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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
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Subject:	Environmental dimension of the Clean Industrial Deal – Exchange of views

1. To guide the exchange of views on the abovementioned topic at the meeting of the Council (Environment) on 27 March 2025, the Presidency has prepared the attached note and questions for Ministers.

2. The Permanent Representatives Committee is invited to take note of the Presidency note and questions and forward them to the Council for the exchange of views.

ANNEX

Environmental dimension of the Clean Industrial Deal

- Exchange of views -

Introduction

The European Council, in its conclusions of April 2024[1], called for a new European competitiveness deal. This call was reiterated in the Budapest Declaration on the New European Competitiveness Deal, adopted by EU leaders in November 2024. In accordance with the Political Guidelines 2024-2029 and inspired by the findings of the reports by Enrico Letta and Mario Draghi, on 29 January 2025 the European Commission published its Communication 'A Competitiveness Compass for the EU'[2]. The Communication outlines a range of initiatives aimed at closing the innovation gap, building a joint roadmap for decarbonisation and competitiveness, and for reducing excessive dependencies and increasing energy independence and economic security.

The Communication 'The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation' (CID)[3], published by the Commission on 26 February 2025, is one of the flagship initiatives listed in the Competitiveness Compass. The CID aims to position the EU as a competitive and attractive hub for manufacturing by promoting clean technologies and circular business models.

A joint competitiveness and decarbonisation plan

In this era of rising geopolitical tensions, slow economic growth and technological competition, the EU urgently needs to present its industry with a solid business case for investments in decarbonisation and address challenges of the clean tech sector and energy intensive industries. The EU's goal of becoming a climate-neutral economy by 2050 needs to be accompanied by a predictable framework for industries that ensures their competitiveness and strengthens economic resilience.

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1 EUCO 12/24.
2 5785/25.
3 6515/25.

The CID outlines actions to turn decarbonisation into a driver of growth for European industries by ensuring its solid integration with industrial, competition, economic and trade policies. To build a business case, six drivers have been identified regarding affordable energy, lead markets, financing, circularity and access to materials, global markets, and international partnerships and skills.

As regards access to **affordable energy** and building on the Affordable Energy Action Plan[4], the CID stresses, inter alia, the importance of renewable energy rollout, the promotion of power purchase agreements and contracts for difference, and a continued focus on permitting, including in industry.

To create **strong lead markets** for European clean technologies and decarbonised products, concrete measures are needed on both the supply and the demand side. Industrial carbon management can help to decarbonise production processes in industrial sectors that are important for the European economy, complementing other decarbonisation efforts. The EU already has several policies in place to support the capture of CO_2, including under the ETS Directive[5] and the CCS Directive[6]. In addition, to accelerate carbon capture and storage projects, the Net Zero Industry Act[7] sets an EU-level objective of reaching 50 million tonnes of annual CO_2 storage capacity by 2030. Furthermore, by establishing EU quality criteria and laying down monitoring and reporting processes, the CRCF Regulation[8] is expected to incentivise investment in innovative carbon removal technologies. However, the EU will need to significantly scale up efforts to reap the full potential of industrial carbon removal technologies.

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4 6601/25.

5 Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

6 Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114).

7 Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724 (OJ L, 2024/1735, 28.6.2024).

8 Regulation (EU) 2024/3012 of the European Parliament and of the Council of 27 November 2024 establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products (OJ L, 2024/3012, 6.12.2024).

The implementation of the Industrial Carbon Management Strategy[9] is expected to facilitate the development of a **market for captured carbon and permanent carbon removals** and support the use of captured carbon in a broader range of products. The upcoming Industrial Decarbonisation Accelerator Act will propose a voluntary carbon intensity label for industrial products, starting with steel. Together with the review of the Public Procurement Framework, it will also propose specific criteria aimed at increasing market demand for decarbonised products with European preference criteria. The Commission will also start work on simplifying and harmonising **carbon accounting methodologies** to support the development of clean products.

