

Clean Industrial Deal

– requests from Swedish Enterprise

The European Commission is currently developing an overarching description of the Clean Industrial Deal (CID), a major initiative to enhance both the competitiveness of businesses and the green transition. The Confederation of Swedish Enterprise considers it crucial that upcoming initiatives harness the strong momentum for transformation currently taking place within the business sector and create favourable and long-term conditions for this to occur on market-based terms and according to the premises of the companies. Europe should not waver in the belief that the green transition is a long-term competitive advantage, but it needs to be implemented with a greater focus on business conditions.

1. **The EU and Member States** should be committed to act decisively to ensure Europe's long-term competitiveness, prosperity and leadership on the global stage.
2. **The Clean Industrial Deal** should go hand in hand with a continuation of the ambitious EU climate policy and the process of establishing the upcoming 2040 climate targets should be an integrated part of the Clean Industrial Deal.
3. **Europe's ability to mobilise** more private investments in necessary decarbonized power generation, essential infrastructure and business solutions to reduce emissions will be central to reaching the Net-Zero target. Measures that improve framework conditions for investments in general are fundamental to improve the European business environment and to attract private investments. This needs to be the primary focus.
4. **Public financing must be limited** to market failures, targeted, time-limited and carefully monitored to mitigate distortions of competition and preserve a level playing field in the single market. We reject the use of a matching clause in state aid rules.
5. **The Clean Industrial Deal** needs to incorporate actions to align with the EU Single Market Strategy and eliminate regulatory incoherence, conflicting objectives, and unnecessary complexity in legislation and over-reporting.
6. **The EU needs to address** the energy cost differential between the EU and major competitors structurally, bearing in mind the principle of technology neutrality and a systemic approach to energy policy.
7. **We support the further exploration** of Clean Trade and Investment Partnerships as a way of enabling diversification of supply of key raw materials and minerals.

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The CID must ensure continued EU ambitions for the green transition

The Clean Industrial Deal should go hand in hand with a continuation of the **ambitious EU climate policy** and the process of establishing the upcoming 2040 climate targets should be an integrated part of the Clean Industrial Deal. The main focus of the process in establishing the 2040 climate targets should be on ensuring that the EU has the right policy prerequisites for reaching the targets. These prerequisites include e.g. access to fossil free energy at competitive prices, efficient permitting processes, cost-efficient climate policy measures.

Research and Innovation (R&I) should be considered a cornerstone of the Clean Industrial Deal (CID), warranting prioritized actions and funding to support the achievement of CID goals and enhance competitiveness. Concerted R&I efforts should be developed in close collaboration with business and industry stakeholders, grounded in market needs to maximize impact. Additionally, incentives for both public and private investments should be considered to facilitate these efforts effectively.

Energy policy

The EU's **high energy costs** are impediments to growth and competitiveness of European companies, in particular for the energy-intensive industries. The EU therefore must pave the way for new investments in cost-efficient fossil free energy supply to ensure competitiveness while keeping a systemic approach.

A **technology-neutral approach** is essential in this respect to find the most cost-efficient alternatives to accelerate the decarbonisation of the European energy supply. In this context, we welcome the Draghi report's clear recommendation to maintain the existing nuclear supply in Europe, as it is a cost-efficient and fossil free source of power generation.

The continued evolution of the **Energy Union** will necessitate the development of a governance system that addresses key cross-border energy topics with a coherent systemic approach, e.g. finding a balance between the objectives of increasing build out of interconnectors with Member States' responsibility for dispatchable generation and their optimal design of bidding zones.

The **marginal pricing system** should be maintained while the EU at the same time addresses the fact that, while the EU has been increasing its share of renewable electricity production, natural gas and other fossil fuels

continue to set the prices for the electricity to a very high degree.

National price relief interventions in energy markets should be limited to extreme situations, such as the developments after the Russian invasion of Ukraine. In principle however, they should not be a general measure as interventions of this kind risk distorting the internal market and create less efficient energy markets.

