

From survival to industrial leadership: Europe's choice to build strength and energy security

Europe's industrial future is deeply influenced by a convergence of major pressures: escalating geopolitical tensions, economic uncertainty, rising trade fragmentation, and an intensifying global race in clean and digital technologies. Against this backdrop, the Clean Industrial Deal must be more than a policy – it must be a strategic response to a new era of global competition and disruption, one that addresses, integrates and goes beyond the conclusions of the recent Draghi,¹ Letta² and Niinistö³ reports and also fully capitalises on the opportunities of the sustainability transition.⁴

The EU has navigated major shocks before. During Ursula von der Leyen's first term, the twin transitions of decarbonisation and digitalisation served as a strategic compass through COVID-19 and the energy crisis triggered by Russia's war in Ukraine. The policies and measures previously put forward by the EU institutions through the Green Deal and the Fit for 55 package contributed to providing a reliable long-term investment trajectory for aligning competitiveness with sustainability. Targets and political priorities ensured certainty that accelerated investment in energy security – helping close the gap of over €3 trillion in additional private investment needed⁵ to achieve the 2030 targets and saving €59 billion from fossil gas and coal import costs between 2019 and 2024, due to the deployment of clean energy from wind and solar.⁶ However, the enabling conditions to secure the good delivery of these policy objectives were not sufficient, and implementation at all levels still requires dedicated efforts to progress jointly on decarbonisation and competitiveness.⁷

The Clean Industrial Deal must move beyond ambition and translate into effective delivery, grounded in a clear vision of where Europe can confirm, deepen and broaden its clean innovation leadership. By aligning policy with targeted priorities, it can become both a shield against future shocks and geopolitical coercion, and a catalyst for expanding markets in future technologies. This moment demands a renewed industrial vision that leverages the EU's strengths, leverages decarbonisation to drive investment and strengthen security, improves competitiveness, and provides businesses with long-term predictability.

Our vision for a stronger delivery of the Clean Industrial Deal

To fully realise the potential of the Clean Industrial Deal, the EU must adopt a more focused and strategic approach that builds on its strengths, corrects the course where needed, and **sets a clear future direction:**



Prioritise regulatory stability and predictability

As business leaders and investors commit to Europe's fossil-free future, efficient policies that remove administrative complexities should become a priority while not compromising on the long-term vision and the long-agreed goals for a green economy. This is critical for achieving climate neutrality by 2050, and the intermediary 2040 target of at least 90 per cent emissions reduction, ensuring the EU remains economically performant and enhancing energy security.



Leverage Europe's strengths and unlock new opportunities

Europe should build on its existing strengths and invest in areas with existing and future leadership potential. Delivering the Clean Industrial Deal requires learning from past mistakes (such as policy shortfalls in the solar photovoltaic (PV) sector) and creating the right enabling conditions for both established and emerging industrial frontrunners to scale and achieve competitiveness.



Bring successful clean industrial solutions to scale

The Clean Industrial Deal is Europe's opportunity to build on the strong existing business case for decarbonisation by removing the systemic barriers that hinder its full-scale delivery. Many clean technologies are already economically viable across many sectors, but deployment continues to be constrained by high energy costs, infrastructure gaps, regulatory delays, market conditions unfit for decarbonised and circular products, and fragmented investment frameworks. An enabling environment that allows frontrunners to scale and new clean industrial solutions to emerge, coupled with predictable and forward-looking policies and grounded in the principle of competitive sustainability,⁸ will attract investment and grow Europe's role in the industries of the future.



Make the most of the EU's global influence

In an era of intensifying global competition, Europe's industrial leadership must extend beyond its borders and enforce a strong trade policy to ensure fair competition in the market for all involved actors. A credible external dimension – including ambitious standards, fair trade rules and investment partnerships – can drive global climate ambition and secure strategic supply chains.

Our priority actions for a stronger delivery of the Clean Industrial Deal

We believe that to deliver a successful Clean Industrial Deal, **the following actions should be prioritised:**



Ground industrial decarbonisation investments in the climate target

A strong greenhouse gas emissions reduction target of at least 90 per cent by 2040 provides a strategic direction for business and investment decisions across the economy and is key to sustaining industrial competitiveness.⁹ Learning from other geographies, the EU must move towards a coherent EU-level industrial strategy that identifies where to lead, follow rapidly, stay competitive or withdraw.

