

Sustainable Development and Low Emissions Economies

Green Industrial Policy

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- **Smart Industrial Policy** for the 21st century
 - ▶ Steering towards *Transformation*

Successful Industrial Policy (Terzi et al. (2023))

	Policy recommendation	Description	Example of EU policy
1	Future oriented	Policies must be future oriented and hence innovation oriented	EIC
2	Sector and technology driven	Focus on a sector, not a specific company	Horizon Europe (Pillar II: Global Challenges and European Industrial Competitiveness)
3	Competition is a strength	Avoid weakening the competitive nature of the Single Market	Capital Markets Union
4	Top-down, but also bottom-up	The policy goal must be defined in a balanced way that is tangible enough to make it concrete but broad enough to allow for creativity in achieving it	IPCEI
5	Accountable, non-partisan, and adaptable	Policies, outcomes, and assumptions must be constantly monitored, questioned, and quickly adapted if need be	Strategic Forum for IPCEI: identification of Strategic Value Chains
6	Holistic approach	Offensive and defensive tools must be designed consistently and shaped in tandem with a supportive regulatory environment	European Chips Act

Successful IP: The Concorde



- 1960s Innovation is **Supersonic Transport**
- UK & France Collaboration
- 3-5 billion USD development costs
- Operated by Air France & British Airways

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- **Inflation Reduction Act** : Flagship US **Green Industrial Policy** Initiative

Inflation Reduction Act

What's the Inflation Reduction Act, or IRA?

The most significant federal climate legislation in US history!

\$350 BILLION TOTAL FOR NEW ENERGY AND CLIMATE PROVISIONS

\$60 BILLION INVESTED IN ENVIRONMENTAL JUSTICE & COMMUNITIES

CLEAN ENERGY TAX CREDITS EFFECTIVE IMMEDIATELY

HOME ENERGY EFFICIENCY AND APPLIANCE TAX CREDITS, START JAN. 1, 2023

DIRECT REBATES, GRANTS, & OTHER FINANCING OPTIONS WILL TAKE ~ 12-24 MO. TO BEGIN TO ROLL OUT (LATE 2023 - 2024)

SIMPLY PUT: THE IRA WILL HELP ACCELERATE THE TRANSITION OFF FOSSIL FUELS AND TOWARDS 100% CLEAN ENERGY.



How does the IRA support climate solutions?



ELECTRIFYING BUILDINGS residential and commercial

2.4 BILLION 1.2 BILLION 7.2 BILLION 650 THOUSAND 115 BILLION



more at [ElectrifyMissoula.org](https://www.ElectrifyMissoula.org)

RENEWABLE ENERGY

incentives for homeowners, businesses, nonprofits, & industry



ELECTRIC VEHICLES

tax credits for individuals and manufacturers



More resources & info →



How will the IRA impact me?



GO ELECTRIC WITH YOUR APPLIANCES



GET \$\$ FROM HOME REBATE PROGRAMS (LOW/MIDDLE INCOME HOUSEHOLDS)

INVEST IN HEAT PUMPS, ROOFTOP SOLAR, ELECTRIC HVAC & WATER HEATERS



GET TAX CREDITS

BUY A NEW/USED EV THAT MEETS REQUIREMENTS



GET MONEY OFF AT POINT OF SALE



Calculate your IRA incentives and savings: [REWIRINGAMERICA.ORG/APP/IRA-CALCULATOR](https://www.ReWiringAmerica.org/app/IRA-CALCULATOR)

Race for Green Technologies

Volkswagen warns EU that US is beating it in race to attract battery makers

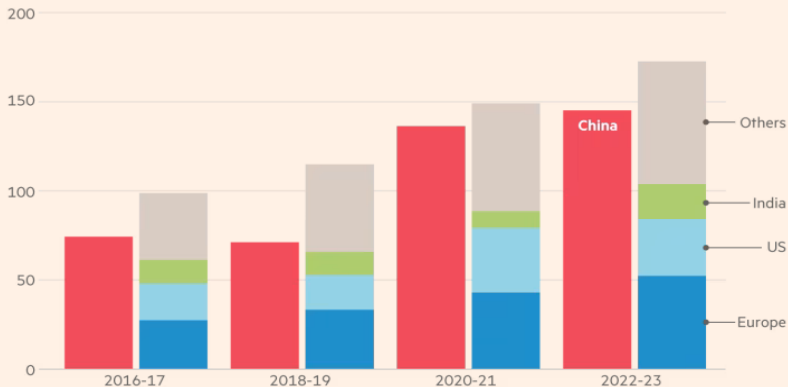
Carmaker says it is progressing faster on US factory than European one thanks to subsidies



