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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
Subject:	Draft Council conclusions on "A recovery advancing the transition towards a more dynamic, resilient and competitive European industry" - <i>Preparation for the approval</i> - <i>Decision to use the written procedure for the adoption</i>

I. INTRODUCTION

On 18 September 2020, the Presidency circulated a proposal for draft Council conclusions on "A recovery advancing the transition towards a more dynamic, resilient and competitive European industry" (doc. 10875/20) to the members of the Working Party on Competitiveness and Growth (Industry).

II. WORK BY THE PREPARATORY BODY

The Working Party on Competitiveness and Growth (Industry) examined the proposal at its meeting on 21 September 2020.

Further to the discussion at that meeting, the Presidency distributed on 29 September 2020 an amended text (doc. 11237/20) that took into account the comments and suggestions made by Member States during the Working Party meeting and in writing. The amended text was discussed at the Working Party meeting on 30 September 2020.

On 6 October 2020, the Presidency circulated a third proposal for draft conclusions (doc. 11500/20) which was examined by the Working Party at meetings on 9, 20 and 22 October 2020.

On 26 October 2020, the Presidency circulated a fourth proposal for draft conclusions (doc. 12277/20) which was examined by the Working Party at a meeting on 30 October 2020 and an informal videoconference on 4 November 2020.

At the end of these meetings, the Working Party reached an agreement on the text of the conclusions as set out in the Annex to this note, with the exception of the precise wording in point 13 as regards "*and complementary instruments, such as an enforceable carbon border adjustment mechanism*", on which several Member States could not agree and have reservations.

III. CONCLUSIONS

The Permanent Representatives Committee is invited to:

- finalise the agreement on the wording of point 13 of the draft Council conclusions;
- confirm its agreement on all other parts of the text of the draft Council conclusions as set out in the Annex to this note; and
- decide, in accordance with the first subparagraph of Article 12(1) of the Council's Rules of Procedure and Article 1 of Council Decision 2020/430, that the Council uses the written procedure for the adoption of the Council conclusions.

DRAFT COUNCIL CONCLUSIONS ON

**"A recovery advancing the transition towards a more dynamic,
resilient and competitive European industry"**

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING the Joint statement¹ by Ministers in June 2020, the Council Conclusions of November 2018² and May 2019³ and Council Conclusions on Circular Economy of 4 October 2019, as well as the European Council conclusions of March 2019⁴ and October 2020⁵, which stressed the important role of industry in the just, green and digital transformation processes and its key importance for Europe's prosperity and competitiveness; and

RECALLING the Commission's Communications on:

- 'The European Green Deal'; 'the 2030 Climate target plan'; the 'new Circular Economy Action Plan'; the 'EU Biodiversity Strategy'; the updated Bioeconomy Strategy ; the 'hydrogen strategy'; the 'EU Strategy for Energy System Integration'⁶
- 'The European Digital Strategy '; the 'European strategy for data'; the 'White Paper on Artificial Intelligence';⁷

¹ Press release 385/20

² 14832/18

³ 9743/19

⁴ EUCO 1/19

⁵ EUCO 13/20

⁶ 15051/19, 10865/20, 6766/20, 8219/20, 13229/18, 9390/20 and 9389/20

⁷ 6237/20, 6250/20 and 6266/20

- the 'New Industrial Strategy for Europe'; 'SME Strategy'; 'Identifying and addressing barriers to the Single Market'; the 'Long term action plan for better implementation and enforcement of single market rules'; the 'White Paper on levelling the playing field as regards foreign subsidies'; 'Critical Raw Materials Resilience'; the 'European Skills Agenda', 'A new ERA for Research and Innovation' and the 2020 Strategic Foresight Report;⁸ and on
- 'Europe's moment: Repair and Prepare for the Next Generation' and the Annual Sustainable Growth Strategy 2021 with its annexed Guidance to Member States on the Recovery and Resilience Plans including the draft template⁹;

