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From: HLG Trio Presidency Chair
To: High Level Working Group on Competitiveness and Growth
Subject: Green Deal and European competitiveness including EU industrial policy

Delegations will find in Annex a note by the HLG Chair on the Green Deal and European competitiveness including EU industrial policy, in view of the meeting of the High Level Working Group on Competitiveness and Growth on 14 February 2020.

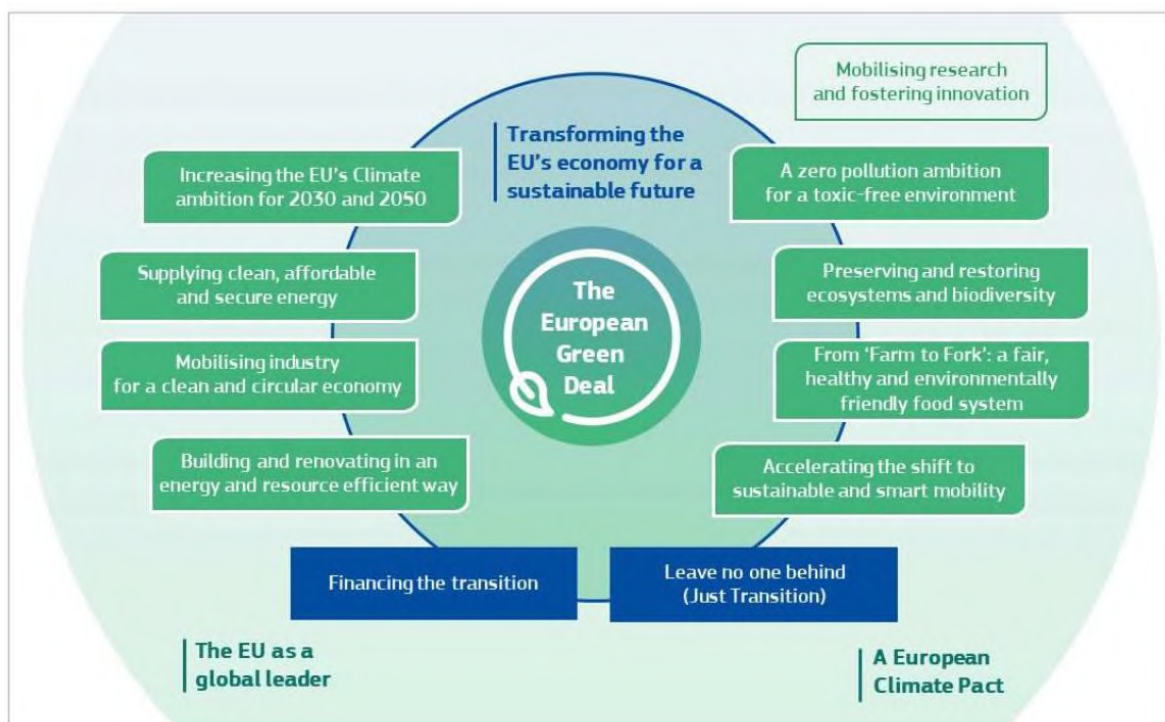
The Green Deal and European Competitiveness

Transforming the EU's economy for a sustainable future

The European Green Deal, published by the Commission on 11 December 2019, sets out how to make Europe the first climate-neutral continent by 2050, boosting the economy, improving people's health and quality of life, caring for nature, and leaving no one behind. This is a roadmap for making the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all.

The aim is to boost the efficient use of resources by moving to a clean, circular economy and stop climate change, revert biodiversity loss and cut pollution. It outlines investments needed and financing tools available, and explains how to ensure a just and inclusive transition. The European Green Deal covers all sectors of the economy, notably transport, energy, agriculture, buildings, and industries such as steel, cement, ICT, textiles and chemicals.

The figure below illustrates the various elements of the Green Deal.



To set into legislation the political ambition of being the world’s first climate neutral continent by 2050, the Commission will present the first ‘European Climate Law’. Work will immediately start for upping Europe’s 2030 emissions targets, setting a realistic path to the 2050 goal.

Supported by investments in green technologies, sustainable solutions and new businesses, the Commission has introduced the Green Deal as a new EU growth strategy. Meeting the objectives will require significant investment and a clear identification of the competitiveness challenges related to energy and resource use and management. Achieving the current 2030 climate and energy targets is estimated to require € 260 billion of additional annual investment, representing about 1.5% of 2018 GDP. This investment will need the mobilisation of the public and private sectors. On 14 January, the Commission presented **the European Green Deal Investment Plan** to help meet these investment needs. At least 25% of the EU’s long-term budget should be dedicated to climate action, and the European Investment Bank, Europe’s climate bank, will provide further support. For the private sector to contribute to financing the green transition, the Commission will present a Green Financing Strategy in 2020.

