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From: Trio Presidency
To: Working Party on Competitiveness and Growth (High Level)
Subject: How to ensure a clean and competitive Europe – discussion in view of the
upcoming Clean Industrial Deal
– Discussion paper

Delegations will find in Annex a Trio Presidency paper on “How to ensure a clean and competitive Europe - discussion in view of the upcoming Clean Industrial Deal”, in view of the discussion at the Working Party on Competitiveness and Growth (High Level) on 13 February 2025.

High Level Group on Competitiveness and Growth – Meeting of 13 February 2025

How to ensure a clean and competitive Europe – discussion in view of the upcoming Clean Industrial Deal

Discussion Paper

1. Introduction

Complementing the European Green Deal with an adequate competitiveness agenda is necessary to ensure a clean and competitive Europe. Europe's ambition to be a leader in the green transformation by 2050 requires creating a business case for companies to invest in clean energy technologies and infrastructure. Policy measures must support both competitiveness and sustainability in the industrial sector, contributing to the prosperity of the EU citizens and making economic sense for businesses.

Since 1990 the European Union has proven that the decoupling of economic growth and greenhouse gas emissions is possible while creating high-quality jobs. Nevertheless, some of Europe's flagship industries are the most vulnerable in the phase of twin transition such as the steel, metal, chemicals and automotive¹. They noted a significant drop in their global market share due to growing competition from manufacturers from third countries, in particular from China.

¹ [European Commission](#), Competitiveness Compass, COM(2025) 30 final.

Ahead of the start of the new Commission's mandate, European business and trade union representatives endorsed the Antwerp Declaration, calling for an Industrial Deal. Afterwards, the European Council adopted conclusions in April 2024, building on the existing 2020 EU industrial strategy and its 2021 update. The European Council stressed the need for a new competitiveness deal as an integrated approach across all policy areas that would increase productivity and sustainability, build an innovative and resilient economy and advance Europe's social model. Later, the Council's conclusions on the future of industrial policy in May 2024 focused on improving innovation, access to finance and the business environment for manufacturers. In addition, the Budapest Declaration on the New European Competitiveness Deal, agreed in November 2024 by the Leaders of the European Union, called for enhancing the European Union's global economic position through targeted reforms and initiatives, drawing particular attention to traditional industries in transition.

The Council and our leaders' voices should be reflected in the upcoming Clean Industrial Deal. This is going to be a key initiative to make business much more manageable and to create a conducive environment to build, produce, and innovate across Europe.

2. Obstacles to Economic Activity in Industrial Decarbonization

To provide industry with clarity and predictability and to continue the transition towards a decarbonised economy, there is an urgent need to:

- eliminate regulatory and administrative barriers to economic activity in the EU,
- boost massive investments in decarbonisation,
- ensure adequate infrastructure,
- counteract unfair competition from third countries,
- improve access to finance and skilled labour, and facilitate the supply of raw and secondary materials and energy at competitive prices.

Regulatory and Administrative Barriers

Companies perceive the regulatory burden in Europe as too heavy, with 32% of EU firms identifying regulations as a “major obstacle” to their investment activity². Lengthy and unpredictable permitting procedures combined with divergent national standards delay projects, inflate costs, and create investment uncertainties, e.g. in critical raw materials mining, renewable energy generation and clean tech innovation. They also slow down scaling-up efforts, e.g. governing inverters and wind turbine designs with divergent national standards or imposing restrictions on essential substances, like in the REACH Regulation.

Investments

A critical innovation gap further weakens the EU’s position. Limited venture capital and the stagnation in investments in R&D compared to global competitors³ undermine the ability to develop and scale up clean technologies. For instance, the EU's early-stage venture capital share in hydrogen technologies has fallen drastically, from 65% globally (2015-2019) to just 10% (2020-2022). Public funding is not sufficiently leveraging private capital, and the EU can lose its attractiveness as a leading global investment destination where risk and entrepreneurship are rewarded.