Together for Europe's recovery

1. RECOGNISES the unprecedented situation of the global COVID-19 pandemic impacting lives and livelihoods across the European continent and worldwide; ACKNOWLEDGES that part of the European industry, particularly its SMEs, entrepreneurs and workers, are facing economic difficulties, uncertainty and challenges in maintaining their businesses; STRESSES that European solidarity is needed to jointly master a swift, sustainable and inclusive economic recovery and a long-term sustainable future, especially within the industries most impacted by the COVID-19 pandemic, such as tourism;

⁸ 6782/20, 6783/20, 6779/20, 6778/20, 8980/20, 10435/20, 8136/20, 11400/20 and 10648/20

⁹ 8136/20, 10887/20, 10889/20 and 10889/20 ADD1

2. UNDERLINES that this challenge is also an opportunity for using the recovery efforts to make European industry, and in particular SMEs including microenterprises, more competitive and resilient, and thus contributing to the long-term competitiveness of the EU through embracing the green and digital transition, in line with the Paris Agreement¹⁰ and the Sustainable Development Goals of the Agenda 2030; HIGHLIGHTS that this transition and the EU economic recovery should also be just and built around the principles of competitiveness, Single Market integration, sustainability, cohesion, inclusiveness, circularity, environmental protection, solidarity and observe social standards; UNDERLINES the importance of policy coherence and coordination with a multi-level approach that covers the EU, national and regional levels and respects subsidiarity across all relevant policy areas to support and empower industry in the best possible way;
3. HIGHLIGHTS that achieving strategic autonomy while preserving an open economy is a key objective of the Union¹¹ in order to self-determine its economic path and interests ; RECALLS that this includes identifying and reducing strategic dependencies and increasing resilience in the most sensitive industrial ecosystems and specific areas, such as health, defence industry, space, digital, energy and critical raw materials; UNDERLINES that this can include diversifying production and supply chains, ensuring strategic stockpiling, fostering and attracting investments and production in Europe, exploring alternative solutions and circular models, and promoting broad industrial cooperation across Member States;
4. STRESSES that the EU should pursue an ambitious and assertive European industrial policy to create a sustainable, attractive and competitive business environment; BELIEVES firmly that the answer to the economic effects of the COVID-19 crisis and growing international competition must be one of reinforced and stronger European cooperation and integration in a strengthened Single Market; STRESSES that this can be a driving force to achieve a higher level of ‘European value added’, resource efficiency and circularity and to unlock the high potential of spill-over effects from strengthened cooperation in networks of interconnected businesses throughout the EU;

¹⁰ 12256/16

¹¹ EUCO 13/20

5. UNDERLINES that technological leadership - based on research, knowledge transfer and innovation -, smart specialisation, sustainability, strengthened European value chains and the security of supply of raw materials in Europe are prerequisites for an enhanced level of resilience of European industry and all contribute to reinforcing the Union's open economy, its strategic autonomy and future competitiveness;
6. STRONGLY WELCOMES the 'European Green Deal', the 'European Digital Strategy' and the 'New Industrial Strategy' as key policy directions for the coming decades; HIGHLIGHTS that this offers the prospect for long-term structural change that will set the course for making Europe's industry more sustainable, more globally competitive and more resilient; UNDERLINES the importance of the Recovery and Resilience Facility and other pillars of the 'Next Generation EU' and the new Multiannual Financial Framework to strengthen the economic and social recovery from the COVID-19 pandemic by combining the short- and mid-term investments of exceptional dimensions with necessary reforms;
7. WELCOMES the industrial ecosystems focus of the 'New Industrial Strategy', which is important for facilitating more industrial and technological cooperation across Member States and regions as their broad set up allows for a more holistic cross-sectoral approach to value chains; HIGHLIGHTS that this requires effective, efficient and inclusive coordination to generate those cross-sectoral synergies and encourage joint collaborative actions with and for industry, notably in the implementation of the national recovery and resilience plans as well as with smart specialisation strategies, Horizon Europe missions and partnerships and industrial technology roadmaps within the European Research Area and joint cluster initiatives under the Single Market Programme and other programmes for fostering cooperation across the industrial ecosystems and effectively reaching out and channelling funding to SMEs;