China leading Renewable Capacity

China has been making the largest additions to renewable capacity, by far

Annual average capacity additions (GW)



Source: IEA

© FT

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 - ▶ This calls for whole-of-government approach with a clear mandate and integration plan

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 - ▶ This calls for whole-of-government approach with a clear mandate and integration plan
- Addressing multiple *market failures* and aligning net zero with economic growth and competitiveness warrants a well-defined **Green Strategy**

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- Reducing *Foreign Dependence* in the field of Green Technologies

GDIP Initiatives

1 Net-Zero Industry Act

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3 Reform of Electricity market design

- ▶ Balancing clean electricity & *energy security*
- ▶ ↑ market resilience in the face of high volatility

The Green Deal Industrial Plan

The road to net-zero

Over €100 billion

is the value of EU's net-zero start-ups ecosystem in 2021, doubling since 2020

More than 400 GW

of wind and solar renewable energy production capacity in the EU in 2022, an increase of over 25% compared to 2020

4.5 million

green jobs in the European economy in 2019 up from 3.2 million in 2000

The four pillars of the plan

To secure Europe's place as the home of industrial innovation and clean tech, the Green Deal Industrial Plan will cover four key pillars:



[Predictable and simplified regulatory environment](#)



[Faster access to funding](#)



[Enhancing skills](#)



[Open trade for resilient supply chains](#)

Net Zero Industry Act

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March 2023 Policy Act to scale up manufacturing of clean technologies in the EU and make sure the Union is well-equipped for the clean-energy transition

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- Simplifying permit-granting processes
- Companies bidding for public tenders or subsidies encouraged to **source 40 per cent of their equipment from EU factories** proposals

Net Zero Industry Act Activities



Solar photovoltaic
and solar thermal



Electrolysers
and fuel cells



Onshore wind and
offshore renewables



Sustainable
biogas/
biomethane



Batteries
and storage



Carbon capture
and storage



Heat pumps and
geothermal energy



Grid technologies



Critical Raw Materials Act

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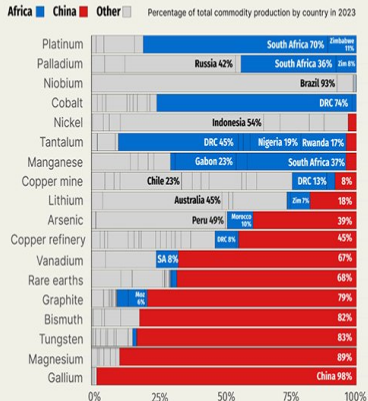
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- The **CRMA** sets binding targets for EU domestic capacity for 34 critical raw materials, of which 17 are designated "strategic"

- ▶ at least 10% of the EU's annual consumption for extraction
- ▶ at least 40% of the EU's annual consumption for processing
- ▶ at least 25% of the EU's annual consumption for recycling
- ▶ no more than 65% of the EU's annual consumption from a single third country

CRMA Relevance

China dominates global critical mineral production



Source: USGS Mineral Commodity Survey World Data 2025. Production 2023. The 2023 production data is the most recent non-estimate data

CRMA and the Green Transition

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- Selected Strategic Projects benefit from streamlined permitting (24 months for extraction, 12 months for processing)

+ facilitated access to finance, and are granted status as projects in the public interest

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- New **enforcement regime** with an enhanced role for the Agency for the Cooperation of Energy Regulators (ACER) in cross-border investigations

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- *Buying and/or Building European* → Increased input Prices (under current status)

