IFIEC Europe contribution to the consultation on the EU Net Zero Industry Act (NZIA)

09/05/2023

IFIEC Europe appreciates the Commission's efforts in supporting the technologies which will be necessary for the decarbonisation. In our view, the proposal focuses primarily on "net-zero technologies manufacturing". It fails to recognize that **energy-intensive sectors provide essential primary products and raw materials for the manufacturing of the addressed "strategic" climate-neutral technologies.**

Energy-intensive sectors and the related value chains play a fundamental role in the European industrial structure: the maintaining of their competitiveness is crucial to enable net-zero technologies development, manufacturing and deployment.
In this sense, the definition of "net-zero technologies" should be focused not only on net-zero technology manufacturing but also on application in industrial production processes aimed for decarbonisation. The focus of the 40 % benchmark is inappropriate, as it does not address Europe's biggest challenge towards 2030: the competitiveness of its existing industry in general, while addressing the energy transition. Additionally, it is important to consider the existing upstream chains for primary raw materials mining&processing and the relevant carbon emissions. As the raw and processed materials, which can be purchased worldwide, will be later used for production of net-zero technologies in Europe, it is important to keep a track on their origin and sustainability standards on their mining and processing.
The concept of Hydrogen Valleys should be also broadened to other transformation technologies ("industrial transformation valleys").

In addition, production process of net-zero technologies is associated with higher operating costs. This aspect is not addressed properly in the proposed NZIA. Therefore, the plan should incorporate EU wide support for industry transformation (not via state aid) next to the already existing instruments (Innovation Fund incl. CfDs).

Moreover, a deployment of net-zero technologies leads to a strong increase in electricity consumption for several industrial processes: therefore, NZIA should consider as a key priority the production competitiveness of EU companies with a focus on the availability of cost-competitive low carbon energy for industrial consumers.

IFIEC Europe supports the intentions on better governance of the existing funds: the EU should reduce regulatory barriers by making application procedures more transparent,

IFIEC Europe
International Federation of Industrial Energy Consumers
Av. Louise 250, box 80 | 1050 Brussels
www.ifieceurope.org| ifieceurope@ifieceurope.org | Phone: +32 888 52 69 | Mobile: +49 172 26 99 063
a.i.s.b.l. NI 436 343 513 | VAT: BE 0436.343.513 | EU Transparency Register: 1978775156-31

unbureaucratic and less time-consuming. It is also important to avoid financial pressure and new taxes in the current crisis, while providing a level playing field in the access to the funding.

Energy-intensive industries currently need more funding for decarbonisation: in this sense, energy-intensive sectors should not be disadvantaged by applying for funding aimed to decarbonisation projects (including Sovereignty Fund).

IFIEC finds the scope and impact capacity of NZIA as too narrow and points to already existing disadvantages for industry compared to other countries which plan high-volume funding for low-carbon technologies (for example, with the USA). Since the US IRA is designed as a tax-based system, the operational processing and tax return are simple and fast; therefore, quick investments will be easily generated. The European approaches to expedited permitting and funding are helpful, but do not reach far enough and do not shrink the huge attractivity gap for new investments to transform the existing industry.

Therefore, the EU should give a strong answer to the current initiatives on low-carbon technology subsidising which take place in developed countries, considering the competitiveness aspects. Concrete incentives to boost the transformation of the existing industry are needed.