

Brussels, 25 May 2023

Orgalim position and recommendation to the Net-Zero Industry Act

Executive summary

Europe's technology industries provide the high-tech solutions that will enable a more sustainable, circular and decarbonised economy in Europe. We welcome the EU's ambition for the Net-Zero Industry Act to scale up domestic manufacturing of clean technology to boost the net-zero transition. However, it is vital to recognise that the current and future technologies needed to reach net-zero go beyond those needed for clean energy and that, to ensure their competitiveness, other measures besides faster permitting will be required.

Introduction

On 16 March 2023, the European Commission published a proposal for a Net-Zero Industry Act, which is, together with the Critical Raw Materials Act, a centrepiece of its Green Deal Industrial Plan.

Overall, we are concerned about the risk of de-industrialisation and loss of competitiveness that Europe is facing, notably due to a rapidly increasing regulatory burden and higher energy cost compared to other major economies. We therefore welcome the political attention given to strengthening the EU's industrial base and the recognition that a strong manufacturing base is a precondition for reaching climate neutrality. Action to ensure more favourable conditions for the manufacturing of net-zero and innovative net-zero technologies is one of the urgently needed measures. However, it is vital to recognise that the technologies necessary to reach net-zero go beyond those needed for clean energy.

A systemic, market-based and technology-neutral approach is necessary to ensure that all technologies that can contribute to the net-zero objective are given optimal regulatory conditions, such as electrification, advanced manufacturing and digital technologies which allow industry to use less energy and fewer resources. These efficiency

gains are not only vital for a realistic path to net-zero, but will at the same time also unlock new growth opportunities across industrial sectors.

Otherwise, we are at risk of selecting few technologies in a fast-developing market – without even having conducted a prior thorough impact analysis – and potentially causing harm in terms of misallocation of resources needed for other economic activities. That is why a bold initiative ensuring competitiveness for all technologies contributing to the net-zero objective is needed. Industrial value chains are not linear, but rather networks which cannot be definitively classified as “net-zero” without the risk of discrimination and misallocation of resources.

The way forward to advance the transition to net-zero industry

We recognise that the Net-Zero Industry Act is part of a broader EU response to the US Inflation Reduction Act and the energy crisis. As such, it aims to boost the competitiveness of clean tech manufacturing in the European Union by 2030 by improving investment certainty, setting clear objectives, lowering the administrative burden for developing net-zero manufacturing projects and ensuring demand through facilitated access to markets.

There are elements that we certainly welcome, such as the overall mid-term ambition to boost the competitiveness of clean tech and to drive more investment into Europe’s net-zero manufacturing base, faster and streamlined permit-granting processes, and the focus on regulatory sandboxes. Nevertheless, we are not convinced that enabling conditions regarding administrative and permitting processes as stated in Articles 4, 13 and 14 would be sufficient to meet the EU’s ambitious target of manufacturing 40% of clean tech domestically. Nor are we convinced that such targets¹ are beneficial in the long run as they may distort competition, create displacement effects and lead to a less dynamic European economy. Given that the proposal was released prior to any impact assessment or competitiveness checks, there is no substantiation of the potential of all the chosen measures. More qualitative steps to ensure favourable conditions to strengthen manufacturing capacity in Europe should be considered. For example, this could include limiting administrative and regulatory burdens, avoiding double regulation and reporting, and evaluating national implementation to avoid gold-plating etc.

Another challenge is that benefits such as those related to private investment in Article 14.1 are vague, thereby making their overall impact difficult to assess. Clarifying this point would be of high importance – in particular given that real investment in our industries fell by 3.1% last year and, for this year, we are expecting an even bigger real decline of 7.5%². Additionally, we remain concerned about the current EU budget, which ‘has insufficient possibilities for supporting the objectives of the Net-Zero Industry Act and for ensuring a level-playing field between Member States’, as stated in the Commission’s separate staff working document³.

¹ The Commission fails to explain the reasoning behind choosing a specific 40% target, besides stating that these made-in-Europe technologies should help to achieve the Union’s 2030 climate and energy targets.