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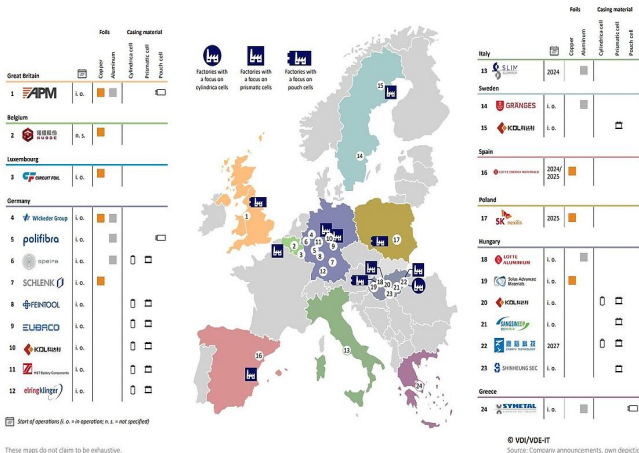
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- → **Joint investments** by public authorities and industries from several EU countries

IPCEI in Batteries Value Chain

Selected active and announced battery cell production sites in close proximity to current collector and casing production.



These maps do not claim to be exhaustive.

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- Promotes *directionality* in innovation

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- E.g. **Carbon neutral cities** warrants collaboration across urban planning, construction, energy efficiency in buildings, mobility, behavioural aspects, food value chain, environmental technology capacity

EU Missions

MISSION AREAS:

Soil health and food



Adaptation to climate change, including societal transformation



Climate-neutral and smart cities



Cancer



Healthy oceans, seas, coastal and inland waters

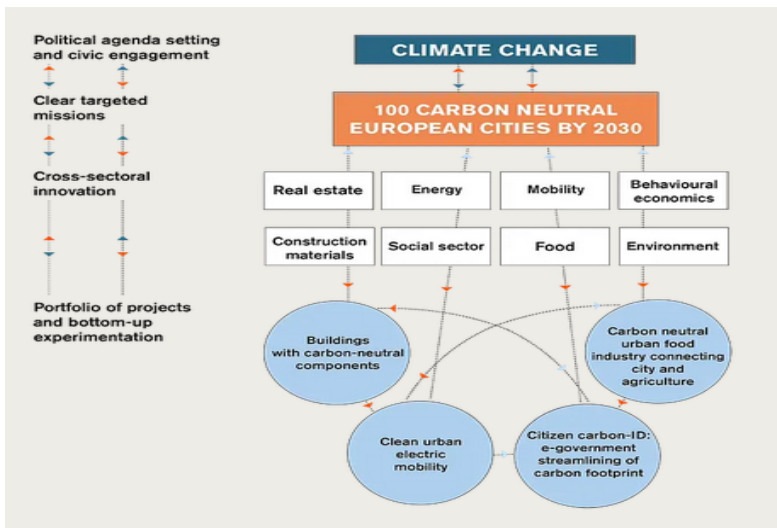


#HorizonEU



European Commission

Mission Carbon Neutral Cities 2030



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- *Structural Competitiveness* encompasses productivity growth, supportive institutions, knowledge & innovation and conducive entrepreneurial environment
- Regarding the Green Transition, Competitiveness refers to the ability of a country / region to develop and commercialize green technologies
 - ▶ Without **overburdening consumers** and lock-in dependent structures with third parties

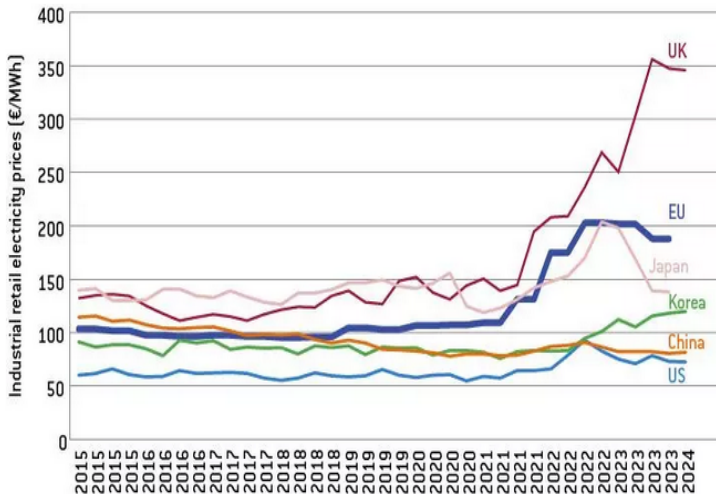
EU Competitiveness Diagnosis

- The EU is facing an increasing **Competitiveness Deficit** compared to other major economies recording sub-par productivity and business dynamism

