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POSITION PAPER

# Key demands for a Clean Industrial Deal



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# KEY DEMANDS FOR A CLEAN INDUSTRIAL DEAL

The new Commission must make the decarbonisation of European industry a priority by providing visibility, predictability, simplicity and appropriate risk sharing mechanisms to companies. The Clean Industrial Deal is the only credible strategy to ensure European autonomy, the competitiveness of its industry and the prosperity of its citizens while safeguarding the environment.

Renew firmly believes that embracing the Green Deal in a market driven approach is the only way to enhance our competitiveness and unlock genuine business opportunities. It will also strengthen our resilience against external shocks. The era of cheap imported fossil fuels is over. The end of such imports from Russia following the illegal invasion of Ukraine left our industry with a big competitive disadvantage compared to its worldwide competitors. For example, in 2023, Europe imported 416-billion-euro worth of oil and gas while the United States earned 150 billion dollars from their fossil fuel exports. This represents a differential of 600 billion in one year. Almost the size of the Resilience and Recovery Facility... every year.

The Clean Industrial Deal will be the EU's roadmap to compete and win in the global race towards relocating key green value chains. It should offer a comprehensive enabling and financing framework for implementing the EU's climate targets in a way that makes EU industries and sectors leaders in competitiveness, innovation and sustainability. It should be based on principles of cost effectiveness, technological neutrality and just transition. It should support our commitment to climate neutrality in 2050 and an intermediate 2040 target of 90% by 2040. In the context of fierce global competition, the EU must seize this opportunity to showcase its strengths and added value.

Renew Europe believes that a just transition must be integral to the Clean Industrial Deal, supporting workers and regions. This means developing workforce skills, offering reskilling opportunities, investing in strategic sectors in parts of Europe initially impacted by the green transition, and using public-private partnerships to leverage industry expertise and innovation to create future-ready jobs.

The Renew vision for the Clean Industrial Deal is structured around the following five key pillars:

1. Secure provisioning, affordable and stable clean energy for European industries
2. Support the uptake of clean technology, greener production processes and efficiency measures
3. Provide financing fit for the challenge
4. Foster EU made products and ensure a level playing field to EU companies
5. Simplify to deliver faster without backtracking on our objectives

*NB: This paper sets horizontal principles for the Clean Industrial Deal. The Renew Group also calls for a roll out of sector-specific measures, including short term ones. A position paper specifically focused on the automotive sector will be published in the coming weeks.*

## Secure provisioning, affordable and stable clean energy for European industries

Ensuring affordable energy prices is key for our industrial competitiveness but also for citizens. Without affordable electricity, we cannot ensure our strategic autonomy. It is necessary to build a genuine fossil free Energy Union that reduces the overall costs of the European energy system. Affordable electricity prices require a competitive and diversified energy mix. This will enable industries to reap the benefits of the complementary production profiles of various decarbonised and renewable energy sources. It is of the utmost importance to accelerate electrification to reduce our dependency on imported fossil fuels. In this line, it is essential to accelerate investments in flexibility and storage capacities to manage the intermittency of renewables. Hydrogen, geothermal energy, hydropower, bioenergy as well as nuclear energy – for those countries who opt for it - will provide baseload electricity and help stabilise the energy system. Finally, investing in networks, including interconnections, is crucial to ensure grid stability and lower prices, benefiting all connected regions. We must stop thinking in terms of competition between Member States but rather build a Fossil free Energy Union that strengthens the overall competitiveness of Europe towards competitors, such as China and the US.

- **Build a truly fossil-free Energy Union:** Europe must urgently invest in all decarbonised energy sources, advanced grid infrastructures, interconnectors, flexibility, and storage capacity to definitively phase out fossil fuel. This requires streamlined permitting, clear targets, and funding across all technologies, including through a “European Nuclear Action Plan” for Member States that choose to develop it.

A package-based approach is crucial, one that allows for strengthening synergies between intermittent renewables and dispatchable clean energy sources in order to enhance grid stability, energy security, supply resilience and optimise the EU energy system costs. This package should include an improved long-term grid planning as well as facilitated Projects of Common Interest that will equip the EU with an efficient grid network thereby lowering prices for all. It should be complemented with a study of the energy system costs to demonstrate the benefits of complementary energy sources and further grids interconnection.

