

19 June 2023

Delivering a Net Zero Industry Act that is strategic, targeted and impactful

Dear Madam President of the European Commission,
Dear Messrs. Executive Vice President Timmermans and Commissioner Breton,
Dear Members of the European Parliament,
Dear Swedish Presidency of the European Council,
Dear Incoming Spanish Presidency of the European Council,

The world is entering a new era of cleantech competition. According to the IEA, [well-designed industrial strategy is key](#). [China](#), the [USA](#) and [Japan](#) are all moving quickly to ensure they capture their share of a cleantech market likely to reach \$650 billion by 2030, delivering long-term competitiveness for their economies, green jobs for their citizens, support for their climate goals, and energy security amidst unstable geopolitics.

The European Union has been the world's first-mover on climate change. Now, it needs to move faster and more assertively if it is to stay in the cleantech race. The proposed [Net-Zero Industry Act](#) (NZIA) is an initial step that could deliver the stable, predictable regulatory environment needed to attract investors and build up European cleantech manufacturing. Listening to the current political debate in Brussels, however, there is clearly a risk that Europe will miss this opportunity to develop the industries of the 21st century by overly focusing on those of the 20th.

The original scope of the Act, with [eight strategic cleantech sectors](#), arose from one insight: the economies of the future will be ones powered by, and dependent on, cleantech, production of which is largely concentrated in locations which face significant geopolitical risk. **Therefore, increasing cleantech manufacturing capacity at home creates a massive economic opportunity while bolstering Europe's energy security.**

Widening the scope of the NZIA too much undermines this strategic focus. By employing the EU taxonomy definition (from Art. 10.1) of net-zero industries, and including provisions which cover the whole economy, the NZIA would lose sight of what should remain its focus: building a new EU cleantech manufacturing base that can serve rapidly growing domestic and global markets. A strategic industrial policy requires focus – if everything is a priority, nothing is.

Moreover, the broadening of scope in the current draft European Parliament [report](#), when coupled with the proposal that ETS revenues be used to support the goals of the NZIA, **risks that some of these revenues become available to companies who already receive free allocation under the ETS.** This would put innovators outside of the EU ETS (in other words, those not emitting CO₂ or equivalents) at a significant disadvantage. Instead of securing funding for cleantech businesses, this introduces uncertainty and risks reproducing the issues of the Innovation Fund first calls, whereby most money went to big corporations and the cleantech innovators in Europe were left out of the grants awardee list, for reasons which had to do with their early innovators status (i.e., not meeting financial maturity criteria). Finally, there is a legal contradiction in using ETS revenues to possibly support fossil fuel investments,

which could be the case with a whole-economy scope approach, as well raising the risk of WTO-level challenges for CBAM if the same industries are subsidised twice – first through free allocation, and second through revenues which should have been ring-fenced for cleantech.

The proposal to utilise member state ETS revenues to invest in cleantech projects is warmly welcomed. Yet, **this good idea can become counterproductive if the NZIA scope becomes too broad.** A wide definition of net-zero technologies, provisions for EU funding for carbon storage and a vague concept of net-zero industry valleys could all serve, *de facto*, to channel public money meant for decarbonisation toward polluting incumbents and away from green innovators.

An NZIA that does not prioritise strategic cleantech sectors because of an overly widened scope leaves the EU vulnerable to geopolitical shocks, misses the opportunity to create thousands of quality jobs and endangers Europe’s competitiveness in the growth markets of the future.

The below **annex** outlines a proposal for reforming the NZIA which could address these important concerns.

Yours sincerely,

The undersigned

Cleantech
for Europe

CLIMATE & STRATEGY
PARTNERS

Airborne Wind Europe 

Carbon Gap

 **NEGATIVE
EMISSIONS
PLATFORM**

TECH FOR
NET ZERO
ALLIANZ

I4CE
INSTITUTE FOR
CLIMATE
ECONOMICS
Une initiative de la Caisse des Dépôts et
de l'Agence Française de Développement

JDEC — JACQUES DELORS
ENERGY CENTRE

 **EUREC**
The Association of European
Renewable Energy Research Centres

Annex 1 - The Net-Zero Industry Act: Recommendations to policymakers

The [Net-Zero Industry Act](#) (NZIA) has been proposed as the **regulatory framework for future European cleantech investment**. For the NZIA to have the maximum possible impact in supporting the EU's energy security and competitive edge in the technologies of the future, it should:

- Focus on all the strategic cleantech sectors needed to deliver Net-Zero by 2050
- Set clear production targets for each sector
- Ensure Member States provide permitting authorities with the resources they need
- Clarify the approach to Green Public Procurement
- Preserve the carbon storage target and ensure it delivers
- Strengthen provisions on skills
- Work in tandem with European public and private finance

1. Keeping the NZIA focused on Cleantech

To preserve the pace of Europe's cleantech revolution, **the scope of the NZIA should focus on the strategic cleantech sectors which are necessary to deliver Net-Zero by 2050**.

The NZIA is designed to give cleantech sectors a competitive edge. Expanding the scope of the Act to include, for example, the entire chemical, steel, or concrete industry (under the justification that these materials are also sometimes used in renewables and cleantech) would dilute that advantage. If all industries have access to preferential treatment, none do.