Infrastructure

Europe needs capacities which correspond to the needs of the twin transition. Currently, digital (e.g. fibre network, 6G, cloud, quantum, cybersecurity), transport (e.g. charging stations), energy (e.g. electricity grids, storage), research (e.g. AI, biotech, circular), and financial (stock markets, funds) infrastructure in the EU remain a significant bottleneck to swift the twin transition. Inadequate production capacities (e.g. for microelectronics, energy-intensive industries, clean tech sectors) require also huge upscaling efforts.

² 2025 Annual Single Market and Competitiveness Report, COM(2025) 26, p. 9.

³ European Commission, Key Performance Indicators (KPIs) accompanying the document The 2025 Annual Single Market and Competitiveness Report, p. 4.

Skills and Labour Shortages

The clean technology sector faces acute skills shortages, with job vacancies doubling since 2019. A lack of harmonised certifications for workers and insufficient reskilling efforts hamper progress. This deficit impacts both manufacturing and complementary activities such as installation and maintenance. Decarbonisation requires new and suitable skills. Mismatches between skills supply and demand is aggravated by the ageing of the EU population. More young people need a STEM (science, technology, engineering, and mathematics) education background to cope with the requirements of the twin transition.

Challenges arising from policies of third countries

Foreign subsidies and trade barriers place EU industries at a disadvantage. China's comprehensive industrial strategy, combining subsidies and export dominance, outpaces fragmented EU efforts. A critical obstacle is the higher operating and capital costs for clean technologies in the EU compared to competitors like China. New production facilities in the EU are up to 130% more expensive due to higher costs for raw materials, energy, labour, and longer permitting processes⁴. The reliance on imports and surging prices in the EU economy exacerbates the situation, particularly in clean technologies like wind turbines, solar photovoltaics, and batteries.

US policy also remains a challenge for the EU. Before, it was the US Inflation Reduction Act (IRA) that provided streamlined and substantial financial incentives, contrasting with the EU's less generous and more bureaucratically complex mechanisms. Currently, the challenges revolve around the new US economic policy.

⁴ Mario Draghi report on “The future of European competitiveness”.

3. Barriers to access to resources (capital, labour, energy, raw materials)

During the discussion at the HLG meeting on 13 February, we would like to pay special attention to the obstacles related to the following critical inputs on the industry path to decarbonisation: access to finance, labour, energy, and raw materials. Limited resources for innovation and production are one of the three main competitiveness barriers identified in the PL-DK-CY trio HLG work programme. Restricted access to input, including public and private investments, raw materials, stable and affordable energy, infrastructure and skills, heavily influence the economic performance of our companies.

Access to Capital

According to the Mario Draghi report “The future of European competitiveness” access to finance is one of the key challenges hampering the green transition of European industries in Europe. Although it is a broadly recognised issue, some challenges remain to be addressed, such as limited access to credit for start-ups and scale-ups, which often struggle to obtain loans from traditional financial institutions, the high cost of capital, which hampers innovation activities, uneven access to capital, and a fragmented regulatory framework with companies from some Member States facing more difficulties than others.

Draghi emphasises in his report that the private sector will not be able to bear the lion's share of financing investment without public sector support. One potential source of financing is the EU funds directly managed by the European Commission. They account for around 20% of the EU budget 2021-2027. However, the share of companies varies greatly between Member States, and the main obstacles, mainly for small and medium-sized enterprises (SMEs), include difficulties in applying, networking and going through the complex administrative processes which may result in the risk that financing is only provided to an incumbent group of beneficiaries who know how to apply for funding or can afford to hire consultants.

We should also pay particular attention to the state aid framework. The European Court of Auditors, in its report "State Aid in Time of Crisis", underlined that the Commission reacted fast when introducing the temporary state aid framework but did not adequately monitor state aid, and that the framework for achieving EU industrial policy objectives was inconsistent. The average value of state aid granted by all EU Member States jointly each year in 2020-2021 was EUR 327.5 billion, almost three times higher than the average annual value of public aid in 2015-2019, which was only EUR 113.5 billion. This year's Single Market and Competitiveness Scoreboard includes a new indicator that compares the dispersion of state aid with the dispersion of GDP in the EU. It shows that state aid has become more unevenly distributed among Member States over the past 10 years, indicating an increased risk of fragmentation in the Single Market.