- **Accelerate the uptake of Power Purchase Agreements (PPAs) and long-term contracts to hedge industries against volatile high energy prices:** Considering the remaining barriers, we must incentivise PPAs for industry via full implementation of the Electricity Market Design legislation and de-risking of long- and medium-term contracts through facilitation of joint venture between industrial operators and electricity providers, the support from national public financing and the creation of specific financial guarantees from the EIB
- **Unleash the power of flexibilities:** We need to establish a dynamic electricity supply and grid pricing for proactive and adaptable industries. To achieve this we must develop an “EU Strategy on Energy Flexibility” with a focus on demand response and energy storage. Demand-side response should be incentivised, through remuneration for instance, while not penalising industrial players with limited flexibility potential.

We should also introduce a national smart electrification indicator for industry to ensure high level monitoring of electrification trends in the industry. In parallel common standards for smart grids and technologies should be imposed, including state-of-the-art cybersecurity measures.

- **Streamline energy tax policies and levies across Europe** to enhance industrial competitiveness, accelerate electrification, and lower electricity costs for industries and households transitioning to clean energy. This includes concluding the review of the Energy Taxation Directive as well as appropriate fiscal mechanisms that promote the transformation of fossil energy-intensive companies. Member States should adopt smart tax systems that reward industries that decarbonize their processes, alongside incentives like ‘first-mover’ prizes for early adopters of clean technologies.

## Support the uptake of clean technologies, cleaner production processes and efficiency measures

Supporting the uptake of clean technologies and decarbonising our energy is the solution to our competitiveness issues. Thankfully, there are a lot of clean technologies available and ready to deploy. For instance, 80% of industrial heat is still produced with fossil fuels while current technologies could allow us to switch 60% of it to electricity. In parallel, the waste heat from power-only plants and industries exceeds the EU’s total energy demand for heat and hot water in residential and service sectors. A significant part of this excess heat could instead be captured and reused. Additionally, improving energy efficiency and optimizing grid infrastructure can enhance how we collectively use energy, unlock resources, and boost competitiveness. The EU must unleash this potential to accelerate the decarbonisation of its industrial basis while supporting the deployment of clean technologies. Both will go hand in hand.

- **Boost demand for clean products and technologies through Green Lead Markets:** Today, the challenge lies less in producing products with a low environmental footprint and more in successfully promoting them. Demand-side measures are necessary to kick start a market and provide visibility to producers.

An ambitious and timely implementation of the Ecodesign Regulation is needed to develop green standards based on carbon and environmental footprints for key products. In addition, offtake mandates for green and low-carbon products like steel should be introduced in strategic products like vehicles or wind turbines to drive European innovation and enable competition beyond just cost, while taking into account the potential impact on the cost of products. Public procurement will also play a central role in driving a market for those green products.

- **Support the Clean Industrial Heat transition and Waste Heat utilisation:** We must support the uptake of clean technologies such as mechanical steam compressor, e-boilers or heat pump in industrial processes where possible (e.g. textile or pulp production). In parallel, we should ensure that all industrial facilities, including smaller ones, and service providers receive appropriate support (assessment, technical and financial support) to assess their full waste heat potential. This means setting a new market-based instrument to support the transition of the EU heating market by developing a performance-based

incentive for manufacturers of fossil fuel-based heating appliances to transition to clean heating technologies over an appropriate period of time.

- **Power up the EU Hydrogen Strategy** with an appropriate package of incentives and financing measures. For instance, the Hydrogen Bank could support contracts for difference on electricity prices used to produce clean hydrogen or to secure offtake of Renewable Fuels of Non-Biological Origin (RFNBOs) for industrial hydrogen consumers like fertilizer producers.

We also need clear definitions for low-carbon hydrogen in the upcoming delegated act. We have to initiate a hydrogen market and ensure that the framework is not hampering the fast ramp-up of the hydrogen economy across sectors.

