns in parallel remains necessary. Without regulating access for FDI at EU level, MS will continue to manage this extremely important industrial policy tool in an uncoordinated manner and without addressing related risks (i.e. Hungary received 47% of all Chinese EV-related FDI in the EU in 2023). More and more experts (including Draghi) are calling on the EU to harmonise joint-venture requirements, tech transfers or even local content requirements. The traditional EU's approach to FDI in manufacturing has been full liberalisation, in line with the principle of free flow of capital: this general principle should not be undermined, but failure to address the allowance of access for foreign investors into key sectors has become a thing of the past. This is why the EU should develop disciplines for the establishment of foreign investors in strategic sectors by setting up market access conditions applicable in the whole EU, and explore the possibility of broadening the mandate of the **EIB to counter potential aggressive take-overs from third countries** in strategic assets.

C

Align financial tools with the CID: Financial tools and public financial resources are to play a central role in the CID and the interplay between those tools and FDI will become of absolute relevance. Conditionalities for financing should also include criteria such as **reducing excessive dependencies, security of supplies, whether the exporter or foreign entity entitled to participate in financing programmes receives distortive subsidies from the government of the country of origin.** They should also check whether there are incompatibility issues with, for instance, the **Forced Labour regulation or CSDDD**, and all other relevant EU legislation. The EU, however, should also consider to **condition finance on market access requirements**, for instance in exchange of technology transfers: this option is already immediately available and deployable and would apply to all relevant projects in the MS.

D

A second dimension of the finance issue concerns **export credits**, a traditional instrument available to Member States to support the export activities of firms. Export finance should only support projects that are contributing to reaching the goals of the CID, including the climate targets, with a view to also fully complying with a **phase out of fossil fuel subsidies.**

E

Strengthen CBAM by expanding its scope: CBAM is one of the most important tools regulating access into the EU market based on the carbon content and footprint of products. We advocate for the strengthening of policies based on products and production methods (PPMs). Therefore CBAM should be strengthened. Declared emissions of the imported products should be correct: CBAM price adjustments should be made only for goods coming from countries with an ETS-like mechanism in place. The CBAM scope should be expanded to both additional sectors (in particular to chemicals and plastics) in line with the agreed provisions, and to the downstream part of current CBAM sectors and products, **including, for instance, the automotive sector.** Additionally, CBAM should provide for incentives to third countries to set up their domestic emission trading schemes with a view to curbing CO₂ emissions and stepping up their ambition under the Paris Agreement, while striving for the exemption or adequate support for Least-Developed Countries.

F

The EU should **develop truly win-win partnerships with trade partners**, notably developing countries, by building coalitions to reduce dependencies, while avoiding to fuel a new race for extractivism. The EU should offer more added-value processing, finance and transfer of technologies to trade partners. EU's conclusion of agreements or partnerships with third countries should be mutually beneficial, also with regard to the industrial and energy transition of the trade partner, including when it comes to hydrogen. Human rights, climate and environmental protection should remain founding principles of those partnerships. With regard to **critical raw materials** and hydrogen specifically, the decision to launch negotiations towards a Clean Trade and Investment Partnership, subsequent roadmaps, potential strategic projects and related investments should be made conditional upon the thorough and to-be-made-public evaluation of EU needs and own resources per material, per sector, per use and with which impact (see section 4 point B). The principle of the Free, Prior and Informed Consent should be respected. Full transparency and involvement of the Parliament and adequate involvement of civil society should be ensured.



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