The Clean Industrial Deal must deliver a bold strategy to reinforce Europe's Global Leadership in Cleantech and build a Competitive Net Zero Economy

Wednesday February 5th, 2025.

Dear President of the European Commission, Ms. Ursula von der Leyen,
Dear Executive Vice-President for a Clean, Just and Competitive Transition, Ms. Teresa Ribera,
Dear Executive Vice-President for Prosperity and Industrial Strategy, Mr. Stéphane Séjourné,
Dear Commissioner for Energy and Housing, Mr. Dan Jørgensen,
Dear Commissioner for Climate, Net Zero and Clean Growth, Mr. Wopke Hoekstra,
Dear Commissioner for Startups, Research and Innovation, Ms. Ekaterina Zaharieva,
Dear Commissioner for Financial Services and the Savings and Investments Union, Ms. Maria Luís Albuquerque,
Dear President of the European Parliament, Ms. Roberta Metsola, and Members of Parliament,

Over 15 years, Europe has become a global leader in climate innovation, investing billions of euros in developing the breakthrough technologies needed to build a net zero economy. However, as highlighted in the EU Competitiveness Compass presented last week, Europe's "route from discovery and patenting to market is littered with barriers." The Compass incorporates Mario Draghi's assessment that **decarbonisation is an opportunity for European prosperity, and identifies lower energy prices and boosting our lead in clean technologies as a "transformational imperative" to strengthen competitiveness.** However, both documents warn that the European supply of clean industry is not enough to meet its decarbonisation targets, and that an overdependence on imports of cleantech manufactured abroad risks leaving Europe unable to grasp these opportunities. Ambition is only as good as the action which follows. **This is why we, a group of 16 think tanks, civil society organisations, research and industry associations, ask that the new Clean Industrial Deal provides the action plan for the "Joint Decarbonisation and Competitiveness Roadmap" outlined in the Compass.**

Europe is already home to pioneering companies like green steelmaker Stegra (Sweden), electrolyser manufacturer Sunfire (Germany), battery gigafactory developer Verkor (France), EV charger producer Alpitronic (Italy) and bioenergy with carbon capture and storage (BECCS) provider Stockholm Exergi (Sweden). These firms showcase Europe's ability to lead in clean industry, and yet Europe still struggles to scale and industrialise critical clean technologies. **Facing unclear demand signals and a fragmented European market, the business case for innovative and decarbonised products remains too weak and volatile.** Large industries, which should be driving the adoption of clean technologies, are themselves struggling in a competitiveness crisis, and are often unable to unlock the necessary clean investments. The result is a systemic shortage of private growth capital for cleantech, a gap that constrained national public budgets cannot bridge.

The Clean Industrial Deal needs to address this uncertain market context, by learning from past underperformance and the successes of competitors. The US and China have aligned industrial, trade and finance policies to build world-leading clean companies and attract or mandate unprecedented levels of investments. In Europe, for cleantech manufacturing there have been a patchwork of policies and the business case for decarbonisation remains in need to be strengthened. EU public finance is not yet targeted or designed to meet the needs of the market, and the Clean Industrial Deal must improve upon the Green Deal Industrial Plan to be effective.

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To secure leadership in the clean industries of the future, while upgrading Europe's industrial base and meeting its climate and energy security targets, the Compass calls for an urgent change in gear. In doing so, **the Clean Industrial Deal must incentivize industries to integrate cleantech into their processes and shift to a decarbonised, circular and innovative business model**. This should be a clear condition for receiving any public funding, ensuring that industries adopting cleantech are supported, while those failing to meet sustainability goals and emissions reduction are incentivized to accelerate their transition.

We, the undersigned, as **think tanks, civil society organisations, research and industry associations, urge the Commission to deliver a Clean Industrial Deal built upon three pillars**:

1. Access to **clean, abundant, affordable and resilient domestic energy and its delivery infrastructure**, which are essential for the growth of a sustainable industrial base.
2. **A European Cleantech and Industrial Strategy that delivers sectoral decarbonisation and competitiveness**, fostering a vibrant European market for clean technologies, their production and their value chains.
3. **Unlocking private investment through a Cleantech Investment Plan with clear financial incentives and de-risking mechanisms** to create robust, sizable markets that can drive the wide adoption of clean technologies in Europe and beyond.