- **Foster the use of alternative fuels in hard-to-abate transport sectors.** The Commission should launch an “Alternative Fuels Strategy” including de-risking mechanisms to attract and secure investments in the production of cleaner fuels. A “Market Facilitation Platform” serving as an intermediary between producers and maritime or aviation off-takers shall be established. It would provide long-term fixed-price purchase agreements to producers, while also using Contracts Carbon for Difference to close the price gap. Lessons can be learned from the ‘pay-as-bid’ auction mechanism used in Hydrogen Bank auctions. Additionally, it would aggregate demand from the off takers to secure volumes.
- **Support the deployment of Carbon Capture Utilisation and Storage (CCUS),** in hard to abate sectors, by defining a clear policy framework promoting the development of a European integrated CO<sub>2</sub> infrastructure network and market, consistent with the EU’s broader climate policy framework.
- **Ensure a comprehensive Biotech Act** covering biotechnology and biosolutions to unlock Europe’s potential for a sustainable, resilient, and competitive future. Beyond pharmaceuticals, biotechnologies can transform agriculture, food, energy, and industry by reducing dependence on fossil fuels, chemicals, and water while cutting emissions. A forward-thinking “Biotech” Act should remove regulatory barriers and establish fast, efficient, and clear frameworks.
- **Incentivize the increasing collaboration between industrial clusters** in order to further elevate the advantages of their own distinct industrial mix. For example, the unique mix of industries in the port clusters such Le Havre, Rouen and Paris (HAROPA Port) or the ARRRR petrochemical cluster (Port of Antwerp-Bruges, Port of Rotterdam and the Rhine-Ruhr area) are examples of such effective level of collaboration. An example could be a pipeline project for transporting CO<sub>2</sub>, which connects different industrial clusters. Partnerships should be rewarded given the value they could bring for the EU as a whole. It is of paramount importance that such projects be made part of a collective strategy on ensuring the optimization of a common EU energy grid infrastructure.
- **Deliver on the EU Zero Pollution Agenda:** To ensure cleaner production processes and protect our citizens and the environment, the EU needs to boost innovation and the use of safe and sustainable chemicals. This includes promoting better knowledge and understanding of chemicals used in production processes, a phase-out of the most hazardous chemicals unless their use is essential and an ambitious revision of REACH to close existing gaps.

- **Create quality jobs and close the skills gap** to secure EU's competitiveness as industries transform and demographics evolve. Local and regional authorities, central to vocational education, must be fully integrated into sectoral skills plans. Pooling EU resources to address skills shortages, streamline investments, and establish centres of excellence is essential for leadership in clean energy, advanced manufacturing, and digital sectors. Programs like the Net-Zero Industry Academies (NZIA) and Just Transition Fund (JTF) should collaborate with local authorities to deliver targeted reskilling. Aligning skills strategies with EU funds like ESF+, Erasmus+, and Digital Europe will help workers transition smoothly into key sectors. Greater collaboration among vocational training centres under Erasmus+ can harmonise training and ensure uniform qualifications, supporting free movement and employment across the EU. Higher education, particularly through the Alliances of European Universities, must adapt curricula to transition needs, while Centres of Vocational Excellence (CoVEs) funded by Erasmus+ should be expanded.

## Foster EU made and circular products and protect against unfair competition

Our industries are facing a challenging international context. Trade balances have shifted, value chains are scattered, with bottlenecks around some critical raw materials and technologies controlled by a handful of countries. In order to achieve the triple objective of green transition, competitiveness and autonomy, our industries will only thrive in a fair, resilient and conducive trade environment. This will require establishing a level playing field with our trade partners to ensure that our environmental ambitions are implemented, sealing strong partnerships for the provision of critical raw material and technologies, and better funnelling public spending on EU made products in strategic sectors. As clearly stated in the Draghi report, Europe cannot regain leadership in each and every sector and should favour a differentiated approach according to the technologies at stake.

