

18 October 2021

RE: Fit for 55 Package from an Industrial Perspective

Dear Ministers of the Competitiveness Council,

On behalf of CLG Europe, I am writing to you following the discussion on the Fit for 55 Package at the September EU Competitiveness Council. We welcome the discussion which highlighted the key role that the Competitiveness Council can play to monitor the passage of the Fit for 55 package, both giving a holistic view of the European economy whilst also delivering a key link between the Industrial sector at the Climate package.

As highlighted by the Slovenian Presidency, the release of the Fit for 55 package comes shortly after the new Industrial Strategy for Europe. This new strategy establishes a key role of the European green deal to enhance the resilience of the Single Market, whilst also decreasing the EU's external dependencies. In this vein, we would reiterate the importance of rapidly improving energy efficiency, especially in buildings and industry, and further accelerating the move to domestically supplied renewable energies to reduce the risks of the problems highlighted by the current gas crisis.

The Ministerial discussion on the package demonstrated a welcome majority agreement that the green transition brings valuable opportunities. As highlighted by Vice-President Šefčovič, Europe will benefit from a 'first mover advantage' by embracing the future of climate neutral, green technologies and business models ahead of other regions. The EU's new growth model and European Green Deal show that we can and should make a success of our competitive sustainability and work hard to demonstrate this in practice. Whilst progress is undoubtedly being made in this respect, much more is necessary for the opportunities to be seized by the EU, as international competition for the necessary investment intensifies in the 'race to zero'.

CLG Europe has recently published a detailed [report](#) on the Fit for 55, working with our progressive business membership to set out a positive vision for the future. Our briefing highlights the role that leading businesses are already playing to ensure a green future.

I would like to take this opportunity to bring to the attention of the Competitiveness Council several key recommendations, relevant to their work. Overall, the Fit for 55 package provides a framework to deliver a strategy to achieve a robust future EU and global economy and create new industries and markets in the transition to a net zero economy. However, there are several areas which would benefit from further strengthening:

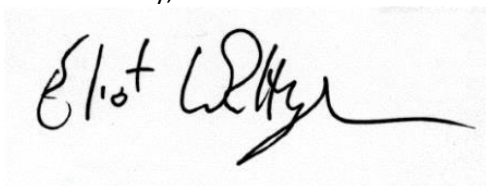
- **Put the principles of the circular economy at the heart of the package**, by ensuring its policies are aligned with the EU's Circular Economy Action Plan and its objectives, including reducing demand for new materials, promoting circular economy processes and encouraging sustainable consumption by households and businesses. Regulations that set content requirements for recycled materials can be useful to create market demand for them, while supportive policies and resources can improve the EU's recycling infrastructure (including collection and sorting) and incentivise product designs that enhance recyclability.
- **Support the development of a harmonised methodology for measuring and reporting embodied emissions in key materials.** The current absence of widely available data on embedded CO₂ emissions from many suppliers across the value chain makes it impossible for intermediate and final product purchasers to select and market either climate neutral or more climate friendly products. A harmonised and digital process for the assessment and verification of embodied carbon in imported materials would be important to reduce costs for companies and Member States in the implementation of any future CBAM.
- **Identify major skills gaps and workers who will likely need reskilling or upskilling in the near future and deliver targeted and well-resourced skills development.** The EU should ensure that skills development programmes are implemented and adequately resourced in all Member States. EU-wide certification schemes could incentivise Member States to synchronise their upskilling and reskilling programmes and improve labour mobility.

From our analysis on **Industry**, I would also like to highlight the following areas where further work can be done to improve the effectiveness for the Fit for 55 package:

- **The development and implementation of industry roadmaps, with interim targets and milestones to net zero emissions by at least 2050.** These roadmaps should be designed in collaboration with relevant industry stakeholders, address the most polluting sectors of the economy and align with the transition pathways for industrial ecosystems being developed under the EU industrial strategy.
- **More efficient use of public administration and local authorities' procurement rules to create demand for low carbon materials, production technologies and manufactured goods.** Public spending through procurement amounts to 14 per cent of EU GDP each year. As suggested in the updated industrial strategy, the European public procurement framework could help strengthen companies' competitiveness and increase demand for low carbon solutions. These could include the use of strategic criteria, notably for green and innovation procurement, while ensuring transparency and competition. Such an approach should be applied in a way that ensures fair competition between public and private providers.
- **Introducing additional financial instruments and funding aimed at improving market readiness and ability to scale up innovative clean technologies and solutions.** This would prevent the exportation of promising EU innovations. Such approaches could support the creation of new jobs in the EU in addition to protecting the competitiveness of EU industries in international markets.
- **Implementing CBAM in a way that is compatible with healthy trade relations and the World Trade Organization rules.** The potentially adverse impacts on diplomatic relations, industries in the least developed countries and some EU industries must be carefully managed to avoid damaging trade relationships, market distortions and the EU's reputation globally as a champion of just transition.
- **Aligning energy and other enabling infrastructure plans to support the transition to net zero industry.** Wider adoption of CCS technology will be needed to deliver a sustainable transition in specific industries such as cement and where the captured carbon can be stored or used in a way that enables emissions to be permanently avoided. However, its current maturity level is not yet competitive. System infrastructure is an essential piece of the puzzle and having a synchronised plan for its deployment is key to enabling industry transformation.

CLG Europe looks forward to supporting the work of the Competitiveness Council, which will play a key role in ensuring a green transition that works with Industry. Moreover, we look forward to following the debate in the next Competitiveness Council in November which will shed further light on how we can ensure an effective and successful green transition.

Yours sincerely,



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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