



## MEPs call for more climate action in Europe's industrial strategy – but what's missing?

Brussels, 16 October 2020

**A key vote in the European Parliament may be bringing Europe's industrial sector closer to decarbonisation. But the strategy requires additional efforts. Below, green groups outline the key messages from today's vote.**

EU lawmakers have an opportunity to push for a more ambitious strategy to decarbonise Europe's industry following a vote on a report put forward by the ITRE Committee – the Parliament's group focusing on industry and research.

The committee's *Own Initiative Report* targets energy-intensive industries, which are accountable for about 16% of EU total annual CO<sub>2</sub> emissions - and other sectors, promising transformational change to the manufacturing sector in the post COVID-19 Europe.

In this context, we have identified a few areas where the report could be improved to ensure it is in line with the European Green Deal. We also developed recommendations for the European Commission to make its Industrial Strategy – published early this year – more comprehensive.

The report overall addresses the complexity of the topic by tackling different hurdles such as the social, environmental and technological issues.

We welcome that climate neutrality is set as a priority in the field of research and development, as well as in the proposed recovery and structural investments. The report outlines the need to align investment in the recovery phase and state aid with the overarching European climate and digital objectives, while calling on the Commission to set common minimum requirements for companies receiving financial assistance.

However, the report falls short on urging the Commission to strengthen several key points, which we address below.

### **Governance**

Despite recognising the need for clear shared governance, the report does not call for a proper body to be created within the Industrial Forum to steer the governance in a participative way, and only recommends the Commission ensures a "*dialogue with balanced participation*".

On a positive note, we are happy to see a call for Horizon Europe's partnerships to be "*transparent and inclusive throughout their implementation, in particular as regards their strategic research agenda and annual work programmes*", and we call on the Commission to take this into consideration too.

### ***Climate neutrality***

The climate neutrality target is not clearly indicated as mandatory for the industrial sector and there is no request for a clear and strict roadmap. The report only mentions a more general indication of sectoral strategies to be designed by the EU Commission.

Unfortunately, the reform of a core climate policy tool such as the EU Emission Trading System is not even mentioned in the report. Moreover, while first drafts included a reference to Carbon Border Adjustment Measures as an alternative to current carbon leakage protection measures, all mentions of this policy have disappeared from the final report. This creates a disconnect with the intentions the European Commission outlined in the EU Green Deal communication.

### ***Fossil fuels, CCS and renewables***

We welcome the urgency “*to develop a robust industrial policy for renewables that encompasses both supply-side and demand-side policies*”, and the importance given to energy efficiency, the electrification of the industrial processes and renewable hydrogen as key drivers for decarbonisation of the industrial sectors. We are also pleased to see that CCS projects are mentioned only in connection to the decarbonisation of industrial processes rather than for fuel production. However, we believe that such projects should be streamlined, and that CCS should be used only as a last resort option and that this should be clearly stated in the report.

We think it is regrettable that the Parliament lost yet another chance to ask for the exclusion of fossil fuels projects from the Next Generation EU and more broadly in the recovery fund, opting for a vague definition such as “*outdated technology*” - which is open to interpretation - and failing to put a date on such phase-out. Meanwhile, the ENVI Committee just agreed on its opinion to exclude fossil fuels from the European recovery package.

We also regret that the report still foresees the use of fossil gas albeit only as a transitional technology. Evidence shows there is no such thing as gas being a transitional fossil fuel, in light of the time constraints science gives us to reach climate neutrality. Finally, the report missed the opportunity to ask for more transparency and inclusiveness when it comes to the development of the Clean Hydrogen Alliance.

### ***Zero pollution ambition***

The report also fails to acknowledge the zero-pollution ambition of the European Green Deal in the industrial sector. More relevance should be given to the fact that we will not have a second cycle of investments to address toxic industrial emissions: public and private investments should adopt all best available techniques in order to achieve the Green Deal’s objectives at once.

### ***Material consumption***

We regret that the European Parliament’s analysis focuses on the competition with the other economies when it comes to the supply of raw materials, rather than on the limits of economic growth and the overall consumption of materials. While we welcome the stress on the need to boost and develop more markets for secondary materials, a clear overall



material consumption target in line with the planet's limited resources is missing. This is unacceptable in a document that is approved almost two months after the earth overshoot day.

### **Create lead markets for zero-carbon technologies**

The report outlines the importance of creating a lead-market for zero-carbon technologies but lacks details on how to achieve it. It misses the opportunity to call for the introduction of norms, quotas and standards for zero-carbon materials (especially for chemicals, steel and cement sectors) in order to create incentives for both the European and international industry to invest in zero-carbon technologies. More needs to be done to guarantee the development of lead-markets for zero-carbon technologies and ensure that EU Industry becomes a "frontrunner" in zero-carbon technologies.

### **Press quotes**

**Agnese Ruggiero**, a policy officer at **Carbon Market Watch**, said:

*"The lack of a clear commitment to climate neutrality in the report gives a conflicting signal to the industry. The European Parliament has voted in favour of 2050 climate neutrality in the EU. Why doesn't it follow its own commitment in this report? Industrial production accounts for 16% of EU's annual CO2 emissions. 90% of this carbon pollution is still covered by free allocations - the sector cannot be ignored. The Emission Trading System could be one of the key tools in this and should be strengthened, not dismissed."*

**Davide Sabbadin**, a policy officer at the **European Environmental Bureau (EEB)**, said:

*"The report gives the circular economy the relevance it deserves in the decarbonisation of our industry. However, a truly effective circular approach would have implied the implementation of a target to reduce the consumption of raw materials. Instead, the report suggests a business-as-usual approach, as if we were not already be consuming twice the amount of available resources on our planet. We regret this missed opportunity and the fact that there is no mention of the zero-pollution approach as a driver for the transformation of the European industry. We need action on both climate and pollution to go hand in hand."*

**Camille Maury**, policy officer at **WWF European Policy Office**, said:

*"It's good that MEPs are giving priority to energy efficiency and electrification, but this is not the solution for every sector. As mentioned in the report, renewable hydrogen can plug the gap for those industries that cannot decarbonise any other way. However renewable*



*Hydrogen remains a scarce resource and must be treated that way. The European Parliament must ask the Commission to come out with clear rules to make sure hydrogen is made and used sustainably, in very specific sectors only.”*

The report also fails to ask the European Commission for more transparency and inclusiveness when it comes to the setting up and work streams of the Clean Hydrogen Alliance, and future Alliances.

*“The Clean Hydrogen Alliances must be transparent and bring together a range of interested groups from all sectors, to allow for open and balanced discussion and influence. The European Parliament has a key role in pushing for such openness and for a careful use of what will remain limited resources in the future. We urge it to do so in plenary”, added **Maury.***