The following **recommendations** describe how we think that the Clean Industrial Deal can build upon these three pillars to reinforce Europe's global leadership in cleantech and build a competitive net zero economy:

1. Clean, Abundant, Affordable and Resilient Domestic Energy for European Industry

*To drive Europe's energy transition forward in the middle of geopolitical headwinds and economic challenges, with rising industrial energy prices, it is essential to prioritize energy independence through innovation. By accelerating investments in renewable energy, infrastructure, energy efficiency and innovative cleantech scale-up, the **Clean Industrial Deal can reduce reliance on imported fuels while ensuring a consistent and cost-effective clean energy supply for its industries**. Establishing resilient, sustainable energy systems will not only protect against external pressures but also position Europe as a global leader in clean industrial development.*

- **Prioritizing Investments in Renewable Energy Sources and Infrastructure**: The **Action Plan for Affordable Energy Prices** should increase EU investments in renewable energy infrastructure to triple its capacity by 2030. Permitting processes have to be streamlined with distributed energy generation, including rooftop PV, energy communities, energy sharing, and self-consumption promoted. Europe should also boost the development and deployment of **Innovative Renewables,** such as advanced geothermal, airborne wind energy, ocean energy and concentrated solar power, in line with the 5% target set under the REDIII by 2030.

The **EU Grids Action Plan** should ensure timely grid expansion, connection and modernisation both at transmission and distribution level, accommodating increased renewable energy capacity and the future needs of electrified industries, while preventing project delays. The Clean Industrial Deal should mandate bidirectional capability for all electric vehicles to enable them to provide flexibility services (feed into the grid) at scale and interoperably, while creating financial incentives for drivers. Bidirectional charging can provide almost 10% of the total EU electricity supply in 2040, saving over €25 bn in system costs. A proposed **Energy Storage Strategy** must prioritise renewable and clean solutions over fossil fuels, by lowering the carbon cap for capacity markets EU-wide, aiming for net-zero by 2040. It also needs to support innovative energy storage demonstration projects, and focus on **targeted support for clean-firmed PPAs for energy-intensive industries**, which address dual goals of tackling industrial energy prices while ensuring investment in renewables and clean flexibility technologies.

- **Boost Industrial Electrification with European Cleantech Solutions**: The **Electrification Action Plan** should set indicative deployment targets for industrial electrification technologies, along with phase-out dates for fossil gas in low-medium and high temperature heat applications. This Plan must integrate industrial direct electrification into grid expansion and modernisation, ensuring the necessary infrastructure for its widespread adoption. **Public investment must prioritize the deployment of Energy Storage Systems, and encourage collaboration** through public-private partnerships to scale innovative electrification solutions. Electrification, combined with energy storage, enables European industrial players to actively participate in the electricity market by offering electricity system services. This creates new revenue opportunities while supporting the decarbonisation and electrification of industrial processes.

- **Make Energy Prices more Affordable for Industry through more Demand Side Solutions focused on Energy Efficiency**: The findings of mandatory energy audits (under the **Energy Efficiency Directive**) must be used to address industrial energy inefficiencies. Adequate funding streams must be made available to upgrade inefficient processes and retrofit plants, helping better manage energy consumption patterns, and to invest to reward and increase flexibility in all industrial sectors. In particular, **energy intensive industries can also be encouraged to generate their own renewable energy and use it directly or integrate energy storage as back-up onsite.**

- **Leveraging the Opportunities of the Data Act**: Data and proficiency in exploiting it are crucial to competitiveness, including in the cleantech sector. The Data Act has provided momentum by creating a legal basis - and therefore familiarity - for data sharing. The Clean Industrial Deal should help further drive the EU's 'Digital Agenda', while the Data Union Strategy and the strategic roadmap for digitalisation and AI in the energy sector, when they come, must reciprocally deliver for cleantech. In particular, they should clarify that incentives to share data, if provided from a public budget, are allowable state aid.

2. A European Cleantech and Industrial Strategy that delivers Sectoral Decarbonisation and Competitiveness

A successful Clean Industrial Deal requires the EU to be proactive*, not reactive, in defining its strategic priorities and aligning policy and financial tools to achieve them. A pro-European industrial strategy needs to be forward looking and not only protect the bloc's interests from external challenges, but harmonise 27 national policies to remove barriers to scaling cleantech solutions, and align and connect the markets of the Union.*

- **Develop Sectoral Action Plans to target the Decarbonisation of Strategic Industries**: The long-term success of the Clean Industrial Deal demands that horizontal market policies be paired with "vertical" action plans, tailored to the needs of strategic sectors. **These plans should be written with market participants and deliver the EU's 2030 and 2040 decarbonisation targets in a timely manner.** They also have to address key risks to industries and consider integration pathways for renewables, heat pumps, energy storage technologies, electric and thermal energy storage, green steel, cement, clean hydrogen, RFNBOs (Renewable Fuels of Non-Biological origin) for shipping and aviation, electric vehicles and carbon capture, removal, and storage. Building on the success of the Wind Power Action Plan, the EU should roll out targeted strategies that include **regulatory support, streamlined permitting, cross-border infrastructure planning, and financing packages**, in collaboration with the European Investment Bank (EIB).