Many investments in new technologies – to reduce the emissions of products, supply chains or industrial facilities, or to scale clean technologies – are taken on a long-term basis and require significant financial commitment. Consequently, the Clean Industrial Deal must be fully aligned with the EU's net-zero goal to ensure clarity, coherence, consistency and investor confidence in the Europe's industrial transformation. This alignment will reassure the businesses already investing in clean energy, efficiency, circular and decarbonised materials that the EU is the best place to grow. Regulatory stability will be key, and full implementation of existing frameworks without delay, particularly the Fit for 55 package, will be crucial to keep the pace of decarbonisation and facilitate investment.



Secure EU leadership in clean and circular economy technologies

To remain globally competitive and reduce strategic dependencies, Europe must reinforce its leadership in clean technologies for electrification, energy efficiency and circular economy innovations. This requires targeted public support to strengthen strategic value chains, such as those for electrification – renewable energy, grid infrastructure, demand-side management solutions and electric machinery – alongside the scale-up of clean manufacturing technologies essential for decarbonising energy-intensive sectors. These efforts must also support the industrial deployment of climate-neutral materials and solutions that reduce overall energy and resource consumption across the economy, while ensuring a level playing field.

At the same time, Europe must build on its first-mover advantage in circular economy innovation. Comprehensive policies that reduce material dependencies, promote high-value circular strategies and stimulate demand for clean, circular and low carbon products will help secure industrial resilience and unlock the potential of lead markets. The timely implementation of the Circular Economy Act, with a clear

pathway for resource use reduction, combined with strengthened procurement standards and regulatory clarity on secondary materials,¹⁰ will create the necessary conditions for frontrunners to scale up.

Key to driving the scale-up of clean and circular technologies and incentivising the materials, products and services of the future will be addressing the demand side by leveraging instruments such as public procurement and financing mechanisms. These will need to be underpinned by clear definitions, mandatory labelling on the carbon intensity of industrial products, certification, government-based insurance schemes for circular products and business models, and monetary incentives for consumers.

Demonstrate that decarbonisation is possible and beneficial

The business case for decarbonisation can no longer be overlooked. In many sectors, it is already technically and economically viable and we must implement and amplify some achievable successes in the short term. If we take the example of industrial processes that rely on heat below 500°C, such as those in the food and paper industries, in many cases, these can already be electrified using existing technologies. While electrifying higher temperatures, such as 1,000°C and above, presents a greater challenge due to the paradigm shift required in design and concept to be adopted across industries, reliable and increasingly profitable solutions exist. Policy must now enable deployment at scale, reduce access barriers and build market confidence.

To accelerate this shift, the scope of the Decarbonisation Bank must explicitly include sectors with immediate electrification potential to ensure that funding supports frontrunners and accelerates deployment in under-served parts of industry. This should be further guided by a dedicated EU action plan on thermal heat electrification, aligning with and expanding upon existing initiatives such as the Steel and Metals Action Plan. Demonstrating tangible progress in these sectors will show that decarbonisation and competitiveness are mutually reinforcing, and that together they strengthen the EU's long-term economic resilience, innovation capacity and strategic autonomy.

In addition, there is no strategic push to accelerate large-scale retrofitting or electrification of heating systems in residential and commercial sectors, nor is there a roadmap to make this affordable at scale, despite the multiple benefits for people living in energy-efficient and renovated buildings, from health to cost savings. This should be core to the Commission's approach.

Close the finance gap and set the right framework

Closing the estimated €190 billion investment gap needed to decarbonise the European industry sector requires mobilising additional public finances and activating their leverage potential to boost private capital flows.¹¹ The EU must move beyond fragmented and voluntary approaches towards an integrated and enforceable framework. Financing mechanisms must promote equitable access across all Member States, particularly those with limited fiscal space. Simplifying state aid rules, as outlined in the new Clean Industrial Deal State Aid Framework, can accelerate the approval of decarbonisation projects and clean tech manufacturing initiatives. Concurrently, a greater share of funding should be directed to the green transition itself, including into research and innovation and the scale-up of fossil-free processes and technologies to enable a targeted approach that favours the greatest emissions reduction potential.

