Securing competitive energy
for industry

IFIEC Position on the joint trilateral non paper Germany, France, and Italy on the Industrial Decarbonization Accelerator Act *(EU competitiveness Council of 29/09/2025)*

IFIEC Europe, the International Federation of Industrial Energy Consumers, welcomes the joint trilateral non-paper by Germany, France, and Italy *(tabled during the Competitiveness Council of 29 September 2025)* outlining their key priorities for forthcoming legislation of the Industrial Decarbonisation Accelerator Act (IDAA) to accelerate the decarbonization of European energy-intensive industries (EIIs). The industrial bases of these three countries not only power their national economies but also form a cornerstone of Europe's overall economic strength.

However, European EIIs are increasingly struggling to remain competitive. They face significantly higher energy costs compared with other global regions, alongside the substantial investments required to achieve climate neutrality. As a result, the competitiveness gap between European EIIs and industries in regions such as the United States and China continues to widen, posing a serious risk to Europe's strategic autonomy, economic resilience, and long-term prosperity.

The Draghi Report rightly identified several critical issues affecting the competitiveness of European EIIs. Among its key recommendations were the need to ensure lower industrial energy prices by decoupling electricity prices from natural gas, improving coordination in grid development, and adopting a pragmatic approach to CO_2 reduction. Emission reductions should be achieved in the most cost-effective manner possible.

The European Commission's recent communication on the Clean Industrial Deal (CID) and the Action Plan for Affordable Energy are important steps toward restoring the competitiveness of European industry. It is, however, crucial that the further development and implementation of these initiatives proceed swiftly and carefully, so their benefits can be fully realized by European EIIs.

Within the CID, the proposed Industrial Decarbonization Accelerator Act (IDAA) represents a significant opportunity. IFIEC Europe welcomes the contributions of Germany, France, and Italy and wish to build upon their proposals by sharing IFIEC Europe's views on several key points:

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1. Ensuring competitive energy prices

Accelerate the development of Contracts for Difference (CfDs) for off-takers

As large, stable energy consumers, EIIs can play a pivotal role in supporting the energy transition by providing both demand for renewable power and flexibility to the grid. To guarantee competitive and predictable energy prices, CfDs for off-takers should be introduced. Such mechanisms de-risk renewable projects by providing long-term price certainty for developers while ensuring affordable electricity prices for industrial consumers. Their design should ensure that, where CfDs are awarded via tenders, a dedicated share of production capacity is reserved for EIIs.

Develop an affordable, integrated, and resilient energy system

The modernisation of Europe's grid infrastructure requires major investments at both transmission (TSO) and distribution (DSO) levels. To accelerate this process, planning and permitting for renewable energy, storage, flexibility measures, and CO_2 infrastructure must be streamlined, with the legally binding involvement of industrial users. A coherent EU framework should also allow Member States to reduce network charges for energy-intensive industries and support grid expansion through state aid. An integrated energy system that connects electricity, gas, hydrogen, and CO_2 networks is essential for cost efficiency, resilience, and effective decarbonisation. This system must be developed, based on principles of fair cost allocation, non-excessive tariffs for first movers, and complementarity between energy carriers to minimise overall system costs.

2. Reforming the EU Emissions Trading System (EU ETS) to strengthen competitiveness and carbon leakage protection

A realistic pathway for emissions reduction

The current EU ETS target of a 62% emissions reduction by 2030 (relative to 2005) is highly ambitious. For many industrial sectors, due to technological, process, or infrastructure constraints, such reductions may not be achievable within this timeframe. A careful reassessment of the linear reduction factor is needed to ensure the ETS remains realistic, predictable, and supportive of industrial innovation and investment.

Preserve and strengthen indirect cost compensation

Indirect cost compensation remains an essential mechanism to offset the higher electricity prices caused by CO_2 costs in power generation. This measure should be: extended to all exposed industrial sectors, supported by adequate and stable funding, harmonised across Member States to ensure a level playing field, and maintained beyond 2030 to provide long-term investment certainty. Failure to uphold this mechanism would severely weaken the competitive position of European EIIs, especially as energy prices remain structurally higher than in competing regions.

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Enhance carbon leakage protection through a balanced CBAM

While the CBAM is designed to prevent carbon leakage for imports, it does not address the exposure of EIIs exporting outside the EU. Several implementation aspects remain uncertain, notably the methodology for calculating embedded emissions and ensuring that this accurately reflects the true carbon footprint of imported goods. Until such methodologies are fully developed, tested, and harmonised, the existing ETS-based leakage protection measures, including indirect cost compensation, must remain in place and CBAM further implementation should be postponed.

3. Accelerate the development of Carbon Management regulation

Accelerating the development of carbon management regulation is essential to enable the timely deployment of CO_2 transport and storage infrastructure. Regulation should prevent market failures arising from the natural monopoly characteristics of the emerging CCS market, ensure transparency in tariff setting, and secure the formal participation of industry in shaping the regulatory framework. To de-risk investments for first movers, fair cost allocation between project developers, governments, and users must be ensured, supported by long-term financing and risk management mechanisms at Member State level and strengthened coordination of cross-border CO_2 infrastructure.

4. A Call for Coordinated Action

IFIEC Europe encourages other Member States to take a proactive role in shaping the Industrial Decarbonisation Accelerator Act and related initiatives. A strong, united approach is needed to safeguard Europe's industrial competitiveness, strategic independence, and leadership in climate neutrality.

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