Labour

The economy that serves the people is at the heart of our approach. An overarching goal when boosting our competitiveness, innovativeness, and productivity is maintaining the ability to finance our social model and provide high-quality jobs for our citizens. Promisingly, in 2019, approximately 17% of the jobs in the EU were classified as green jobs.

To this end, it is crucial to equip Europeans with the skills they need to participate in the twin transition. Skills are the dimension where technological change and social inclusion go together most evidently. However, with around 40% of Europeans lacking these skills, the skill gap remains a challenge. Additionally, nearly two-thirds (63%) of small and medium-sized businesses report that they cannot find the talent they need. The Commission has identified 42 occupations with shortages in skilled labour.

Adapting vocational training and higher education to support the green and digital transitions requires the identification of future skills needs, including identifying new occupational profiles, occupational needs and skills gaps. Monitoring the transition of learners into the labour market can help to inform, for example, the occupational fit and relevance of acquired skills. The provision of up-to-date and relevant content in vocational training and higher education is essential due to changes in occupational profiles and the emergence of new occupations due to the twin transition. Vocational training and higher education should, where appropriate and in full compliance with institutional autonomy and academic freedom, be revised accordingly, with the creation of new qualifications or the integration of green and digital skills into existing qualifications.

Energy

High and volatile energy costs in Europe are a severe and pressing problem weighing on European competitiveness significantly. A double price shock driven first by the post-COVID economic reopening and then the gas supply crisis caused by Russia pushed prices of gas and electricity to record-breaking levels, which later significantly receded and stabilised, albeit at still very high levels, in particular in countries less advanced in the energy transformation due to a disadvantageous starting point. EU companies still face electricity prices 2 to 3 times more than those in the US, and natural gas prices are 4 to 5 times higher than in the US. Worsening energy price disparity between the EU and third countries with better access to energy commodities or a less ambitious climate policy erodes European companies' global competitiveness. It is a key factor fuelling risks of carbon leakage and deindustrialisation. Around half of the European companies see energy costs as a significant impediment to investment. Energy-intensive industries are affected particularly severely, as their competitive disadvantage results in a declining market share globally and in the Single Market. At the opposite end of the spectrum, high energy prices threaten the survival of SMEs, which cannot absorb increased costs and unpredictability. High energy prices hinder our economy's ability to implement larger-scale energy-intensive disruptive technologies such as AI and Big Data.

High energy costs -more than double those in competing regions - deter energy-intensive manufacturing. This has a negative impact on the costs of materials like polysilicon and wafers, which are essential for clean energy technologies, and inputs like cement or batteries, which are indispensable for housing and for the automotive sector respectively. Due to security of supply reasons, EU Member States with abundant and affordable energy tend to have a competitive edge. The source of energy (e.g., nuclear, coal, natural gas, renewables) affects costs and sustainability.

Primary and Secondary Materials

The transition to a decarbonised and digitalised industrial economy depends heavily on the availability and access to critical raw materials (CRMs). Europe's economy is dependent on external sources for CRMs. Although crucial for clean energy technologies, digital advancements, and other industrial processes, significant barriers still impede European companies' access to CRMs, such as the dependence on external sources, the market concentration and geopolitical risks, the volatility in raw material markets, the rising demand for CRMs, barriers to domestic CRM development, limited recycling and circularity as well as the competition for scarce resources in the global race for CRMs.

Currently, the EU produces only 1% to 5% of the materials required for critical technologies, including electrolysers, wind turbines, and batteries. This dependence on imports is particularly pronounced in the refining and processing stages, where China dominates with market shares ranging from 35% to 70% for key minerals such as lithium, cobalt, and nickel. Market concentration hampers diversification efforts.

The demand for CRMs will increase exponentially as decarbonisation efforts intensify. It is driven by the growing deployment of clean energy technologies, with projections indicating a four- to six-fold increase in mineral demand by 2040.

