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**NOTE**

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From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	<i>Preparation of the Competitiveness Council on 29 September 2021</i> Implementation of the updated New Industrial Strategy for Europe: Accelerating green transition: The Package Fit for 55 from an industrial perspective <i>Policy debate</i>

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Delegations will find attached a Presidency note on "Implementation of the updated New Industrial Strategy for Europe: Accelerating green transition: The Package Fit for 55 from an industrial perspective" with a view to the policy debate at the Competitiveness Council on 29 September 2021.

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## **Implementation of the updated New Industrial Strategy for Europe: Accelerating green transition: The Package Fit for 55 from an industrial perspective**

### **Presidency Discussion Paper**

The Commission adopted on 14 July a new package to align the energy and climate regulatory framework with the higher level of ambition to reduce greenhouse gas (GHG) emissions by 2030 relative to 1990 levels (by at least 55% rather than 40%). This is in line with the Paris Agreement, the European Green Deal and the European Climate Law's objective of making the EU the first climate-neutral continent by 2050.

This new climate and energy package is a set of inter-connected proposals, which all aim to ensure a fair, competitive, and green transition of the EU economy to 2030 and beyond. The proposed regulatory framework is widened and made more ambitious. Overall, the package amends eight existing pieces of legislation and presents five new initiatives, across a range of policy areas and economic sectors: climate, energy and fuels, transport, buildings, land use and forestry. In addition, there are three energy proposals yet to be adopted in 2021, which will cover energy performance of buildings, methane and decarbonisation of gas and hydrogen markets. The legislative proposals are accompanied by impact assessments, which take into account the interlinkages across the entire package.



## **THE IMPACT OF THE NEW CLIMATE AND ENERGY PACKAGE**

### **ON THE ECONOMY AND INDUSTRY**

Achieving the 2030 target will require a systemic transformation across the economy. The proposals of the new package aim to reflect this, with action across the industry, transport, buildings, energy, agriculture, waste and land use change and forestry sectors. Complementary and targeted policies both at EU and at national level need to accelerate the change in behaviour, technological innovation, digitalisation and development of new infrastructures.

The Member States will work towards the implementation of the new European climate targets in a manner that seeks to facilitate the transition towards a green economy while creating new business opportunities and challenges. All industrial ecosystems will need to contribute to achieve the new climate targets and accelerate their investments<sup>1</sup> not only in the deployment of climate-neutral solutions to reduce their own direct energy consumption and GHG emissions, but also in developing and providing new competitive solutions which spill over to other industrial ecosystems and to other regions of the world. New opportunities need to be created for European businesses, notably in the areas of renewable energy, energy efficiency, building renovation, energy intensive industries, integrated infrastructures, transport systems, energy storage methods including batteries, hydrogen, digital and space applications.

These opportunities need to be underpinned in a coordinated way by investments in appropriate commercialisation capacities, including strategic supply chains, manufacturing, piloting, demonstration lines, etc., for promising emerging technologies. Consequently, the alignment of investment with policy priorities for the transition is of strategic importance for a modern and competitive industry that can contribute to a sustainable and inclusive economic growth.

A well-functioning and integrated energy market with cross-border infrastructure is crucial for these opportunities to materialise and it is the most cost-effective way to ensure secure and affordable energy supplies. While wholesale electricity prices were at record lows during the pandemic. Higher energy prices occurred in 2021 as a result of a significant increase in global gas demand due to the economic recovery, low storage and other factors, which the European Commission is monitoring.

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<sup>1</sup> Annual average investments in the energy system, including transport, need to increase in the period 2021-2030 compared to the period 2011-2020 with around 350 billion to achieve 55% GHG emission reductions. (SWD(2020) 176 final, Impact Assessment of the Climate Target Plan).

Under the more ambitious climate and energy targets, electricity prices are projected to increase moderately up to 2030, given the significant investments in renewable power generation. However, they are expected to decrease afterwards as technologies mature and projects benefit from economies of scale, better storage possibilities and lower operational costs. Energy efficiency also plays a key role in reducing the energy demand and thus the energy bill for consumers and businesses.

## **CO-CREATING TRANSITION PATHWAYS AND MAKING THE GREEN BUSINESS**

### **CASE A SUCCESS FOR THE INDUSTRY**

The new climate and energy package is in line with the updated Industrial Strategy adopted in May 2021 and support the green transition and resilience towards a thriving, resilient and competitive industry by promoting the following three objectives:

- To get abundant, accessible and affordable decarbonised energy;
- To support industrial ecosystems to grasp new global business opportunities; and
- To allow industrial ecosystems to invest in the coming years to adapt their business models, to modernise their processes and to reduce their emissions along their value chains.