- **Ensure a fast and effective implementation of the CBAM** and extend its scope as foreseen, in particular to downstream sectors such as cars' equipment manufacturers, based on a thorough cost-benefit assessment. We must provide full clarity on how to assess and address circumvention by third countries' economic operators and introduce an export mechanism WTO-compatible to avoid unfair competition on export markets, and carbon leakage consequently. As part of the review report due by the end of 2025 at the latest, the practicability and effectiveness of the CBAM rules should be assessed. In addition, SMEs should be supported with the implementation.
- **Redesign and simplify public procurement rules** to promote and incentivize innovative, greener, and more circular products made in the EU. Following the model of the Net Zero Industry Act, public procurement should incorporate non-price criteria, such as environmental and social standards, security of supply, contribution to the EU's industrial leadership and competitiveness, adherence to cybersecurity standards, and a maximum percentage of products or components sourced from one single third country. As proposed by the Draghi report, explicit minimum quota for selected locally produced products should be used when necessary.
- **Support an open, multilateral trading system while protecting EU interests and proper implementation of our trade defence instruments.** We must integrate systematically WTO-compatible reciprocity clauses in all EU legislation having an impact on

trade. At the same time, we should make the best use of our trade defence instruments. We should use tools like the **International Procurement Instrument (IPI)** to enforce fair access to EU markets, and strengthen **anti-dumping, anti-subsidy, and safeguard measures** to counteract unfair practices along the entire value chain. In particular, by strengthening the implementation of the Regulation on foreign subsidies, which we call to enhance further, notably by lowering the intervention thresholds. We must support strategic sectors, including steel and clean technologies, with robust enforcement mechanisms to ensure equal treatment, bolster EU resilience, and secure industrial sovereignty.

- **Launch an “EU Custom Corp”**, to address the capacity issue and improve the contacts between national customs, relevant competent authorities and DG TAXUD. Ensuring the level playing for our industries through solid EU coordination to enforce the compliance of imported products with our standards. We need to make sure that level playing is not only on paper but implemented on the ground.
- **Boost the circular economy to strengthen EU’s strategic autonomy and reduce our dependencies:** a timely and ambitious **Circular Economy Act** will promote EU’s resource efficiency and industrial productivity while reducing our dependencies on imported raw materials. It should aim at improving the uptake of safe and circular materials, rewarding circular business models, and supporting the development of a European recycling industry. A truly circular single market will protect us from future price volatility of many raw materials used in clean technologies and from potential value chain disruptions. This will require creating economic incentives, and removing market barriers, to producing, selling and using secondary raw materials and reusable and recyclable products. Appropriate pricing of fossil raw materials should also be considered. In addition, EU-wide end-of-waste criteria should be reviewed to disincentivise the use of non-recycled raw materials.
- **Build economic partnership on Critical Raw Materials.** Building on the CRM Act, we need to deliver even faster to diversify EU’s imports, increase our mining, refining and recycling capacities and support innovation to substitute critical materials, as well as incentivising the demand side for recycled materials. We must adopt measures to keep strategic raw materials, like black mass or steel scraps, in Europe and to recycle them here. For this, we need to build a true circular economy where the costs of pollution and waste management are included the price of products, including imported products; otherwise, EU taxpayers end up bearing this cost.
- **Launch a “new Clean Trade and Investment Partnerships”**, using the Global Gateway and our international aid to support refining and recycling projects in third countries, with the aim to share the value of the transition, build industrial capacities and develop a domestic market in third countries for clean technologies.
- **Create an EU Export Credit agency** to step up the access to third countries for EU projects in key value chains. A European approach would enhance the effectiveness of national export agencies by harmonizing evaluation and selection processes, reducing fragmentation, and ensuring robust support across Member States, including those with less-developed export credit capabilities.

## Provide financing fit for the challenge

The transition to climate neutrality requires massive public and private investments, as highlighted in the Draghi report. It is estimated that €340bn will be needed over the next 15 years to decarbonise the four largest carbon-intensive sectors in the EU and €500bn over the period 2025-2040. To meet this challenge, the EU financing offer needs to shift to a clearer and consistent comprehensive set of tools, with more focus on de-risking across the financing journey. This framework must support companies and investors at every stage of the lifecycle and maturity of their projects, from early-stage innovation to scaling up and exiting. Many European innovators develop their ideas on the continent but seek funding overseas. Europe must equip itself with simple, consistent and appropriate financing tools comparable to those deployed by China and the US.