8. UNDERLINES the need for speed and agility in the implementation of the New Industrial Strategy, the forthcoming Recovery and Resilience Facility and the next Multiannual Financial Framework; STRESSES in this respect the importance of facilitating the access of all enterprises, especially SMEs, to markets, value chains, strategic partnerships, knowledge, advanced and clean technologies, innovation, finance and common projects;

Thriving through enabling framework conditions

9. UNDERLINES the high importance of setting the right business framework conditions and the need for clear, consistent and fit-for-purpose rules at all levels;
10. EMPHASISES the importance of a fully functioning, deepened and strengthened Single Market, including in the services sector, as one of the main enablers and prerequisites for the success of European industry, facilitating pan-European economic activity, preventing and removing unnecessary regulatory burden and supporting digitalisation – as set out in its conclusions on 'A deepened Single Market for a strong recovery and a competitive, sustainable Europe' from September 2020¹²; UNDERLINES that it is important that all goods and services made available on the Single Market are compliant with European rules and standards to ensure the EU's competitiveness and fair competition and to improve the confidence of European consumers;
11. HIGHLIGHTS the importance of a well-functioning European standardisation system as a basis to support the objectives of European technological leadership, especially with regards to the green and digital transition; UNDERLINES that harmonised standards are a catalyst for competitiveness, innovation and consumer safety, which should take into account the international dimension, and have proven highly valuable during the COVID-19 crisis, for example for medical equipments;

¹² 10698/20

12. STRESSES the importance of safeguarding an effective level playing field for European businesses to compete on the internal market and internationally in global value chains; UNDERLINES the importance of discussing the follow-up to the White Paper on foreign subsidies and updating the competition framework, including its state aid guidelines, to ensure, amongst others, that it meets the challenges of a green and digital transition and the evolving global context; EMPHASISES the need to provide a regulatory framework that is advanced, clear, proportionate and fit for purpose; LOOKS FORWARD to the outcome of the Commission's ongoing review of competition rules;
13. HIGHLIGHTS the importance of an ambitious, rules-based, open, fair and sustainable trade policy and its effective enforcement; STRESSES the need for reciprocal access to public procurement markets in third countries; UNDERLINES the importance of an approach for affordable pricing of energy and an Emissions Trading System in line with the EU's climate ambition, while preventing carbon leakage and developing effective [and complementary] instruments, [such as] an enforceable carbon border adjustment mechanism, that are WTO compliant; WELCOMES the Commission announcement of an impact assessment and LOOKS FORWARD to a sectoral analysis that takes competitiveness and competition aspects and the impact at Member States level into account;
14. POINTS to the necessity of establishing a world-leading, safe, resilient and interoperable data infrastructure and communication networks incorporating European safety, security and data protection standards and not be subject to laws of foreign jurisdictions unless verified safeguards are in place to ensure compliance with European law with regard to access requests to data; WELCOMES the proposed creation of common European data spaces in strategic sectors and domains of public interest as presented in the European strategy for data; HIGHLIGHTS that clear rules and standards for the organisation of the industrial data exchange based on voluntary basis are crucial; UNDERLINES the industrial application possibilities of technologies, such as 5G, high-performance computing, blockchain, industry 4.0, space technologies, remote sensing, data sharing and artificial intelligence; while ACKNOWLEDGING the key role of digital technologies as a source of clean and sustainable solutions to reduce the overall and their own environmental footprint;

15. UNDERLINES the importance of the up- and reskilling, training and employability of workers as fundamental for a thriving European industry and enable a just transition; ADVOCATES further investments in this respect in order for industry to remain competitive, therefore WELCOMES the European Skills Agenda¹³ and its announcement of a Pact for Skills in strategic industrial ecosystems;
16. STRESSES the need to improve the security of supply and access to primary raw materials and a single market for secondary raw materials, particularly critical raw materials, adhering to common standards, including through implementing the Action Plan for Critical Raw Materials; UNDERLINES that this must go together with setting clear EU standards in line with our values, including through due diligence of supply chains for extractive industries, finding innovative alternatives to critical dependencies and appropriate investments in resource efficiency, including efficient and sustainable extraction, transformation and pushing forward technologies and solutions for the Circular Economy as a means to boost the industrial competitiveness and resilience of European industry;

