



DELIVERING THE **NET-ZERO** TRANSFORMATION

A policy agenda for a European high-tech manufacturing base



NO TIME FOR COMPLACENCY

Having put in place the legislative framework for the European Green Deal and the digital transformation, Europe must now shift its attention to implementation: if we are to reach our net-zero goals, the next five years must be about actually delivering the green transition. This is the hard part. Europe will only succeed if it can leverage the full power of the markets, and of its world-class manufacturing base in particular. Lower regulatory burdens and simpler rules will be essential ingredients in achieving this.

The European technology industries that Orgalim represents welcome the political focus on industry's role in achieving the green transition. We are global leaders in the carbon-neutral energy, electrification and clean manufacturing technologies needed to get to net-zero, and we are committed to playing our part.

To date, however, our companies have yet to experience the positive impact of the unprecedented wave of new green and digital legislation. Investment in our industries is declining, just when it should be up, and

an international comparison of economic indicators for manufacturing clearly shows the creeping erosion of the competitiveness of European industry.¹

Unless the EU makes boosting competitiveness a top priority in the upcoming legislative cycle, European manufacturing will continue to lose ground on the global market. This will not only put at risk Europe's net-zero ambitions, but also the standard of living of its citizens. The stakes for Europe's long-term sustainability, prosperity and stability are high.

A radical competitiveness push

That is why we are calling for a new political agenda focused on systematically creating the right framework conditions to unleash the full power of Europe's high-tech manufacturing potential. An agenda that prioritises the essential pillars of the net-zero transformation:

- The electrification of industry and wider society
- The uptake of advanced manufacturing and other enabling technologies
- The entrepreneurial and innovation potential of European industry

As Europe shifts to implementation mode on its far-reaching Green Deal and digital legislative framework, we highlight six fundamental priorities:

1. **Decrease the regulatory burden**
2. **Regain global leadership in research and innovation**
3. **Recommit to the Single Market**
4. **Make digital legislation work for manufacturing industries**
5. **Remove trade barriers**
6. **Ensure competitive and secure energy supply**

As the industries providing the technologies needed for the net-zero transformation, we present this agenda for a strong European high-tech manufacturing base that makes our green, prosperous and resilient future a reality. It is possible, if we work together. But there is no time for complacency.

¹See Orgalim's Autumn 2023 Economics & Statistics Report

1. DECREASE THE REGULATORY BURDEN

The cumulative burden of disproportionate and badly designed regulation is holding back Europe's high-tech manufacturing companies in their race to produce the technology solutions required for Europe to reach net-zero. To ensure regulation can be a competitiveness driver, we ask EU policymakers to:

- Recommit to technology-neutrality in new legislation so that it remains future-proof in a period of rapid technological advances.
- Properly implement existing legislation before adding new requirements.
 - Improve policy coherence across different fields and avoid overlap and double regulation between EU instruments.
- Introduce comprehensive competitiveness checks, both for the legislative proposal and during its adoption, to prevent disproportionate burdens in new legislation.
- Strengthen the use of 'lean' regulation, namely in the form of market-/price-based instruments and approaches such as voluntary agreements or codes of conduct.
- Simplify reporting criteria for companies, keeping in mind the specific reality of mid-sized companies above the SME threshold and of heavily export-dependent businesses whose competitiveness is disproportionately affected by EU rules.



2. REGAIN GLOBAL LEADERSHIP IN RESEARCH AND INNOVATION

Only by playing in the top league on innovation can we ensure that our future products and solutions can compete globally, allowing companies to grow and create jobs here in Europe. To that end, we urge EU policymakers to:

- Maximise access to private financing for the manufacturing industries, notably by including enabling technologies in the EU Taxonomy.
- Include the whole value chain in the scope of publicly financed innovation programmes.
- Strengthen emphasis on applied research and innovation in public R&D programmes.
- Prioritise excellence as a criterion when granting funds for research and innovation.
- Tackle the labour and skills shortage in Europe so that green and digital innovations can be broadly and quickly deployed.
- Apply state aid instruments only when there are market failures.
- Make sure that the EU's close partners, e.g the United Kingdom and Switzerland, can participate fully in research programmes such as Horizon Europe and in standardisation bodies.

3. RECOMMIT TO THE SINGLE MARKET

The Single Market is our greatest asset in the race to secure Europe's long-term industrial competitiveness and net-zero transformation - but only if the EU reverses the growing fragmentation of the internal market and recommits to strengthening and deepening it.² Key priorities are:

- Re-double efforts to remove still-existing internal market barriers.
- Ensure product legislation is clearly enforceable and consistent with the New Legislative Framework, and tackle unenforceable prescriptive requirements.
- Level the playing field between economic operators based inside and outside of the EU through more physical checks on the ground.
- Preserve and strengthen the European standardisation system, by ensuring industry participation and reinforcing cooperation with like-minded third countries.
- Guarantee the timely delivery of harmonised standards, as the most efficient tool to provide presumption of conformity and access to the Single Market.



