

3 February 2021

RE: EU Competitiveness Council focus on Recovery and Resilience plans and industrial policy

Dear Ministers of the Competitiveness Council,

On behalf of CLG Europe, I am writing ahead of the February Competitiveness Council meeting in order to highlight the growth, jobs and competitiveness benefits of ensuring that the Covid-19 Recovery and Resilience Plans (RRP) and wider EU industrial policy are fully aligned with the EU climate targets that are at the core of the EU's growth strategy, the European Green Deal.

The development of Member State RRP's will be an essential element in helping the EU economy build back better and revitalise industrial ecosystems that have been significantly impacted as a result of the Covid-19 pandemic, which, as you know, has led to unprecedented health, economic and social consequences for Europe and across the globe.

Working with the We Mean Business Coalition, CLG Europe, recently published [research](#) showing that 'green recovery plans' which are aligned with EU climate targets can have a much greater effect on boosting GDP and employment than more standard stimulus approaches such as reducing VAT rates alone. **A broad set of policies including investing in electric cars, increasing energy efficiency in buildings, deploying renewable and low-carbon energy and clean hydrogen are more effective at increasing production and could result in 2 million more jobs across the EU by 2024.**

It is clear that the RRP's must go hand in hand with longer-term policies to future proof EU industrial ecosystems and secure competitive advantage over other economies. Such policies should capture the economic, jobs, health and environmental benefits that can be attained through the transition to climate neutrality, in a joint approach which we have described through the idea of 'competitive sustainability'.¹

Since the onset of the Covid-19 pandemic not only has the EU adopted a stricter climate target for 2030 but other major economies across the globe have developed similar longer term 'net zero' objectives.² The 'race to zero' is underway and considering the length of industrial investment cycles, it is becoming ever more urgent that more innovative and ambitious measures are put in place to help European companies thrive in this new era.

Recognising these developments and the Council Conclusions of November last year³, CLG Europe would underline the following proposals that we believe are essential elements to strengthen the competitiveness of EU Industrial ecosystems and to aid their decarbonisation in the coming years:

¹ Competitive Sustainability is the ability of an economy, its companies and industrial ecosystems to excel relative to international competitors in their transition to sustainable development (with climate neutrality at its core) through investment in the necessary innovation ([CISL, 2020](#))

² In total, countries (including China, South Korea and Japan) representing around 65% of global CO2 emissions, and around 70% of the world's economy, will have committed to reaching net zero emissions or carbon neutrality by early next year ([UNFCCC, 2020](#))

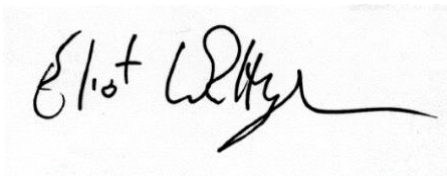
³ [The Council Conclusions of 16 November](#) called on the Commission for a revised EU Industrial Strategy and to include more concrete requirements that better account for the green transition and the recovery

- **Boosting the circular economy and creating lead markets for climate neutral materials:** A key challenge faced by the producers of energy intensive materials is the lack of certainty around the future demand for ultra-low carbon and more circular materials. The EU needs to develop a package of measures that includes advanced emissions monitoring tools, labelling schemes, performance requirements and mandatory public procurement obligations that incentivise the creation of lead markets.
- **Deploying innovative financial support mechanisms:** It is vitally important that innovative alternative mechanisms are urgently utilised in order to aid investments in high cost innovative low carbon technologies. For example, Carbon Contracts for Difference can play a role in guaranteeing investors a fixed price that rewards CO2 emission reductions above the current price levels in the EU ETS and in turn can help both public and private bodies invest in decarbonising hard-to-abate sectors.
- **Putting an effective, predictable price on carbon in a globally aligned way:** The expected revision of the EU ETS Directive should provide a meaningful and predictable carbon price in line with the EU climate targets and in turn incentivise greater low carbon innovation in EU industry. Any measures that are implemented with the objective of maintaining an international level playing field, such as a Carbon Border Adjustment Mechanism, make it even more important that the impact and predictability of the ETS is assured and that alignment with other related legislation is taken into full consideration.
- **Deploying more affordable renewable and low carbon energy:** The provision of more affordable renewable and low carbon energy will be an essential element of any strategy designed to enable EU industrial ecosystems to rapidly decarbonize. Increasing the supply can also provide major benefits to business in terms of competitiveness, as well as providing a major boost for jobs and growth and can leverage economies of scale to lower costs. It is critical therefore that the EU revises the Renewable Energy Directive accordingly by increasing the level of ambition for its 2030 target.
- **Measuring performance:** It is important to assess the performance of both RRP's and the new EU Industrial Strategy in terms of how different investments and policy initiatives can secure both short and long term benefits for the EU economy in terms of economic growth and resilience, employment, health and environmental sustainability. For this purpose, ingraining the concept of competitive sustainability [\(as mentioned earlier\)](#) as part of the expected development of performance indicators will be essential.
- **Roadmaps for sectoral decarbonisation:** As proposed under the European Climate law, developing sectoral roadmaps that outline milestones, policy needs and investment requirements in order to achieve EU climate targets will be a vital tool in ensuring alignment between decision makers, the private sector and civil society. Flexibility should be built into the roadmaps in order to allow for both potential developments in climate science and technological advances. They should be overseen and co-ordinated at EU level by the European Commission to ensure alignment with the other initiatives mentioned here, including industrial strategy, and to ensure an integrated, economy-wide approach such that all EU industrial processes and business models innovate to meet new, rapidly growing climate neutral market demands.

- **A just transition for jobs and skills:** The EU must prioritise the need to invest in upskilling and reskilling of workers whose jobs are at risk from cleaner industrial processes and ensure quality jobs in the circular economy. A thorough evaluation of the sectors where such re-skilling is needed will be essential and clear roadmaps will be required to ensure measures are taken to requalify existing employees whilst preparing young workers for a cleaner future.

The Competitiveness Council has a vital role to play in ensuring that the EU is taking the necessary steps to safeguard the future of its industrial landscape in a world that is shifting towards a global climate neutral economy. Urgent action to position EU industrial ecosystems in such a way that they can outperform in both the European and global climate neutral markets that are rapidly developing is essential. The revised EU industrial strategy and the indicators of competitiveness that it uses will be crucial to this end. The opportunity cost of delay or insufficient ambition would have negative consequences for the competitiveness of European industries so we put our trust in you and your counterparts across Europe to make sure the necessary measures are taken to secure short term advantages and longer term success.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Eliot Whittington', with a long horizontal flourish extending to the right.

Eliot Whittington
Director, CLG Europe

Cc: This letter will be shared with all relevant Ministers of the COMPET Council, European Commissioners and Members of the European Parliament