Investments for the recovery, investments for the future

17. STRESSES that private and public investments must match the scale of the current economic crisis due to COVID-19 and be made timely in order to empower European industry to be a major engine of economic recovery, prosperity, sustainable growth and the creation of jobs; ACKNOWLEDGES that EU funds should be allocated in accordance with the upcoming regulation establishing the Recovery and Resilience Facility and WELCOMES the decision of the Council to dedicate significant shares to the European Green Deal and digital transformation objectives; STRESSES the need to further strengthening synergies between EU and national funds with regard to key technological projects; HIGHLIGHTS that national specificities and industrial landscapes and proportionality must be fully taken into account and the application of a one-size-fits-all approach be avoided;

¹³ 9349/20

18. RESTATES that European industrial policy has the long-term task of incentivising primarily private and supplementary public sector investment in industry and fostering the cooperation of industry and research in order to help industry to seize the opportunities from the green and digital transition and increase productivity; HIGHLIGHTS that the investment needs should be adequately addressed to enable the EU to become more resilient, competitive, digital and sustainable and deliver on the 2030 and 2050 targets towards climate neutrality; STRESSES in particular the importance of preparing the Union's future competitiveness and thereby resilience by investing in industrial ecosystems, value chains, raw materials and technologies that are key to the transitions ahead and that contribute to the Union's objective of strategic autonomy while preserving an open economy;

Strengthening competitiveness and sustainable growth through technological leadership

19. HIGHLIGHTS the importance of strategic value chains and key enabling technologies for European industry and of securing the functioning of these also in times of crisis; RECOGNISES the importance of accelerating technology diffusion, especially in SMEs, and safeguarding European intellectual property rights;
20. RECOGNISES the work done by the Strategic Forum for Important Projects of Common European Interest (IPCEIs) in identifying strategic value chains to be followed as potential areas for pan-European cooperation; AWAITS with interest the launch of the new Industrial Forum as foreseen in the 'New Industrial Strategy';
21. SUPPORTS the industrial alliances in the field of batteries, clean hydrogen, raw materials and circular plastics; ENCOURAGES the formation of further industry alliances in strategic areas, as they can be an effective tool to identify technology needs, innovation and investment opportunities, regulatory barriers and boost large-scale projects with positive spill-over effects across Europe; and LOOKS FORWARD to the launch of new alliances that could accelerate the green and digital transition, such as in low-carbon industries, renewable energy, Industrial Data and Cloud, secure telecommunications networks and microelectronics;

22. RECALLS that IPCEIs are one of the relevant tools for addressing market failures and supporting innovative key technologies and strategic value chains; ACKNOWLEDGES the progress and positive impact of IPCEIs so far, such as on microelectronics and batteries; ACKNOWLEDGES the potential contribution and positive spill-over effects that IPCEIs can bring to the sustainable growth and competitiveness of the European economy, especially to make progress in the green and digital transition as well as to strengthen technological leadership and resilience; RECALLS that the European Council conclusions invited the Commission to help in the development of new IPCEIs and ENCOURAGES to build on initiated cooperation between Member States and the work of the previous Strategic Forum; stresses that IPCEIs could help enabling breakthrough innovation and addressing dependencies of key European industries, such as in the fields of microelectronics and clean hydrogen; LOOKS FORWARD to the revision of the IPCEI Communication;
23. STRESSES the importance that the processes of setting up and implementing IPCEIs and industrial alliances are efficient, transparent, fair and inclusive to all Member States and types of stakeholders, including SMEs; SUPPORTS the transparent provision of relevant information on current and future IPCEI and industrial alliances as done, for example, with the European Clean Hydrogen Alliance;

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24. STRESSES the key role of energy-intensive industries for achieving the 2030 and 2050 targets towards EU climate neutrality; STRESSES the need to strengthen the supply chain resilience of these industries in Europe; UNDERLINES the importance of strategic and diversified access to raw materials, further improving resource-efficiency, and of ensuring the security of supply for energy resources; ACKNOWLEDGES the importance of a just energy transition for economic recovery;