Strategic co-ordination between EU and national funding – including a more structured use of EU Emissions Trading Scheme (ETS) revenues – is critical to ensure the fair contribution of all Member States and create a level playing field. To ensure investor confidence, the proposed Decarbonisation Bank should be launched without delay, backed by a €100 billion public funding commitment to bridge the short-term cost gap between clean and carbon-intensive technologies, while ensuring broad access across the EU. Blended finance instruments and public guarantees should be scaled to crowd in private capital and reduce the risk

premium on clean technologies. Instruments with a proven track record, such as InvestEU, should be further scaled to deliver blended finance efficiently, especially in support of emerging clean technologies.

Robust safeguards and conditionalities must be mainstreamed to ensure funds contribute to an industrial transformation that benefits people and sustainability. This includes clear green and social criteria to channel public support to companies that are already clean or making demonstrable progress towards decarbonisation and quality jobs. At the same time, capacity-building for project development and implementation should be prioritised to materialise the pipeline of bankable projects and ensure all regions and actors, especially small and medium-sized enterprises (SMEs), can access the opportunities of the clean industrial transition. Energy and economic resilience should be recognised as core strategic priorities for Europe's long-term competitiveness, and the launch of the Competitiveness Fund should be accelerated without waiting for the next Multiannual Financial Framework.

Phase out fossil fuels and boost electrification

The EU's continued dependence on fossil gas, particularly liquified natural gas, presents a critical vulnerability – economically, geopolitically and environmentally. While some Member States may still rely on fossil gas in the short term to manage energy security, a clear and credible pathway to eliminate fossil fuel use is essential to strengthen long-term energy security and industrial resilience. Establishing a milestone for full energy grid decarbonisation by 2035 would send a strong signal to investors, reduce exposure to future shocks and strengthen the EU's energy independence. In parallel, a clear trajectory for phasing out fossil fuel subsidies should be established – not only to reduce market distortions but also to redirect public support towards clean technologies, infrastructure and just transition strategies. These steps are essential to support the shift to electrified, clean infrastructure that will anchor Europe's industrial competitiveness.

Electrification must become a central pillar of Europe's industrial transformation – not only for power generation and transport but also for industrial processes and buildings. To deliver this, the EU should chart a clear course towards significantly increasing electrification across sectors, with a clear electrification target and milestones by 2030 as a key benchmark for progress. Electrification policies must go beyond grid expansion to tackle systemic deployment barriers, including slow permitting for infrastructure, inconsistent energy taxation that favours fossil fuels, limited access to affordable financing and a lack of planning for cross-sector electrification pathways. This requires effective monitoring mechanisms and clear guidance for implementation.

Ensure the transition is fair and inclusive

Europe's industrial transformation must go hand in hand with social inclusion and regional cohesion. The shift to clean technologies must deliver benefits across all regions and communities, with particular support for those facing structural industrial change. This requires targeted investment in skills, access to quality employment and fair working conditions that support a just and balanced transition.¹² As part of this, the EU Quality Jobs Roadmap should set clear goals for improving job quality and labour market access in affected regions. This should be complemented by mechanisms for sharing best practices and institutional capacity to manage industrial transition across Member States.

The implementation of the Clean Industrial Deal must adopt efficient and effective place-based solutions that respond to context-specific challenges at national, regional and local levels. Such solutions must support workers, consumers, communities and marginalised groups to avoid widening the already growing socio-economic inequalities and weakening social cohesion.¹³

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- ¹⁰ Based on recommendations of CISL’s Materials and Products Taskforce, key actions include: advancing the timeline for the Circular Economy Act while ensuring a robust policy process, creating market pull through stronger non-price public procurement criteria and minimum EU content thresholds, providing tax incentives and mandates to support high-value circular products, and including clear measures to reduce material consumption in line with the 24 per cent circular material use rate (CMUR) target by 2030. University of Cambridge Institute for Sustainability Leadership (CISL), *No Time to Waste: Driving the EU’s Resilience and Competitiveness through a Circular Economy* (CISL, 2024), <https://www.corporateleadersgroup.com/reports-evidence-and-insights/collections/reports/no-time-waste-driving-eus-resilience>.
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