2. Sector-specific targets to speak to real world investors

The 40% production target in the Act's first article is in general positive but it is both very broad and poorly defined. **The EU needs specific production targets for each of the net zero sectors and their strategic components, expressed, if possible, in GW or Tonnes** - if the goal is leadership in the race to net zero, the bloc will need a clear vision of what that leadership will be based on.

As detailing every specific target in the body of the NZIA may be cumbersome, **Article 1 should include a provision to empower the Commission to design these targets in future delegated acts**. Just as is being done regarding [critical minerals](#), targets should be designed based on a thorough analysis of the production capacities of EU member states and global competitors, and a clear-sighted geopolitical analysis.

3. Faster permitting requires resources

The NZIA should preserve its accelerated permitting timelines for its targeted cleantech sectors, while being more explicit **that environmental protections and Do No Significant Harm criteria are to be upheld in all jurisdictions**.

The creation of regulatory one stop shops are welcomed. Yet these one stop shops require resources - in terms of personnel, skills and digital infrastructure. **The NZIA should include a provision that provides member states with financial and administrative support**. This

could be funded through the existing EU budget and governance structure of the Commission, with knowledge-sharing and administrative support organised through the Net Zero Industry Academies and the Net Zero Europe Platform.

Also, regulatory sandboxes and experimentation clauses promote research and development of breakthrough technologies. Such initiatives of member states would complement the NZIA's effects of faster permitting.

4. Clarify the approach to Green Public Procurement

By stimulating demand and the development of green lead markets in a cost-effective way, Green Public Procurement (GPP) is crucial to secure the EU's industrial leadership in the fast-growing sector of climate neutral technologies. The NZIA's inclusion of GPP in its toolbox is welcomed. However, the current scope of the NZIA here poses issues, as GPP is most impactful in public infrastructure tenders - in which sectors beyond those in the Annex (such as cement and steel) play a role.

Therefore, in order to maximise the impact of this Article (Art.19), the scope of technologies included should be widened to include all “net zero technologies” as defined in Art. 1. This would put pressure on public authorities to buy cement or steel with high scores on sustainability and resilience criteria, for example. In addition, clear, extended timelines for procurement length should be included, to provide maximum security for investors. Given the technological edge of specialised yet small firms, cleantech startups and SMEs need fair opportunities to participate in procurement processes. In order to reinforce GPP as a tool for resilience and innovation, a product's innovativeness should earn it points in the non-price criteria introduced in these articles. Technologies that meet the definition of Art. 3 for “innovative net-zero technology” should not merely be eligible for the opportunity offered by Art. 19 and 20, but assessed more favourably.

5. Preserve the carbon storage target and ensure it delivers

Developing carbon storage capacity at EU level will be a key element of the future growth of Europe's net-zero industry. However, as outlined by the NZIA proposal, the availability of operating CO₂ storage sites in Europe is the key bottleneck currently impeding the development of carbon capture and storage. The target set by the NZIA proposal to achieve an annual injection capacity of 50 million tonnes of CO₂ per year in the EU by 2030 is the first of its kind and provides an important signal of recognition for carbon capture and storage and carbon removal as critical tools to create a net-zero European industry and achieve negative emissions. **Therefore, the storage target of 50mn tonnes CO₂ by 2030 should be preserved in the NZIA, together with the obligation of oil and gas producers to contribute to it.**

6. Strengthen provisions on skills

A lack of skilled workers is a significant challenge for European clean industry, and a highly skilled workforce will be crucial to building up Europe's green industries. The currently-proposed Net-Zero Industry Academies are currently poorly defined, and the **Act should be**

much more clear in their design and their impact on building Europe's cleantech skills base.

7. Net Zero Industry requires not only regulation, but funding

Realising the NZIA's ambition requires not only regulation, but fresh investment - both public and private. The Commission provided a first estimate of a need for [€92-119bn between now and 2030, €18-24bn of which would be public investment](#).

The EU needs to complement the NZIA with public finance. Many of the tools are already there: the Innovation Fund, InvestEU, the Recovery and Resilience Facility and the Cohesion Fund among others. **The NZIA should clarify the impact of the Net Zero Strategic Projects label, to give the most impactful cleantech manufacturing projects priority access to those funds.** Furthermore, the Innovation Funds' Hydrogen Bank model should be expanded to a wider range of strategic sectors, while ensuring continued crowding in of private investment.

Mobilising and better using existing funding will not be sufficient to bridge the cleantech public investment gap, however. The EU Sovereignty Fund offers one opportunity to channel more EU funds towards the goals of the NZIA. However, to match or even exceed the scope, predictability and scale of the US' [Inflation Reduction Act](#) (IRA) or Japan's [Green Transformation Policy](#) requires the EU to think even bigger, and better crowd in private finance - whether through increased use of blended finance or even a future EU cleantech investment plan.

Finally, engaging think tanks and innovators in the Net-Zero Europe Platform and decarbonisation efforts can bring valuable expertise, fresh perspectives, and innovative ideas to the table. By involving a diverse set of stakeholders, including think tanks, research institutions, and entrepreneurs, policymakers and investors can tap into a broader knowledge base and benefit from their insights.