Issues Note

Industrial Competitiveness and the Level Playing Field

With a war on our doorstep, with volatile energy prices, and massive clean tech investments worldwide, Europe has to up its game. The **net-zero transformation** is already causing huge industrial, economic and geopolitical shifts – and those who develop and manufacture the technology that will be the foundation of tomorrow's economy will have the greatest competitive edge.

This begs the question: is European industry well positioned to be the front-runner? Do we have the **clean tech industrial base** to create good, well-paying jobs and to get to the clean solutions we so urgently need? What about the quality and intensity of regulation, the functioning of the EU internal market, the required infrastructure and skills, the speed and scope of innovation, the amount of public subsidies or the protection against unfair competition from outside the EU?

As part of the **European Green Deal Industrial Plan**, and together with the **Critical Raw Materials Act** and the reform of the **EU electricity market design**, the **Net-Zero Industry Act** aims to provide speed, simplification and funding. It includes cutting red tape (e.g., faster permitting procedures and priority to Net-Zero Strategic Projects); better access to markets by specific net-zero criteria in public procurement procedures; accelerating CO2 capture; supporting innovation, including through regulatory sandboxes; enhancing skills for quality job creation in net-zero technologies; and coordinating net-zero industrial partnerships. The ambition is to produce, in the EU, at least 40% of the strategic net-zero technologies needed for the green transition.

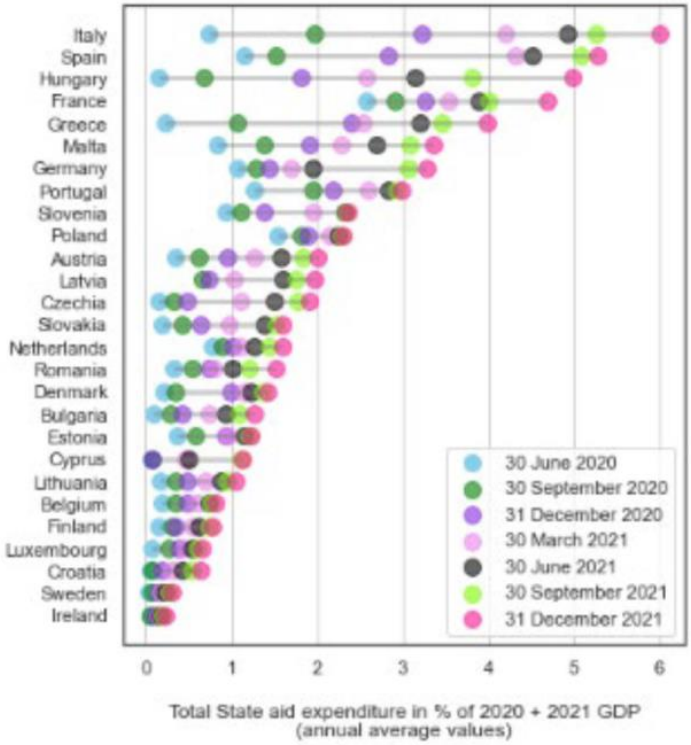
Questions for discussion

1. *Are there factors that hold European industry back from competing successfully on the global stage?*

2. *What can and should be done to remove, or at least reduce, those obstacles - and by whom (national governments; initiatives at EU-level; industry initiatives)? What about national subsidies, including those claiming to match subsidies outside the EU, and their review by the European Commission?*

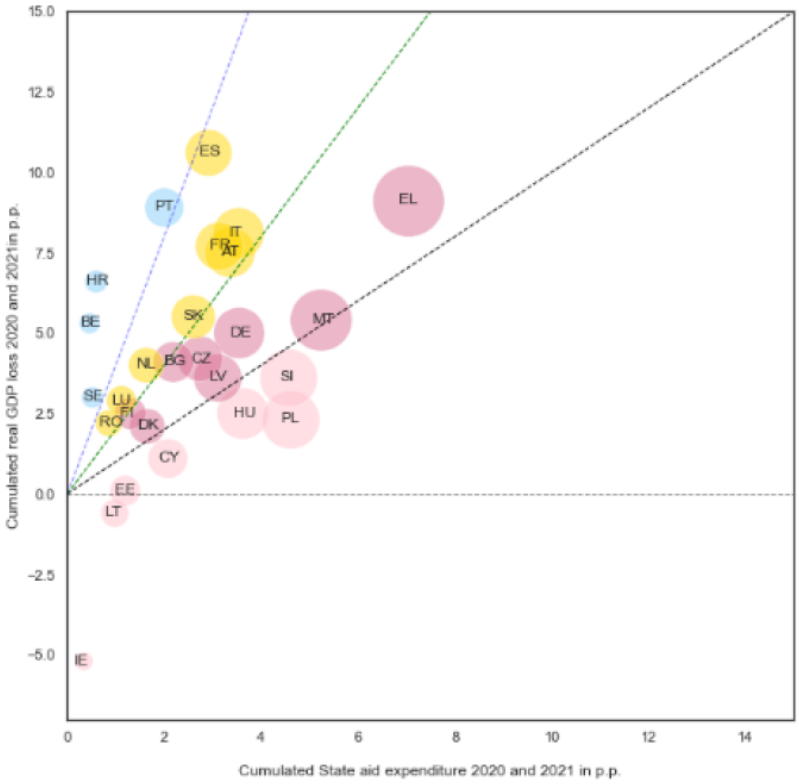
3. *More specifically, will the initiatives set out in the Net-Zero Industry Act suffice? Do we need to do more, or do it differently? What further measures would be needed to create a simpler, faster and more predictable regulatory framework?*

Figure 1: COVID-19 State aid expenditure as compared to GDP



Source: European Commission (2022)

Figure 2: Relation between COVID-19 State aid expenditure and economic damage to GDP



Source: European Commission (2022)