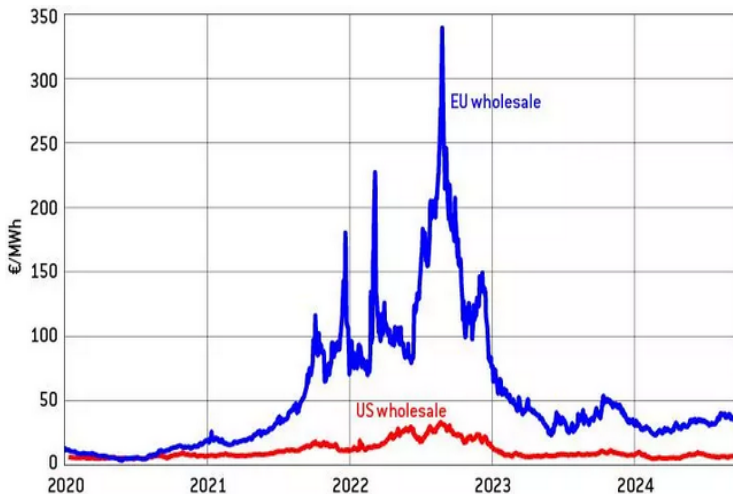
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- The 2024 **Draghi Report** highlights that the EU risks stalling in the *Middle technology Trap* due to
 - ▶ **High Energy Prices** and Uncertainty following chronic strategic deficiencies
 - ▶ Excessive **Regulatory Burden** for EU firms
 - ▶ Low **commercialization of ne Knowledge** → Innovation applications
 - ▶ **Protection of Incumbents** stifling the emergence of new firms and new sectors
 - ▶ **Political Fragmentation** and decentralized decision making

Electricity Wholesale Prices



Gas Wholesale Prices



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Facilitating energy transition without massively hurting profitability
 - ▶ **Reducing Dependencies**
Developing a new range of clean trade and investment partnerships, redesigning state aid

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- **Long-term:** Create a **regional Innovation System** around clean technologies

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- Starting October 2023 → fully in place in 2026

CBAM in practice



EU importers of goods covered by the CBAM registers with national authorities where they can also buy **CBAM certificates**. Certificates are priced based on **weekly ETS allowances**.



EU importer **declares the emissions** embedded in its imports and **surrenders** the corresponding number of certificates each year.



If importers can prove that a **carbon price has already been paid** during the production of the imported goods, the corresponding amount **can be deducted**.

#EUGreenDeal



EU Clean Industrial Deal

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 - ▶ Affordable Energy - speeding up clean energy deployment
 - ▶ ↑ Demand for Green products through Public Procurement with the Industrial Accelerator Act
 - ▶ Mobilizing > 100 billion to support **EU-made** clean manufacturing
 - ▶ Strengthening *integrated* EU approach to Critical Raw Materials supply and ↑ Reusing in EU Industry

Clean Industrial State Aid Framework

- The **EU CISAF** is an integral part of the CID simplifying the rules for public support
- In line with EU Regulation, State aid may only be granted where *less distortive instruments are not available* to reach the same objectives
- Allows member states to support net zero whilst *maintaining competitive edge* of domestic industries in the face of high uncertainty through
 - ▶ Easier and quicker approval (*fast-track*) for Green Investments
 - ▶ Temporary measures to ↓ electricity prices for businesses & consumers
 - ▶ Reducing risks for green investments → attract private capital

Industrial Accelerator Act

- The **EU IAA** is a draft initiative (Spring 2026) to strengthen EU's industrial capacity in line with the CID
- Aims to to ↑ the share of industrial manufacturing in EU GDP to 20% by 2035, up from 14.3% in 2024
- Aims to enhance EU *strategic autonomy* in clean manufacturing through
 - ▶ **Public procurement** and public incentives to boost demand for EU clean tech industry and products
 - ▶ Screening inbound **Foreign Direct Investment** to ensure local content sourcing and > 50% local employment
 - ▶ EU-wide digital procedures to start a business