4. MAKE DIGITAL LEGISLATION WORK FOR MANUFACTURING INDUSTRIES

EU digital policies need to address the specific requirements of the manufacturing industries so that they do not inhibit Europe's dynamism in manufacturing. To ensure this:

- Safeguard the protection of business critical data, IPRs and trade secrets of companies, notably in the Data Act and the digital product passport under the Ecodesign for Sustainable Products Regulation.
- Support industry-driven initiatives related to the industrial metaverse, such as digital twins for industrial products and manufacturing processes, existing digital product passport solutions and standards, and manufacturing data spaces (eg Manufacturing-X).
- Initiate more digital partnerships with third countries, like the EU-US Trade & Technology Council, to level the playing field on digital regulations, avoid disruptions to international data flows and jointly monitor the health of global high-tech supply chains.

5. REMOVE TRADE BARRIERS

Maintaining an open trade policy is key to help Europe's high-tech manufacturing companies diversify their supply chains for greater resilience, safeguard their competitiveness and unlock new growth markets. Critical actions are:

- Strengthen cooperation with the US to eliminate trade barriers and improve transatlantic market integration, prioritising 'low-hanging fruit' such as conformity assessment.
- Grant full access to the Single Market for close trading partners upon completion of mutually beneficial trade agreements, giving priority to close partner countries such as Switzerland, the UK and Turkey.
- Finalise and implement as soon as possible the bilateral agreements with Mercosur and Mexico.
- Ensure ratification and rapid progress of the free trade agreements with India, Australia, Indonesia, Thailand, Chile and Kenya.
- Revive free trade negotiations with Malaysia, the Philippines and other ASEAN-countries, and proactively pursue further bilateral trade agreements with other relevant trade partners worldwide.
- Prioritise access to a reliable supply of raw materials at competitive prices in trade relations with EU partners.

6. ENSURE A COMPETITIVE AND SECURE ENERGY SUPPLY

The broad-scale electrification of Europe is essential to enable a much faster scale-up of carbon-neutral energy capacity and smarter, more flexible energy systems, as well as to unlock massive energy efficiency savings across industry, transport and buildings. To achieve this, it is key to:

- Focus in the EU's electricity market design on increasing investment in carbon-neutral electricity production to achieve climate goals, enhancing the flexibility and robustness of the grid and the security of supply, and making electricity prices more competitive and predictable.
- Maintain a harmonised approach to the EU's internal electricity market and continue the integration of countries such as Switzerland and the UK.
- Invest in Power-to-X technologies and establish the relevant infrastructure, e.g. for H₂.
- Prioritise sector integration to develop the most cost-efficient decarbonisation pathways for Member States.

A PIVOTAL MOMENT

The next five years will make Europe's industrial base or break it; accelerate Europe's path to a prosperous net-zero future or bog it down; assert Europe's open strategic autonomy or weaken it. Political choices will be crucial to the outcome.

As Europe's technology industries, we fully recognise our responsibility and the crucial role we have to play as enablers of a Europe that thrives in the net-zero age. We strongly believe that the cards are still in Europe's hands and that, with a comprehensive competitiveness push, we can continue to lead the clean tech revolution and build a resilient, competitive and decarbonised European industrial base.

That is the motivation behind this agenda and we stand ready to work together with policymakers and all stakeholders to make it happen.

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Europe's ambition to lead the net-zero transformation will not fail because of the policies of our competitors. But it may fail if the right policy conditions for a resilient and competitive industrial base are not there at home. This agenda identifies priority actions to take Europe into a new net-zero, high-tech manufacturing age. **Let's make it happen.**

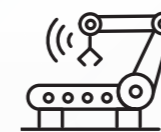
Malte Lohan,
Director General, Orgalim

Please contact Orgalim's Director General Malte Lohan to arrange a meeting.

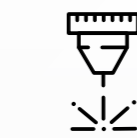
For more information on Orgalim's detailed positions on the specific action points in this agenda, please visit: orgalim.eu/position-papers.

WHO WE ARE

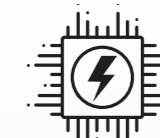
Mechanical Engineering



Metal Technology



Electrical Engineering, Electronics, ICT



Orgalim represents Europe's technology industries, comprised of 770,000 companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future.

Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11.19 million people across Europe and generate an annual turnover of €2,906 billion.

Orgalim is the foremost voice of Europe's technology industries at the EU level, working with policymakers to strengthen their sectors' growth and global leadership, maximise their contribution to Europe's economy and society and foster a new relationship of trust between businesses and citizens. We are shaping a future that's good.

Annual turnover

2,906

billion EUR

Direct employment

11.19

million people

Annual exports

741.5

billion EUR

Our industries comprise of

770,000

companies



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