- **Finance the Clean Industrial Deal by bringing together existing instruments under the Competitiveness Fund** to foster innovation, support scaling up, and access to market, dedicated to enhancing competitiveness with a single rulebook applicable to all industries across Europe. This Fund should provide businesses with a streamlined and accelerated financing journey, reducing the time required to reach final investment decisions. It should offer various financing tools tailored to the different maturity stages of companies from early-stage startups to established infrastructure players. Furthermore, we acknowledge the Draghi report and its findings regarding financing.
- Enhance access to private capital in financing priority investments while maintaining fiscal responsibility. For instance, via **new instruments to unlock private capital from pensions and savings, including a European savings product**. Leveraging €1–2 billion annually from the EU budget as a guarantee, like the Invest EU model, could help de-risk a €70 billion private fund. Acting as an anchor investor in investment rounds, the fund could in turn de-risk for other private investors, potentially unlocking up to €500 billion in private capital over 15 years.
- **Create an EU Venture Capital (VC) Initiative to foster exchanges between institutional investors and VC**. This initiative would create a label and a fund-of-fund structure to enhance institutional investors' investments in VCs, by mapping the funds in which they can invest, and carry out a due diligence process for them. Promoted by a political summit, this initiative would increase the Europeanisation of innovation funding.
- **Make the most of the Innovation Fund by supporting the scaling up of decarbonisation projects**: Replicate the Hydrogen Bank model by offering OPEX support to industries greening their industrial processes, for example, through carbon contracts for difference.
- **Foster the risk-appetite of the European Investment Bank** by expanding its mandate to support higher-risk clean industrial projects critical to Europe's transition. This includes financing early-stage technologies like hydrogen and carbon capture, scaling up clean manufacturing. By blending EIB funding with private investment and EU grants, the bank can de-risk large-scale projects, accelerate innovation, and ensure a balanced industrial transformation across Europe.
- **Turn next programme for Research and Innovation into powerhouse for a cleantech revolution in all sectors it covers**. FP10 should be linked to the Clean Industrial Deal. An effective governance composed with experts and business leaders should identify the next



generation technologies that can build the EU's competitive advantage, guide funding decisions accordingly and align with other EU tools like the Innovation Fund. FP10 and national budgets could also co-finance next-gen projects to overcome fiscal constraints and advance EU competitiveness.

- **Support and accelerate grid investments:** Foster network upgrades and investments in grids to address the electrification and avoid bottlenecks by reinforcing the EU budget tool exclusively dedicated to interconnections like Connecting Europe Facility (CEF). Projects for interconnections supported by the CEF should benefit from a 28th regulatory regime that would allow simplified procedures and permitting. It would also avoid the possibility of projects being blocked by individual national interests.
- **Provide adequate financial support such as an “Electrification Bank”** for the deployment of electric equipment, electric heating, and cooling technologies. This support should be aligned with State Aid frameworks and a clear, direct-electrification pathway, with a 2040 electrification target, dedicated to energy-intensive industries and where electricity is the best alternative to fossil fuels. Tested within the Hydrogen bank, that offers several advantages: it allows for the financing of additional projects by utilising ETS revenues while facilitating State aid notification for Member States.

## Simplify to deliver faster without backtracking on our objectives

As Liberals, we support and welcome a simplification agenda that will help us to deliver faster without rolling back on our environmental and climate goals, neither lowering our political ambitions. Calls for simplification must not turn simplistic. Some EU rules are precisely meant to simplify. Take the EU Taxonomy and the Corporate Sustainability Reporting directive (CSRD), they create the common language investors need to know what is sustainable across 27 Member States. Without those EU rules, our industry would be cut from much needed financing. In that respect, simplification should be aimed at reducing administrative burden for companies, cutting red tape, improving efficiency and delivering smart regulation in view of accelerating the implementation of EU rules for corporates and facilitate business conduct in Europe. We call on the Commission to streamline and harmonise its overall regulatory framework in order to make sure that companies are not subject to any inconsistent or double requirements. As part of this simplification agenda, we are calling for measures that will enable us to leverage the full potential of our single market. We must make sure that our Single market is a Simple market. We will support simplification measures as long as they do not alter the stability and predictability for companies, which is essential to investments and our competitiveness. In that respect, we fully support and encourage strategic dialogues to shape shared long-term vision for key value chains.