25. HIGHLIGHTS the need for comprehensive actions accompanying and supporting the transformation process that will reinforce competitiveness and turn the European energy-intensive industries into worldwide leaders in clean and low-carbon emission technologies and on the global marketplace, while ensuring a level-playing field in respect of high environmental protection, employment protection, social standards, protection of intellectual property rights, reciprocal access to public procurement markets in third countries, safety of goods, and competition and preventing carbon leakage; in this respect WELCOMES the masterplan for a competitive transformation of EU energy-intensive industries enabling a climate neutral and circular economy by 2050; RECOGNISES the contribution of the EU funds in supporting the transformation process and WELCOMES in this context the hydrogen strategy for a climate-neutral Europe;

Joint action for a swift transition and recovery of European industry

26. CALLS on Member States to become a driving force of a swift transition and recovery by co-investing and fully unlocking the potential of engaging in European cooperation along strategic value chains and innovative key technologies, whether it be through IPCEIs, industrial alliances, European partnerships, cluster collaboration or interregional innovation investments, including through adequate consideration and active integration of the particularities of SMEs, start-ups and boosting their innovativeness;
27. ASKS the Commission to facilitate regular updates to the Council on the progress of alliances and IPCEIs; and INVITES the Commission, as requested by the European Council conclusions, to identify strategic dependencies and propose measures to reduce them;

28. CALLS upon the Commission to engage in a constructive dialogue and coordination with all relevant stakeholders to ensure that harmonised standards support the full operation of the Single market and the advancement towards the EU policy goals, particularly in areas that require innovative technologies and areas of strategic importance;
29. UNDERLINES with regard to the work of the Industrial Forum to not only include the analysis of industrial ecosystems and value chains but to also to commonly review, develop more, accelerate and coordinate existing initiatives as well as build on the lessons learned and best practises of the work of the Strategic Forum for IPCEI; WELCOMES that the setup and work of the Industrial Forum is inclusive for all Member States and stakeholders, including SMEs; ASKS the European Commission to report back on its progress to the Competitiveness Council;
30. WELCOMES the Commission's intention to update its New Industrial Strategy ; HIGHLIGHTS the importance of the implementation of the existing industrial strategy and the swift presentation of the update in the light of the changing global competitive landscape and ongoing preparation of recovery and resilience plans by Member States, and CALLS on the Commission to prioritise and accelerate initiatives that boost the green and circular economy, digital transition and the diversification of European value and supply chains; UNDERLINES that the updated industrial strategy should expand the focus on the recovery from the COVID-19 crisis and on strengthening resilience, global competitiveness and strategic autonomy in an open economy and continue the link between the industrial ecosystems and the Skills Agenda and Pact; STRESSES that customised joint actions are needed at all levels by the Commission, Member States, regions and relevant stakeholders, including SMEs; and therefore ASKS the Commission to present the update of its New Industrial Strategy ahead of the European Council in March 2021, including concrete initiatives and proposals;

31. CALLS on the Commission to define key performance indicators for monitoring the industrial strategy and competitiveness by the end of March 2021, building for example on existing indicators of the 'Indicator Framework regarding Industrial Competitiveness'¹⁴, including taking into account investment trends, and comparing those to other world regions; ASKS for a regular reporting on the key performance indicators in the form of a brief written report and a statement for discussion in the Competitiveness Council; CALLS also for the objectives of the EU's industrial policy to be reflected in sound indicators, in particular concerning industrial competitiveness, industry's contribution to the green and digital transition and the Union's resilience and strategic autonomy while preserving an open economy; and
32. CALLS on the Commission and Member States to work closely together and take concrete actions with regard to foster more European cooperation across industrial ecosystems to better connect value chains as well as build synergies with the investments under the national recovery and resilience plans; UNDERLINES the strategic and horizontal role of the Competitiveness Council to coordinate, monitor and communicate this work on a regular basis as well as to discuss progress towards a more dynamic, resilient and competitive industry, including in preparation of future discussions of the European Council.

¹⁴ 11244/18