- **Create Lead Markets via Standards and Targets to drive EU-wide Demand of Cleaner Products:** Harmonised standards with uniform definitions of clean technologies and products are needed to boost competitiveness at scale. Labels and certification must be more robust and transparent, and include clear information on product environmental impacts, as mandated by the Ecodesign for Sustainable Products Regulation (ESPR). **The EU should avoid that product policies and standards are biased towards existing, carbon-intensive materials and ensure targeted support for clean products and materials in key industries**, such as cement, steel, transportation and heavy industry. Best practices here include embodied carbon targets, technology-neutral performance-based cement standards in the US (vs. recipe-based EU cement standards), and the UK's floating wind auctions.

- **Mandate Green Public Procurement with strengthened Sustainable and Resilience Criteria:** Lead markets should be supported by innovative public procurement that drives demand for clean technologies and products. Targeted support should be provided in line with sectoral action plans and guidance to Member States, prioritising sustainability and resilience criteria while avoiding an overreliance on non-European manufacturers (see as a best practice the US Federal Buy Clean initiative). By strengthening and mandating sustainability and resilience criteria in the **Public Procurement Directive and future EU funding calls**, and moving away from a price-only approach, the EU can build long-term demand for European clean industries.

These non-price criteria can defend the EU's strategic interests, reduce lifecycle emissions, and improve resource efficiency and social impact. They must also deliver transparency through robust monitoring, enforcement, and reporting.

- **Maintain High Ambition for ETS and CBAM to strengthen the Business Case for Decarbonisation:** The timely phase-out of free allowances under the EU Trading System (ETS) for industry must be coupled with a **watertight implementation** of the Carbon Border Adjustment Mechanism (CBAM). These are the bedrocks that **establish a level-playing field between EU manufacturers and importers** and that will create demand for clean technologies. Commodity industries with European leaders like cement, steel, bulk chemicals and semi-finished products with high carbon content are important test cases to get right.

- **The Industrial Decarbonisation Accelerator Act should aim to Green Europe's Industrial Base as a prerequisite to Prevent Deindustrialisation and the Loss of Critical Know-How:** The Act should focus on limited priorities, mainly regulatory reforms, infrastructure upgrades, and innovation in industrial processes - particularly efficiency of heat and circular value-chains. **Financial support to existing industries should be performance-based and conditioned** on the adoption of the latest European clean technologies. Strategic use of scarce resources, like clean hydrogen and other RFNBOs, and support for emerging markets, such as alternative cement production, paired with the adoption of automation process and AI to augment efficiency and reduce production costs, are key to sustaining Europe's energy-intensive industries. The Act also needs to facilitate abundant, clean, and affordable electricity for energy-intensive manufacturing activities, with coordinated measures linked to the **EU Grids Action Plan** and upcoming energy action plans under the **Clean Industrial Deal**. It can also provide **EU resources to Member States that identify suitable brownfield sites for industrial development and repurposing.**

3. Unlocking Private Investment through a Cleantech Investment Plan

Any successful industrial strategy needs targeted financing. Europe's cleantech investment landscape suffers from fragmentation and insufficient scale, leaving start-ups and SMEs struggling to bridge the "valley of death" and compete internationally. ***Under the Clean Industrial Deal, the EU needs to focus on bringing the continent's private investors to the table****, using public funds efficiently as a "bridge to bankability" for strategic cleantech projects.*

- **Streamline and Boost Public Support from the EU Budget for Cleantech Without Reinventing the Wheel**: The **European Competitiveness Fund** should strengthen and improve existing EU funds that are working well for cleantech investments. This can be done by **increasing budget allocations to strategic cleantech sectors, reducing overlaps and improving coordination between existing funds, and creating a smooth "lab to scale" journey** that facilitates access for smaller firms

while also ensuring continuity in the support. A simplified governance, harmonised application procedures, and coordinated timings for calls, biddings and tenders procedures can improve streamlining of funds for young and innovative cleantech innovators. **EU-level "as-a-service" funding instruments, as demonstrated by the Innovation Fund and the InvestEU Member State compartmen**t, can enable targeted public investment in national cleantech champions, allowing all Member States to contribute while safeguarding the integrity of the Single Market. Because of the cost of electricity, **funding mechanisms should also address the OPEX gap to provide long-term security.**

