



# 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, we must focus on 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 worldclass 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 a circular economy, 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.<sup>1</sup>

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.

<sup>2</sup> See Orgalim's Autumn 2024 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 go hand in hand with competitiveness, 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.
  - Stress test EU law impacting Europe's technology manufacturers and improve policy coherence across different fields and avoid overlap and double regulation between EU instruments, including secondary legislation.
- Introduce comprehensive competitiveness and SME 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 by at least 25% for all 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.
- We call on the EU to at least double the budget for Europe's next Research Framework Programme (FP10) to €200 billion in order to stimulate our competitiveness.
- Strengthen emphasis on collaborative 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.
- National state aid should be lower than 2% GDP and applied only when there are market failures, conditions that should be clearly defined by the European Commission.
- Expand the associated countries in Horizon Europe and affiliates in standardisation bodies, starting with a full membership for the UK and Switzerland.
- Orgalim asks for a comprehensive critical review of the effectiveness of existing EU funding instruments, mapping them against relevant stages in the innovation and deployment process and assessing their contribution to achieving key EU policy goals.

# 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.<sup>2</sup> Key priorities are:

- Re-double efforts to remove still-existing internal market barriers.
- Ensure product legislation is clearly enforceable and consistent with the principles of the New Legislative Framework, and tackle unenforceable prescriptive requirements.
  - Make full use of existing market surveillance tools to ensure that only compliant products are made available on the EU market and ensure fair competition between economic operators based inside and outside of the EU.
- Preserve and strengthen the European standardisation system and the timely delivery of harmonised standards as the most effective tool to support conformity in 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 business-critical data, IPRs and trade secrets of companies, notably in the enforcement of the Data Act and in the upcoming delegated acts on the digital product passport under the Ecodesign for Sustainable Products Regulation.
- Support industry-driven initiatives related to manufacturing data spaces and digital twins for industrial products and manufacturing processes, existing digital product passport solutions and standards.
- Ensure efficient governance for cybersecurity rules, eg. by streamlining cybersecurity incident reporting and clarifying overlaps between Cyber resilience Act, NIS 2 directive and the Radio Equipment Directive delegated act on cybersecurity.
- Member States should swiftly set up AI regulatory sandboxes as mandated by the AI Act, including specific measures for uptake and innovation by SMEs.

# 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:

- Swiftly ratify the FTAs with Mercosur and Mexico.
- Swiftly conclude ongoing negotiations of other FTAs, such as those with India, Indonesia, Thailand, the Philippines and Australia.
  - Conclude agreements on conformity assessments with the US, the UK and South Korea and make increased use of other types of 'mini deals', such as digital trade agreements,
- to eliminate non-tariff barriers with selected trade partners worldwide.
- 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 Türkiye.
- 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:

- Ensure the upcoming EU Electrification Action Plan includes measures for increasing investment in carbon-neutral electricity production, enhancing the flexibility and robustness of the grid and the security of supply, and making electricity prices more competitive and predictable.
- Apply and maintain the 'energy efficiency first' principle at the heart of the upcoming climate legislation.
- 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.

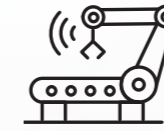
As Europe's technology industries, we fully recognise our responsibility and the crucial role we have to play as enablers of a Europe that thrives in the net-zero age. We strongly believe that the cards are still in Europe's hands and that, with a comprehensive competitiveness push, we can continue to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

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

# WHO WE ARE

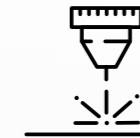
## Mechanical Engineering



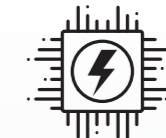
Orgalim represents Europe's technology industries, comprised of 770,000 companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future.

Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11.7 million people across Europe and generate an annual turnover of €2,835 billion.

## Metal Technology



## Electrical Engineering, Electronics, ICT



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

**2,835**

billion EUR

Direct employment

**11.7**

million people

Annual exports

**789**

billion EUR

Our industries are comprised of

**770,000**

companies



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SHAPING A FUTURE THAT'S GOOD

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