- **Deepen the single market for a business-friendly environment:** Companies often struggle with 27 different national frameworks. We should embrace the principle of “EU one- 27 out”. For instance, public procurement rules could be more harmonised by proposing a Public Procurement Regulation in order to avoid internal market fragmentation. We should also work on a better harmonisation of the transposition of EU rules. In that respect, gold-plating should be avoided, as Member States often add extra layers when implementing EU rules. The Commission should help Member States prevent this by assessing the necessity, proportionality, and feasibility of additional national

measures. This analysis should consider the impact on the national business climate and the internal market to avoid competitive disadvantages and ensure consistent rules for businesses across the EU. The Commission could launch an overview exercise to gather regulatory requirements at various company growth thresholds to provide businesses with greater visibility.

- **Ensure delegated acts are used effectively and quickly**, to regulate where primary legislation is not necessary, with a focus on faster, more agile and more efficient delivery. Secondary legislation should be streamlined, simplified and technical standards and criteria should be harmonised. For instance, the Commission should aim at publishing delegated acts in packages to ensure a better coherence with each other.
- **Create a 28<sup>th</sup> regime to further develop European champions**. This new regime aimed at helping start-ups and innovative companies to grow in Europe by harmonising a set of rules and simplifying cross-border expansion. For instance, this regime should include a single legal status to avoid creating a new legal entity in each Member State.
- **In order to speed up the uptake of biocontrol innovation**, we support creating a green lane for biocontrol products at EFSA level and quickly facilitating mutual recognition among Member States.
- **Facilitate access to EU funds**: streamlining funding for large-scale decarbonisation projects through a single funding portal in collaboration with industries. It should facilitate support for a broad spectrum of solutions and complete the value chain to achieve carbon neutrality. The Commission should anticipate and adapt to the post-carbon industrial geography and back the creation of major European decarbonised industrial hubs located where clean energy is accessible and where industries can share innovations (heat exchange, carbon capture and utilisation, clean hydrogen production). Replicate the “STEP seal” approach to ensure that projects which have been recognised as high quality can have easier access to other EU funds.
- **Streamline, harmonize and accelerate permitting measures**. Ensure full and harmonised implementation of permitting measures stemming from Renewable Energy Directive, Net Zero Industry Act and Critical Raw Material Act. We support further streamlining and harmonisation of permitting measures across Member States to provide clarity for business and call on the Commission to evaluate if further steps could be taken to fast-track permitting, notably in the framework of the upcoming Industrial Decarbonisation Accelerator Act. For instance, pre-licensing should be promoted and harmonised within the EU as well as measures to accelerate the deployment of heat and cold networks, heat generators, hydrogen infrastructure (including storage) and CCUS infrastructure. To ensure success, efforts must be made to increase public support, like revenue recycling schemes allowing communities to directly benefit from infrastructure development.
- **Make the most of digitalisation and AI-supported software to facilitate reporting exercises**: this will help collect business critical data and automate compliance and improve data quality. Standardised digital platforms and AI-driven analytics can streamline processes, cut red tapes, reduce administrative burdens, increase efficiency and provide policymakers with real-time insights.
- **Create a delivery entity within the Commission**. Its role would be to engage with Member States, authorities and companies to help them implement regulations as well as

to identify and resolve bottlenecks for the scaling up of clean technologies (legal, economic, financial, etc.). It would serve to replicate proven solutions from one MS and adapting them to others working closely with the relevant stakeholders. As an example of this, this entity would help MS that are lagging behind to design risk-sharing schemes to deploy EV's charging points, based on successful solutions in other MS.

- **Streamline for smarter and more consistent reporting:** The Commission should keep on streamlining and harmonising its overall framework (SFDR, CSRD, taxonomy...) as well as removing any double reporting. To facilitate and accelerate the reporting of all companies, it should create a one-stop shop for reporting duty for companies operating within the EU, the same model as the one for companies trading with third countries (Acces2Markets webpage). When it comes to CSRD, simplification can be done without reopening level 1 legislation in the first stage. For instance, the new VSME standard, supported by SME organizations, should be used as a tool to cap the requests coming from large corporates. On CSDDD, the obligations related to the transition plans should be clarified so that they match in a crystal-clear way the obligations stemming from CSRD, lowering legal uncertainties for businesses.

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