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Policy Declaration

EU Industrial Policy enabling smooth transition to Low-Carbon Economy

The European Union must develop a comprehensive policy framework to deliver on its long-term climate, social and economic objectives, while preserving the competitiveness of its industry through securing a level playing field for its industries facing international competition from third-country players that do not follow similarly ambitious climate goals. A new industrial policy must be based on a solid industrial governance structure that allows to monitor the strategy's implementation on a strategic level comprising a set of target-driven, appropriate and future-proof indicators. In addition, industrial policy mainstreaming has to be implemented throughout European policymaking processes to limit potential negative impact by new legislation on competitiveness and to reduce possible new bureaucratic costs.

Global level-playing field

We need global trade to be free, but also fair and rules-based. The EU must therefore pursue an ambitious trade agenda to open new markets and secure global value chains for European companies. In parallel, the EU should implement instruments to ensure a **level playing field** with third countries to offset competitive disadvantages for European companies in order to prevent carbon and investment leakage.

Open markets and effective competition control by the EU must be core elements of the new EU policy to create fair conditions on global markets. As a positive spill-over effect, such measures would incentivize third countries to foster greater climate ambitions and thus prevent additional carbon leakage.

Therefore, it is necessary to:

- **Promote free and fair trade by strengthening and modernizing the multilateral trading system through a WTO reform, accompanied by an ambitious bilateral trade agenda** through concluding and implementing bilateral trade and investment agreements with third countries (i.e. Mercosur, Vietnam, China and the United States). Use an ambitious trade agenda to open third markets for EU-companies and to promote and protect European standards and interests on a global scale.
- **Strengthen EU trade policy instruments, revise and effectively implement trade defense procedures and competition law to tackle third country trade barriers and address market distortions** that state-controlled economies, notably China, create by subsidizing companies and limiting access to their markets. The EU must not restrict foreign direct investment, but make sure, through an institutionalized screening mechanism, that it meets the same requirements as those to apply to domestic investors. Reciprocal market access should be a decisive criterion in this control. The EU procurement market should also be more restricted for countries that do not allow reciprocal access to their market.
- **Advocate for more prohibitions on subsidies** under the WTO and aid European companies that compete with subsidized third country competitors.
- **React quickly to President von der Leyen's plan to impose carbon border adjustment** (based on the equivalent ETS costs), to support industries in their decarbonization transition, to level the playing field and as an effective tool of political diplomacy to foster climate ambition in third countries exporting to the EU. Its design that shall complement existing carbon leakage

provisions on free allocation and indirect costs compensation will have to be carefully considered, sector-based and fully compatible with WTO rules.

Energy and climate policy

During the transformation to a low carbon economy the EU industry needs to remain competitive and able to generate the necessary revenues and profits (throughout the entire transition and beyond) as massive transformative investments are needed for research, development, demonstration, commercialization and scaling up of new CO₂-low technologies. Heading towards the world's first climate-neutral continent is the greatest challenge esp. for the CEE industry. Other regions of the world will only follow, if Europe can prove that it is possible to decarbonize without losing competitiveness, market share and jobs as a result of CO₂ abatement cost.

In order to support a competitive industry, an energy policy framework is needed that enables a technology-based transformation of the system while creating growth opportunities for industry and workers.

The EU needs to:

- **Map the current state and future requirements of the EU's energy infrastructure and provide conditions for its development in line with ENTSO scenario**
- **Provide conditions for investments into low-carbon capacities** and ensure a technology-neutral access to CO₂-low and CO₂-neutral energy vectors (e.g. electricity, renewable gases and hydrogen) at affordable prices and sufficient CO₂ storage capacity.
- **Support the creation of a genuine Energy Union in Europe.** It is essential for security of supply to expand the network infrastructure, notably in the fields of electricity, gas, hydrogen, CO₂ transport and storage. Thus, projects of common interests within the framework of the Trans-European Energy Networks (TEN-E) Regulation must be implemented within a reasonable period of time.
- Eliminate negative impacts on the EU ETS while phasing-out fossil fuel generation sources and analyse to **include other sectors in the EU ETS**, i.e., shipping, in line with the aviation sector's ETS integration.

Research, Development, Innovation and Technology

Research, development and innovation policy must be closely linked to a European industrial strategy. Most promising breakthrough technologies need to be tested and implemented at industrial scale in the coming decade. Therefore, public financial support for the implementation of CO₂-low production technologies, RD&I into breakthrough technologies and up-scaling of these to industrial demonstrators, will remain crucial. This is necessary also to strengthen technological leadership of Europe in the long run.

It is key to:

- Make available EU and national financial support schemes for the decarbonization of industrial installations at sufficient scale for the entire transition period.
- Incentivize private investment to breakthrough technologies at an industrial scale.
- Support R&D&I into new technologies through the adaptation of EU state aid rules where necessary (e.g. IPCEIs).
- Improve networks between various research and funding initiatives and programs at national and EU level.
- Take measures to counter the shortage of skilled workers by modernizing vocational education and training, making better use of the domestic labor force potential and facilitating qualified migration from third countries to address the lack of staff where needed.



RUZ - National Union of Employers of Slovakia

IV - Federation of Austrian Industries

HUP - Croatian Employers' Association

SPCR - Confederation of Industry of the Czech Republic

MGYOSZ - Confederation of Hungarian Employers and Industrialists

ZDS - Employers' Association of Slovenia