² [Orgalim Economics & Statistics Report - Spring 2023](#), 16 May 2023

³ Commission staff working document, [Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity](#), 23 March 2023

More specifically, we recommend to the European Parliament and the Member States to:

- **Consider all enabling technologies needed for the transition to net-zero:** The Act specifies clean technologies considered as '**net-zero technologies**' in Article 3⁴. We welcome that the scope of the Regulation is broader than the 'key' technologies initially indicated in the EU Green Deal Industrial Plan⁵. Nevertheless, the scope should cover all technologies that can contribute to, and enable, climate neutrality; for example, electrification, advanced manufacturing technologies and digital solutions such as sensors, data platforms and AI models.
- **Retain value chain perspective:** The Act should maintain the broad value chain approach in the "selection criteria" of net-zero strategic projects, as defined in Article 10. This would allow the EU to address vulnerabilities in Europe's industrial base, which also exist in the value chain (e.g. components) and to strengthen the longer-term competitiveness of the manufacturing capacity of net-zero technologies in Europe.
- **Regulatory sandboxes and technology infrastructures:** To allow for rapid experimentation and speed up the scaling of technologies and innovation, regulatory sandboxes need to be based on, and accompanied by, investment in technology infrastructures (i.e. test beds, pilot lines etc.). Net-zero regulatory sandboxes should not be limited to the "innovative net-zero technologies" as listed in Article 3 but encompass all technologies along the entire value chain which help industry to reach the objectives set out in the Act.
- **European Net-Zero Industry Academies:** The Act recognises that the development of skills and qualifications is also important for increasing the manufacturing capacity of net-zero technologies, which we welcome. Easier recognition of professional qualifications is a pragmatic and welcome measure which could also be scaled to cover nationals of third countries. However, identifying a few areas to be prioritised can lead to displacement effects and a reallocation of human resources from other areas, which should be avoided.
- **Speed up permitting processes for all net-zero products:** Slow and unpredictable permitting processes are a general challenge for manufactures of net-zero technologies, components and products across industry. It is therefore paramount that national authorities prioritise the speeding up of permitting processes at national level for all net-zero products required for the EU to reach climate neutrality. Preferably, the EU should seek solutions on a systemic instead of a technology specific level and address regulatory barriers, which significantly contribute to slow permitting processes.
- **Reduce regulatory burdens:** Besides clean tech permitting, the cumulative administrative and regulatory burden of existing legislation must be addressed to improve the overall business environment. Comprehensive competitiveness checks, if well designed and consistently used, would also improve future EU legislation, as mentioned in the Long-Term Competitiveness Strategy⁶. We remain deeply concerned about the level of public sector intervention in the market, which undermines the basic principles of a market economy. The Net-Zero Industry Act needs to be accompanied by a fundamental scrutiny of the regulatory framework to ensure an equitable competitiveness boost for all parts of Europe's industrial base.

⁴ Article 3 defines net-zero technologies as follows '*renewable energy technologies ; electricity and heat storage technologies; heat pumps; grid technologies; renewable fuels of non-biological origin technologies; sustainable alternative fuels technologies; electrolysers and fuel cells; advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle, small modular reactors, and related best-in-class fuels; carbon capture, utilisation, and storage technologies; and energy-system related energy efficiency technologies. They refer to the final products, specific components and specific machinery primarily used for the production of those products. They shall have reached a technology readiness level of at least 8*'

⁵ The EU Green Deal Industrial Plan identified batteries, windmills, heat pumps, solar, electrolysers and carbon and capture storage technologies as strategic for reaching climate neutrality.

⁶ [The Long-term Competitiveness Strategy of the EU](#), European Commission, 16th March 2023

- **Involve industry in governance:** The Commission envisages an advisory body, the Net-Zero Europe Platform, to ensure a uniform application of the Regulation throughout the Union, among other tasks. The composition of the Platform remains a problem, as it does not foresee membership of industry stakeholders. Only with active industry engagement will the goals of the Net-Zero Industry Act be achieved.
- **Revise and improve public procurement provisions:** We welcome the provisions on the Most Economically Advantageous Tender criteria in Article 20.1. and agree that price should not be the main criterion for tenders. However, to ensure its effective use, clarification of the proposed provisions to contracting entities is required. Additionally, the inclusion of sustainability-related public procurement provisions in the Act is positive; nevertheless we oppose the resilience criteria proposed in Article 19 and Article 20.2.

These recommendations are reflected in a list of Orgalim proposals for amendments to the Net-Zero Industry Act, that can be obtained upon request.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,906 billion, manufacturing one-third of all European exports and providing 11.19 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.