This industrial transition to 2030 – and beyond to climate neutrality – must be a collective and inclusive effort that is co-designed with the actors of the industrial ecosystems. Transition pathways will thus be co-created by stakeholders, with the support of the Industrial Forum, to outline how best to accelerate and benefit from this transition, looking at the scale, speed and conditions facing each ecosystem. The pathways will identify the scale of the needs, including re-skilling, investment or technology needs, and devise actions to meet them. Synergies with the digital and circular economy transitions will have to be reinforced, given the key role that digitalisation can simultaneously have in increasing competitiveness and reducing GHG emissions. The greening of digital technologies has also become a critical success factor for the green and digital transitions. Priority will be given to ecosystems that face the most challenges or have been heavily affected by the Covid-19 crisis, such as the mobility, construction and energy intensive industries ecosystems.

On 21 June, the Commission published the Staff Working Document “Scenarios towards co-creation of transition pathway for tourism for a more resilient, innovative and sustainable ecosystem” to launch a co-creation process with tourism ecosystem stakeholders by proposing issues and scenarios to consider. A targeted stakeholder consultation that concluded on 15 September 2021 gathered stakeholder contributions and will be complemented with stakeholder workshops in October 2021. Important efforts by Member States in this area should also be acknowledged.

The Commission also plans to launch in coming days the co-creation process on the energy-intensive industries ecosystem by publishing a Staff Working Document on “Scenarios for a transition pathway for the energy intensive industries ecosystem”.

## **SUPPORTING THE INNOVATION AND TRANSITION PROCESS AND ACCELERATING INVESTMENTS**

The transition to a climate neutral economy should boost innovation. The EU climate targets must be implemented in a way that they offer significant opportunities to develop, deploy and foster low-carbon technologies and create green jobs. In order to scale-up the development of clean and low-carbon technologies and in order to create green jobs, the EU must ensure a leading role in the development of international standards. This requires that the EU has a workforce equipped with the skills needed to remain competitive. Education and training are essential for raising awareness and enhancing skills for the green economy.

A major challenge for Member States will be to align their policies with such ambition to accelerate investments in new climate-neutral solutions, including in energy infrastructures, and to tackle the bottlenecks slowing down these investments (e.g. skills, access to critical raw materials, permitting procedures, etc).

The EU's long-term budget and its recovery instrument NextGenerationEU will specifically support this ambition. The Recovery and Resilience Facility will finance Member States' national recovery programmes, of which at least 37% will contribute to the green transition. The Multiannual Financial Framework is further strongly oriented towards supporting climate action and green investments, for example through cohesion policy, innovation and research, agriculture, and the LIFE programme for climate and environment. Adequate financial support for research, innovation and deployment is of particular importance to develop sustainable and innovative solutions for the green transition, providing substantial support for SMEs, in particular start-ups and spin-out companies, to develop and expand revolutionary innovations.

## NEXT STEPS

“Fit for 55” is a climate package that aims to deliver the transformational change needed across our economy, society and industry. It offers significant opportunities to develop, deploy and foster low-carbon technologies and green jobs opportunities.

The Presidency considers that the ministers for competitiveness must have a substantial and frank debate on how to deliver on the Fit for 55 package objectives including by discussing how the Updated EU Industrial Strategy can support the green transition and the “Fit for 55” package that embodies this transition.

The Competitiveness Council can play a prominent role in monitoring the negotiations of the package from an industrial perspective in order to discuss the potential impact on industry and the real economy. There is an opportunity to share knowledge and experience and engage jointly in a collaborative monitoring exercise in a transparent and coherent manner in this respect. This would allow the Competitiveness Council to effectively contribute to the implementation of the Fit for 55 package by identifying areas, industrial ecosystems and actions that require particular attention in order to successfully accelerate the green transformation of our industry and ensure its competitiveness. It can also serve as a forum for Member States to make the voice of industry being heard and to facilitate exchanges of experiences on the challenges and opportunities in these areas.

### **Points for discussion:**

*Which elements, presented by the Commission's Fit for 55 package, do you consider as the biggest challenges and opportunities for the competitiveness of the EU industry?*

*What do Member States consider to be the best focus and useful elements to facilitate a joint monitoring and sharing the knowledge and experiences on the Fit for 55 package from an industrial perspective?*