The clean transition requires **significant investment**, and in addition to financing from public sources, mobilising private capital will be crucial. The Commission will propose the establishment of an Industrial Decarbonisation Bank aiming to mobilise EUR €100 billion, based on funding from existing Innovation Fund resources and additional revenues from parts of the ETS, and also leveraged from InvestEU and voluntary Member State resources. It will be based on a competitive selection, including through carbon contracts for difference, while ensuring a fair distribution of support across Member States.

An effective Carbon Border Adjustment Mechanism (CBAM) is paramount to **protecting EU industries covered by the EU ETS** from unfair competition and ensuring **a global level playing field** while **incentivising global carbon pricing**. The proposal for a Regulation simplifying and strengthening the Carbon Border Adjustment Mechanism[10] will be followed later in 2025 by a comprehensive review of the functioning of the CBAM, which will assess whether it should be extended to additional sectors and downstream products and consider the issue of carbon leakage in exported goods.

The CID's objective of achieving decarbonisation while strengthening competitiveness requires ensuring **regulatory predictability for industries**. Therefore, the EU must ensure that environmental instruments, rules and financing are designed and revised well in a manner that is predictable for European industries, in order to protect investments and enable long-term business planning.

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9 6306/24.

10 6609/25.

Circularity at the core of decarbonisation

The **transition to a circular economy** not only brings environmental benefits and supports decarbonisation, it can also **reduce the EU's dependence** on external suppliers of raw materials and improve the affordability and accessibility of essential materials. The recycling and remanufacturing sector in Europe is growing quickly: it is estimated that the European remanufacturing market's circular potential will grow from its current value of EUR 31 billion in 2022 to EUR 100 billion by 2030, creating 500 000 new jobs.

A **broad regulatory framework has recently been put in place** to boost circularity and facilitate the management of waste as a resource within Europe. The Ecodesign for Sustainable Products Regulation[11] aims to improve the circularity, energy performance, recyclability and durability of products placed on the EU market by setting ecodesign requirements, potentially for almost all physical products. In addition, recent product-specific legislation, including the Batteries Regulation[12] and the Regulation on Packaging and Packaging Waste[13], have set mandatory recycled content targets for various materials, while also ensuring that the products put on the EU market are highly recyclable. Finally, the Critical Raw Materials Act[14] contains measures to improve the collection and recycling of waste rich in critical raw materials. This is complemented by the recent revision of the Waste Shipments Regulation[15], which aims to significantly facilitate the transport of waste destined for recycling within the EU while restricting the export of waste outside the OECD in order to prevent the loss of valuable secondary materials.

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11 Regulation (EU) 2024/1781 of the European Parliament and of the Council of 13 June 2024 establishing a framework for the setting of ecodesign requirements for sustainable products, amending Directive (EU) 2020/1828 and Regulation (EU) 2023/1542 and repealing Directive 2009/125/EC.

12 Regulation (EU) 2023/1542 of the European Parliament and of the Council of 12 July 2023 concerning batteries and waste batteries, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC.

13 Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste, amending Regulation (EU) 2019/1020 and Directive (EU) 2019/904, and repealing Directive 94/62/EC.

14 Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020.

15 Regulation (EU) 2024/1157 of the European Parliament and of the Council of 11 April 2024 on shipments of waste, amending Regulations (EU) No 1257/2013 and (EU) 2020/1056 and repealing Regulation (EC) No 1013/2006.

Nevertheless, the transition towards a circular economy remains hampered by **bottlenecks in the markets for circular products and materials**. It is therefore necessary to stimulate the market by boosting both the supply of quality recyclates and the demand for secondary raw materials. The Commission proposes, in the CID, to address this issue through a combination of legislative measures – the adoption of a Circular Economy Act – and other initiatives such as the establishment of a Critical Raw Materials Centre and Trans-Regional Circularity Hubs.

Questions to ministers:

– Do you think the actions proposed in the Clean Industrial Deal can sufficiently support EU industries to stay competitive and undergo a transition to net zero? Do you see any additional actions as necessary?

– How do you see the contribution of the Innovation Fund and the envisaged Industrial Decarbonisation Bank to those objectives?

– What challenges and barriers remain on the path towards a circular European economy? Are there gaps in legislation that should be addressed to scale up reuse, remanufacturing and recycling, and in order to create a thriving market for secondary products and materials?