Mobilising industry for a clean and circular economy

Achieving a climate neutral and circular economy requires **the full mobilisation of industry**. It takes 25 years – a generation – to transform an industrial sector and all the value chains. To be ready in 2050, decisions and actions are needed in the next five years.

The transition is an opportunity **to expand sustainable and job-intensive economic activities**. There is significant potential in global markets for low-emission technologies, sustainable products and services. Likewise, the circular economy offers great potential for new activities and jobs. However, the transformation is too slow and uneven. The European Green Deal will support and accelerate the EU's industry transition to a sustainable model of inclusive growth.

In March 2020, the Commission will adopt **an EU industrial strategy** to address the twin challenge of the green and the digital transformation. Europe must leverage the potential of the digital transformation, which is a key enabler for reaching the Green Deal objectives. **Stronger industrial value chains** are crucial for a green and sustainable EU industry and enable competitive advantages for EU as a first-mover towards carbon neutrality.

Energy-intensive industries, such as steel, chemicals and cement, are indispensable to Europe's economy, as they supply several key value chains. The decarbonisation and modernisation of this sector is essential. The recommendations published by the High Level Group on energy-intensive industries show the industry's commitment to these objectives¹. They outline actions that could provide the right market signals to attract new investments in Europe, help companies implement cost-effective pathways towards climate-neutrality and seize new business opportunities in Europe and abroad. These recommendations also focus on the need **to ensure a just transition** and consider the need to equip workers with new skills and help communities dependent on these industries to manage the transition.

¹ https://ec.europa.eu/commission/presscorner/detail/en/IP_19_6353

Together with the industrial strategy, **a new circular economy action plan** will help modernise the EU's economy and draw benefit from the opportunities of the circular economy domestically and globally. A key aim of the new policy framework will be to stimulate the development of lead markets for climate neutral and circular products, in the EU and beyond. The action plan will include a **'sustainable products' policy** that will ensure that products are designed for sustainability and circularity and for reduced environmental and social impacts throughout their life cycle, on the basis of comparable, and verifiable data. It will prioritise reducing and reusing materials before recycling them. It will foster new business models and set minimum requirements to prevent environmentally harmful products from being placed on the EU market. It will strengthen the extended producer responsibility.

While the circular economy action plan will guide the transition of all sectors, action will focus in particular on **sectors with great potential for circularity** such as textiles, construction, electronics and plastics. The Commission will follow up on the 2018 plastics strategy focusing, among other things, on measures to tackle intentionally added micro plastics and unintentional releases of plastics, for example from textiles and tyre abrasion. The Commission will develop requirements to ensure that all plastic packaging in the EU market is reusable or recyclable in an economically viable manner by 2030, will develop a regulatory framework for biodegradable and bio-based plastics, and will implement measures on single use plastics.

The circular economy action plan will also include measures to encourage businesses to offer, and **to allow consumers to choose**, reusable, durable and repairable products. It will analyse the need for a 'right to repair' in EU consumer law, and curb the built-in obsolescence of devices, in particular for electronics. Consumer policy will help to empower consumers to make informed choices and play an active role in the ecological transition. New business models based on renting and sharing goods and services will play a role as long as they are truly sustainable and affordable.

Reliable, comparable and verifiable information also plays an important part in enabling buyers to make more sustainable decisions and reduces the risk of ‘green washing’. Companies making ‘green claims’ should substantiate these against a standard methodology to assess their impact on the environment. The Commission will step up its regulatory and non-regulatory efforts to tackle false green claims. Digitalisation can also help improve the availability of information on the characteristics of products sold in the EU. Public authorities, including the EU institutions, should lead by example and ensure that their procurement is green. The Commission will propose further legislation and guidance on green public purchasing.

A sustainable product policy also has the potential **to reduce waste significantly**. New business models, processes and technologies can emerge from a closer integration across value chains, in which waste and emissions can be avoided or transformed into valuable resources for new innovative processes and industries. Where waste cannot be avoided, its economic value must be recovered and its impact on the environment and on climate change avoided or minimised. This also requires reviewing EU legislation, including exploring targets and measures for tackling over-packaging and waste generation. In parallel, EU companies should benefit from a robust and integrated single market for secondary raw materials and by-products. This requires deeper cooperation across value chains, as in the case of the Circular Plastics Alliance. The Commission will consider legal requirements to boost the market of secondary raw materials with mandatory recycled content. The Commission is of the view that the EU should stop exporting its waste outside of the EU and will therefore revisit the rules on waste shipments and illegal exports.