Investing more of the **ETS revenue stream** in energy intensive industries is positive if the relationship between those who are required to buy ETS allowances and those who benefit from the ETS revenue stream is strengthened. The focus here should however be on CAPEX rather than OPEX and measures should be time-limited, based on competition and excellence with ex-post evaluation.

An Industrial Decarbonisation Accelerator Act

Further improvements of **permit procedures** are long awaited. The increased ambitions in the Net-Zero Industry Act should be widened to also incorporate other parts of industry, energy-intensive industry included, as well as energy infrastructure and energy production facilities. We meanwhile caution against focussing only on certain projects, but rather on enabling conditions for entire value chains. Achieving considerable improvement would also require a review of EU-legislation that forms a part of the permitting process, for instance the water framework directive. National implementation must also be verified to ensure harmonization.

It is crucial to safeguard a **strict state aid framework**. We believe that the temporary regulations should be phased out according to the current plan. Any changes to support CID should be implemented in the GBER and CEEAG through a regular consultation process. If the temporary rules are nevertheless extended, we consider it important that investments in all fossil-free technology are included. It is important that the rules are long-term, predictable and do not deviate from the purpose of state aid modernization - to streamline state aid supervision and enable the EU Commission to focus on the larger cases. We discourage against the use of a matching clause in state aid rules, as it leads to a state aid race where states can be played against one another, creating destructive incentives and distortions of competition.

Further steps towards a circular economy

While the single most important action to further **boost the circular economy** within the EU is to ensure the swift implementation and enforcement of existent legislation, additional measures should also be considered. Fostering large-scale flows of secondary material across borders is imperative to spur innovation, investments and to make best use of comparative advantages in for instance recycling technologies and infrastructure. Concrete measures would be harmonising EPR-systems, developing more EoW-criteria, evaluating and potentially revising the waste hierarchy, and optimising rules on waste shipments. Substantial investments in R&D are also needed, not least in ecodesign and innovative recycling technologies, as are efforts to ensure a functioning market surveillance in the entire EU.

There is an urgent need to **revise REACH** with the overarching ambition to modernise and simplify the rules to boost the competitiveness of European chemical producers and users. Efforts should also be made to harmonise the implementation and remove national chemical regulations that constitute market obstacles. Additionally, substantial investments are needed in the field of chemical substitution and new innovative, circular chemicals, as are efforts to promote an effective surveillance at both European and national levels.

Clean Trade and Investment Partnerships

Most raw materials and minerals for the green and digital transitions are neither mined nor refined in Europe, and recycling efforts are only nascent. The EU must make sure that it has the access it needs of these commodities to support the twin transitions.

Access to raw materials and minerals should be improved through diversification. To address the issues of EU being overly dependent on a few countries on

critical and strategic raw materials and minerals, the EU should explore the opportunity to enter into negotiations for Clean Trade and Investment Partnerships with resource-rich and willing countries. Technical assistance, attractive financing as well as development assistance, when appropriate, may be used to assist countries extract and refine their resources in a sustainable manner. This can serve to create new trade relations and benefit both the EU and the partner countries.

To facilitate **trade in clean tech**, both for goods and services, the EU must pursue a pragmatic and speedy approach to strengthen trade and collaboration between the EU and third countries (as well as, when possible, sub-national entities) with ambitious climate and environmental policies. Issues to be explored should be tariff liberalization of goods used in clean tech, liberalization of services necessary for the development and deployment of clean tech, investment facilitation as well as tackling non-tariff barriers in these sectors. The EU must always make sure such partnerships are WTO-compatible and do not raise barriers to trade with the outside world.

If there is value added of doing so, the EU should **explore joint trade and investment promotion** activities in the clean tech sector with relevant countries. For some large cleantech projects, with pan European business participation, traditional member state promotion may not be enough to counter offers of other big global players. In an increasingly geopolitical context it is important to show that the EU is a credible and important partner.

The opportunity to **link the EU ETS** with other countries emission trading systems should also be explored. By doing so, CBAM will become less of a trade obstacle.

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