

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

09/05/2023

IFIEC Europe welcomes an opportunity to provide feedback on the *Proposal for a Regulation of the European Parliament and the Council on establishing measures for strengthening net-zero technology products manufacturing ecosystem in the EU (COM (2023)161 final)*.

### The proposed list of strategic net-zero technologies

IFIEC Europe appreciates the Commission's efforts in supporting the strategic technologies which will be necessary for the decarbonisation. In our view, the proposal focuses primarily on "net-zero technologies manufacturing" (Art. 1 and 2). It fails to recognize products indispensable for the decarbonization of the industry and of the economy as a whole and that especially *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, deployment and utilisation.** In this sense, the proposed definition of "net-zero technologies" should be broadened and focus not only on net-zero technology manufacturing but also on application in industrial production processes aimed for decarbonisation. Additionally, *it is important to consider the existing upstream chains for primary raw materials mining&processing* and carbon emissions which are emitted during these stages. 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.

In addition, application of climate-neutral technologies and their production processes are often associated with higher operating costs for industry. 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). Primary industries as well as upstream value chains should also be mentioned as "intermediate industrial products" or "direct upstream industrial processes".

**Moreover, an application and deployment of net-zero technologies leads to a strong increase in energy (mainly 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 affordable and cost-competitive low carbon energy for industrial consumers.**

### Proposed benchmark of the annual deployment needs

It is not clear enough, how the proposed annual deployment needs of 40 % will be determined and measured. The focus of the 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.

The impact of the benchmark on the Union's manufacturing capacity is questionable. On the one hand, it might give industries easier and faster access to net-zero technologies. On the other hand, this push for European net-zero technology manufacturing might make the transition for the industry in general more expensive.

Additionally, IFIEC Europe asks the Commission to prepare an impact assessment for this proposal on the resulting costs for consumers and the environmental impact.

### Markets for low carbon technologies including intermediate products

With NZIA the EU-Commission is trying to address the risks of so-called Green Leakage. However, the proposed measures are not sufficient. *To prevent such risks*, the planned acceleration of permits and simplification of administrative applications as well as an improvement of the EU State Aid rules *should apply to the entire industry and not just to the production of net-zero technologies. In the final stage, it is the industry which must modify its facilities and use these technologies.*

The NZIA do not also address carbon leakage risks which have rapidly increased for energy-intensive sectors due to the recent revision of the EU-ETS Directive and CBAM Regulation, as well as new conditionality principles prescribed by the revised EU-ETS and Energy Efficiency Directives. Lack of the carbon leakage protection will lead to the production relocation to third countries which have lower environmental and technical standards.

The Art. 19 on public procurement procedures may be a good basis for the establishing of so-called low-carbon markets if the scope will be broadened to transformative industry projects. By doing so, it is essential to consider the whole value chains for net-zero technologies.

### Financing aspects and government support for low-carbon technologies in other countries

IFIEC Europe supports the intentions of the EU-Commission on better governance of the existing funds and agrees on the principle that priority should be given to simplifying and accelerating the processes necessary for the effective use of these funds and their transposition into operational projects; the EU should reduce regulatory barriers by making application procedures more transparent, unbureaucratic and less time-consuming. However, it is important to avoid additional

financial pressure and new taxes in the current crisis while providing a level playing field in the access to the European funding. The funding for energy-intensive industries from Innovation Fund should not be restricted, and new EU funds (such as Sovereignty fund) should be made available.

*Energy-intensive industries currently need more funding for decarbonisation: in this sense, energy-intensive sectors should not be disadvantaged by applying to funding aimed to decarbonisation projects.* For example, medium-sized companies in the field of waste processing and recycling (including chemical recycling) have limited access to funding for investments in sustainable technologies.

IFIEC finds the scope, size 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 measures 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 attractiveness gap for new investments in Net-Zero Technologies and in upstream and downstream industrial processes.

**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 future implications for European manufacturers which will occur on the emerging global low-carbon markets. Concrete incentives to boost the transformation of the existing industry are needed.**

### Other aspects

- Net Zero Manufacturing and Strategic Projects should not be prioritised over energy-intensive industries when purchasing electricity from renewable sources or low carbon electricity: in this regard, the access to market should be transparent and non-discriminatory.
- Industry representatives (including net-zero technologies users) should also be allowed to participate in the proposed "Net-Zero Europe Platform" to clarify needs and to prevent disadvantageous developments.
- We support the ambition to double the number of Hydrogen Valleys: it is important to locate them close to industrial clusters. However, the concept should be broadened to other transformation technologies ("industrial transformation valleys").
- NZIA defines the "strategic projects" as an "overriding public interest" for permitting purposes. This approach creates legal uncertainty as there is no institution which will be in charge to define this "overriding public interest". Moreover the proposed shortened permitting processes could result in more applications being rejected, which would lead to more appeals, increasing the timeframe. This weakens the legal certainty on investments on the longer term rather than improving it. It is important to improve the whole permit process, from application to legal scrutiny, in order to properly facilitate the Net Zero Transition.