- **Reform the EU State Aid framework and Create Incentives for Cleantech Investments in National Budgets**: At a time where the US and China are turbocharging battery, solar, EV and electrolyser manufacturing with state aid, the current EU state aid policy is untenable. Until sufficient EU-level funding reduces reliance on national state aid, **a single harmonized and simplified framework is needed to support net-zero technologies and supply chains, as outlined in the NZIA and CRMA**. A revised state aid framework should prioritise simplicity, predictability, transparency, speed, and support for both capital and operational expenditures while ensuring the integrity of the Single Market. It should go beyond the "incentive effect" logic and focus more on production output, favor projects with EU value-added (e.g., local sourcing), and include robust conditionality (DNSH, sustainability, and resilience criteria). **The introduction of a 'green golden rule' in the EU fiscal rules would provide a key incentive to continue and even reinforce national state aid support for clean technologies**. In addition, the **green investment and reform requirements of the national fiscal-structural plans should be reinforced** to ensure that national fiscal policies lead to more green spending and a phase-out of climate-harming subsidies. As Draghi and Letta advise, national state aid for clean tech should gradually be moved to the EU level, following the same criteria as for the national level.

- **Prioritise De-risking Mechanisms to act as a Bridge to Bankability for Cleantech:** Public guarantees are one of the keys to the quick commercial scaling of emerging technologies. **The €5 billion counter-guarantee facility for the wind sector that the EIB announced in 2024 is a great start, and should be expanded to more cleantech sectors** such as batteries, electrolysers and long-duration energy storage systems, carbon capture, removal and storage, solar factories, innovative wind tech, ocean energy, geothermal, electric vehicles, and others where the EU has a technological advantage but is at risk of losing the scale-up race. To support the development of cleantech manufacturing guarantees, **a top-up of InvestEU for cleantech should be prioritised, alongside encouraging Member States to use compartments** that boost in-country cleantech manufacturing.

- **Mobilise Institutional investors, Asset managers and Banks to participate more in Cleantech**: While **equity capital** is important for young companies, in the scale up phase of most cleantech companies **their access to reasonably priced debt at the**

right scale becomes critically important. On both the equity and debt side, the EU is missing the 'crucial middle': sufficiently large pools of equity capital to help companies through their growth journey as well as access to debt and credit markets willing to finance investments perceived as too risky by commercial banks. The EU **Savings and Investments Union** should focus on: 1) promoting strong private debt funds that act as a complement to the banking system, 2) improving the regulatory treatment of long-term equity exposure and non-investment grade debt under Solvency II, 3) encouraging Member States to ensure pension funds do not face regulatory barriers in allocating part of their balance sheet to unlisted or illiquid investments, and 4) broaden the discussion on the role of banks in funding equity investments and investing in investment funds in the context of relaunching the European securitisation market.

- **Leverage ETS Revenues to invest in Net-Zero Industrial Transformation:** The ETS price is expected to reach over €120 by 2030, but 2030 is too late for the EU's cleantech competitiveness. **Frontloading ETS revenues through the Innovation Fund or towards fresh guarantees** would galvanise more private investment more quickly. In addition, Member States must **allocate all ETS revenues to climate action-related measures, prioritising decarbonisation projects with the greatest impact in developing a competitive clean industry**.

- **Stimulating R&I Public and Private investments to lead the development of the Cleantech Solutions for 2040**: The successor to Horizon Europe, FP10, must play a pivotal role in fostering cleantech innovation, in alignment with the EU's competitiveness and industrial strategy priorities. **The recommendation of the Heitor report to increase the budget to €220bn** is appropriate to ensure adequate EU funding for transformative research and innovation. **The share of cleantech projects funded by the European Innovation Council (EIC) must also be increased to align with the mainstream 35% climate earmarking**, reinforcing the EU's commitment to climate innovation. In addition, sufficient support to address non-technical questions such as those related to governance, and societal readiness is also necessary to unlock the technologies.

  In parallel, the EU should actively encourage private industrial companies to scale up their investment in R&I. This can be achieved through **expanded co-financing opportunities and fostering collaboration between academia, startups and industrial players.** Such initiatives could strengthen innovation ecosystems, by linking cutting edge research and real world industrial applications, creating a smooth pathway from lab to market. The priorities of the next Framework must align closely with the competitiveness priorities outlined in the Clean Industrial Deal, ensuring cleantech remains a central focus.

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The **Clean Industrial Deal** is Europe's opportunity to not only safeguard its cleantech future but to lead globally in innovation, resilience, and sustainability. As the EU prepares to launch the project which will define the next five years of its industrial policy and climate action, **we, the undersigned, call on the Commission to consider the above elements of a coordinated industrial strategy that unlocks private investments in industrial decarbonisation and develops a secure, clean energy system.**

Signatories:

Airborne Wind Europe

BELLONA EUROPA

CARBON-FREE EUROPE
A TECHNOLOGY-INCLUSIVE CLIMATE INITIATIVE

Carbon Gap

CLIMATE STRATEGY & PARTNERS

EASE
European Association for Storage of Energy

ecos

EnergyTag

EUREC
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