Changing waste into a secondary raw material by incentivising its circular use also presents an opportunity to reduce CRM dependencies and enhance resource efficiency. However, the EU's circular economy efforts remain underdeveloped. The challenges in recycling CRMs include high costs, the limited quality of recyclates, and logistical barriers to collecting and processing waste materials. Additionally, the lack of a harmonised framework for managing secondary CRM markets further limits progress.

The European Commission's DG GROW Chief Economist Team prepared a survey-based analysis "Obstacles to Economic Activity in the EU", which you can find in document ST 5600/25 ADD 1. It provides more details on the barriers we mentioned above.

4. Finding solutions to the existing input obstacles

The Competitiveness Compass⁵ published on 29 January 2025 names a range of initiatives which should build a joint roadmap for decarbonisation and competitiveness. It includes: Clean Industrial Deal and an Action Plan on Affordable Energy, Industrial Decarbonisation Accelerator Act, Electrification Action Plan and European Grids Package, New State Aid Framework, Steel and metals action plan, Chemicals industry package, Strategic dialogue on the future of the European automotive industry and Industrial Action Plan, Sustainable Transport Investment Plan, European Port Strategy and Industrial Maritime Strategy, High Speed Rail Plan, Carbon Border Adjustment Mechanism Review, Circular Economy Act, Amendment of the Climate Law.

Together with the Competitiveness Compass, the Annual Single Market and Competitiveness Report was published⁶. It presents an analytical context for the Clean Industrial Deal (CID). The CID will have to tackle certain political dilemmas while addressing key obstacles to economic activity on the EU industries' competitive path to decarbonisation in the area of access to resources.

Considering those dilemmas, we would like to focus on two aspects: access to finance and targeted measures regarding input obstacles dedicated to particular sectors.

While the upcoming proposal on a European Savings and Investment Union will take necessary steps to foster greater mobilisation of private sector resources, the CID will cover proposals on the state aid framework which will be supportive for energy-intensive companies in their efforts to switch to clean technologies. The possible dilemmas may relate to the need of balanced and effective state aid rules which safeguard the level playing field and allow for avoiding any risk of fragmentation and market distortions as well as to the ways of simplifying and accelerating the state aid notification procedures. Political dilemmas may relate also to public procurement which is a key tool for distributing public funds within the European Union. According to Enrico Letta, it is necessary to simplify processes, enhancing SMEs participation, and align procurement more closely with strategic objectives, such as green transition.

⁵ [European](#) Commission, Competitiveness Compass, COM(2025) 30 final.

⁶ 2025 Annual Single Market and Competitiveness Report, COM(2025) 26.

The Competitiveness Compass also confirms the Commission's intention to present targeted measures, complementing the horizontal policy toolbox, dedicated to specific industries. It follows the logic that each industry has different needs and some of them need tailor-made solutions, considering the current difficult circumstances. The Commission President Ursula von der Leyen has already launched a strategic dialogue on the future of the European automotive industry and tasked Executive Vice-President Stéphane Séjourné with proposing a steel and metal action plan. The Compass also mentions "tailor-made action plans" for some energy-intensive industries which will be presented following the publication of the CID. All the plans dedicated to selected sectors will have to consider numerous political dilemmas regarding their path towards decarbonisation while enhancing their competitiveness.

The market reality has put into question the chosen means towards reaching our climate goals, and we must discuss the way forward. To this end, we invite you to such a debate during the HLG meeting on 13 February, to look into the upcoming initiatives, including the Clean Industrial Deal, to identify the challenges these initiatives must address, and the sectors most urgently need tailor-made solutions.

Questions for discussion

- Which challenges regarding access to finance should be addressed in the Clean Industrial Deal, and what solutions would be appropriate to ensure access to financial resources to help the industry decarbonise while maintaining and boosting competitiveness?
- Which additional sectors, other than the ones already announced by the Commission, need specific measures to be presented following the publication of the Clean Industrial Deal (e.g. a dedicated action plan) to address the main input obstacles, enhance their decarbonisation and competitiveness?