The industry needs access to resources to fuel the transition towards climate-neutrality, but we need to address challenges related to this. From 1970 to 2017, the annual global extraction of materials tripled and it continues to grow². About half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress come from resource extraction and processing of materials, fuels and food. The EU’s industry has started the shift but still accounts for 20% of the EU’s greenhouse gas emissions. It remains too ‘linear’, and dependent on a throughput of new materials extracted, traded and processed into goods, and finally disposed of as waste or emissions. Only 12% of the materials it uses come from recycling³.

² [Global Resources Outlook 2019](#): Natural Resources for the Future We Want: The International Resource Panel.

³ https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=cei_srm030&plugin=1

Access to resources is also a strategic security question for Europe's ambition to deliver the Green Deal. Ensuring the supply of sustainable raw materials, in particular of critical raw materials necessary for clean technologies, digital, space and defence applications, by diversifying supply from both primary and secondary sources, is therefore one of the pre-requisites to make this transition happen.

EU industry needs 'climate and resource frontrunners' **to develop the first commercial applications of breakthrough technologies** in key industrial sectors by 2030. Priority areas include clean hydrogen, fuel cells and other alternative fuels, energy storage, and carbon capture, storage and utilisation. As an example, the Commission will support clean steel breakthrough technologies leading to a zero-carbon steel making process by 2030 and will explore whether part of the funding being liquidated under the European Coal and Steel Community can be used. The European Commission will also ensure that the most innovative results of the Horizon Europe programme are identified and leveraged for delivery of the EU Green Deal. More broadly, the EU Emissions Trading System Innovation Fund will help to deploy such large-scale innovative projects.

Promoting new forms of collaboration with industry and **investments in strategic value chains** are essential. The Commission will continue to implement the Strategic Action Plan on Batteries and support the European Battery Alliance. It will propose legislation in 2020 to ensure a safe, circular and sustainable battery value chain for all batteries, including to supply the growing market of electric vehicles. The Commission will also support other initiatives leading to alliances and to a large-scale pooling of resources, for example in the form of Important Projects of Common European Interest, where targeted time-bound State aid can help build new innovative value chains.

The **regulatory framework for batteries** will be updated to bring it up to speed with market realities. A number of sustainability requirements addressing the entire lifecycle of batteries (from cradle to grave, and back) are being considered, from the responsible sourcing of raw materials to carbon footprint declaration and to design for reuse and recycling requirements, as well as reviewed levels of collection and recycling for waste batteries.

Digital technologies are a critical enabler for attaining the sustainability goals of the Green deal in many different sectors. The Commission will explore measures to ensure that digital technologies such as artificial intelligence, 5G, blockchain, cloud and edge computing and the internet of things can accelerate and maximise the impact of policies to deal with climate change, circular economy and protection of the environment. These technologies can accelerate the integration of electricity from renewables in Europe’s energy markets and induce customers to save energy. Digitalisation also presents new opportunities for distance monitoring of air and water pollution, or for monitoring and optimising how energy and natural resources are used. At the same time, Europe needs a digital sector that puts sustainability at its heart.

The Commission will also propose a new **digital strategy** with measures to improve the energy efficiency and circular economy performance of the sector itself, from broadband networks to data centres. The Commission will ensure that EU legislation encourages green ICT purchasing by public and private customers and that regional and local communities benefit from the move to a circular economy. The Commission will aim for all public procurements of ICT solutions in Europe to be green by 2030. This is envisaged as a combination of possible legislative measures and promotion measures on local and national levels. The Commission will assess the need for more transparency on the environmental impact of electronic communication services and software, more stringent measures when deploying new networks. In addition, as part of the Circular Economy Action Plan focus area on electronics, the Commission will address pressing circularity gaps of electronic devices, starting from the flow of information within the value chain, through eco-design measures, the effective introduction of common chargers, finishing with improving treatment of electronic waste, by, among others, supporting ‘take-back’ schemes to incentivise people to return their unwanted devices such as mobile phones, tablets and chargers.

A strong and competitive European industry is essential for ensuring the transition to climate neutrality of industrial sectors themselves and for providing key components of green products of the future. We need industries, including SMEs, to take their role in this transition. An integrated industrial strategy will aim to enable European businesses – big and small – to innovate and develop clean solutions while creating new markets.

Questions for discussion:

- How to achieve the European Green Deal while improving competitiveness and grasping the opportunities from the green and digital transformation?
 - What role do you see for the energy-intensive industries in the Green Deal and the new industrial strategy? What should the EU and Member States do to create a well-functioning and enabling framework?
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