

For a European Green Industrial Policy

A Franco-German contribution

We Europeans seek leadership when it comes to climate transition. We have come a long way in changing our regulations to comply with the Paris Agreement. We reaffirm our political ambition to boost all instruments to retain leadership in this major shift. In the difficult context of the Russian War against Ukraine, we have to pursue European efforts to **secure the industrial base in Europe**, in particular **critical green industries**. Markets of the future are green and we all need to invest heavily in the development and roll-out of the technologies needed for the transition towards a climate neutral society.

We are ready to engage with all Member States to work on the following items and we invite the European Commission to take into account this contribution in its future proposals.

Response to the American IRA

The United States of America have with their Inflation Reduction Act rightfully decided to join those States that advance ambitiously on the green transformation agenda. But the American IRA raised a lot of concerns for our European industry as well as other allies of the USA.

President Biden's recent statements offering a perspective to make the IRA compatible with the European interests is a welcome first step. We can benefit from each other's strengths and jointly **contribute to a new era of green manufacturing on both sides of the Atlantic**. Under the leadership of the European Commission, we will work closely with our American partners to operationalize such a proposal along the following lines:

- The exceptions made in the IRA for countries with a free trade cooperation should cover partners and allies like the European Union.
- For tax credits conditional on US local content: use exception clauses to waive local content criteria so that European products are eligible for tax credits in the same way as American products.
- Ensure mutual ex-post transparency on a regular basis on public support for transformation technologies

In this context, a **green economic partnership** with joint development of standards as well as mutual recognition of standards and access to subsidy schemes could be a way forward. This could build on the *Transatlantic Initiative for Sustainable Trade* of the third TTC.

It is in our mutual interest to swiftly find common ground here and to avoid disruptions to the level playing field between close partners at a time of trustful cooperation to face the Russian war against Ukraine.

A new European Green Industrial Policy

While the EU has one of the most advanced regulatory frameworks when it comes to the fight against climate change, we should now boost our efforts to **develop an ambitious green industrial policy agenda** – with a coherent strategy backed by effective instruments.

We propose four clear objectives to support such a policy:

- **To deliver on our climate objectives**, while we must decarbonize Europe’s industry, we need to retain a strong industrial base with well-paying jobs and a diverse landscape of small, medium and large companies.
- **To strengthen our strategic sovereignty**, we must diversify Europe’s access to technologies and resources needed for the transformation of green industry (e.g raw materials) and build sufficient European production capacity for these technologies, in line with the Versailles Agenda.
- **To keep Europe together**, we must improve the functioning of the Single Market for all Member States.
- **To make the new green industries a lever for growth**, we must support and nurture our emerging industries when faced with distorting practices at the international level.

A European green industrial policy requires first and foremost audacious steps at the European level. The platform “**Clean Tech Europe**” was an important step to bring all actors together. This should be followed up quickly with concrete policy. We propose the following areas for action:

- The Single Market is at the heart of European integration and a strong engine for both prosperity and stability in the EU. To spur innovation and growth, a functioning Single Market requires a robust and reliable state aid policy framework.
- **Existing state aid rules could be made more agile in the area of transformation technologies** and for the sake of implementing the New European Green Industrial Policy. We need simpler, faster and more predictable decision-making processes. This is especially true for IPCEIs, which should be broadened beyond “first in class” technologies and where we should use best practices and create targeted exemptions in particular in the IPCEIs which are currently in the pre-notification phase. The time for the approval process should be halved. The opportunities for new IPCEIs for transformation technologies should be discussed in the Joint European Forum for IPCEI.
- **We propose to allow experimenting targeted subsidies and tax-credits** using fast-track and predictable umbrella schemes for key industrial sectors. They would rely more on *ex-ante* criteria in a clear and targeted framework and on the notification of general national support schemes. To put these schemes into action, we will mobilise all relevant national and European tools and instruments.
- The state aid framework should allow us to **support and enable matching measures in targeted strategic sectors** (e.g. wind, heat pumps, hydrogen and photovoltaic).
- **EU funding priorities should better reflect our common industrial policy objectives** and in particular the need to decarbonize our industries, strengthen transnational infrastructures and build a green industrial base. Therefore, we propose as a first step to reorient parts of our unused funds and to assess what role the EIB and other relevant promotional banks could play.
- **European regulation** can support in various areas the industrial policy objectives. We support a new push to further integrate and deepen capital markets through Capital Markets Union. We will work towards finding swift and ambitious agreements on the Ecodesign Regulation and on all legislative dossiers related to hydrogen to provide clarity for consumers and companies on the regulatory framework of the future.
- We will **use all EU trade policy instruments** to preserve the single market from distortions coming in particular from non-market economy practices and to ensure a global level playing field.

Measures at home to support EU green industries

In addition to the European endeavors regarding green industries France and Germany will take within their national remits decisive steps to help build a new green European industrial base.

In particular:

- We will make sure that the European industry has **access to affordable, safe and sustainable electricity** so that they can remain globally competitive.
- In public tenders and subsidy schemes, we will explore the **inclusion of qualitative criteria** to preserve Europe's strategic autonomy and to allow for the effective transformation of our industries. These could be phased in over time.
- We will put in place additional instruments to **reduce uncertainty about demand** for products such as wind turbines and to **finance the buildup of production capacity**.
- We will **speed up permitting procedures** for new production sites as well as for infrastructure.
- We will ensure a swift implementation of the already-planned **programs to support the buildup of a hydrogen infrastructure**.
- We will ensure the EU's security of supply when it comes to the **critical raw materials** needed for the transformation, including through dedicated investment tools and regulatory instrument like the upcoming raw material act.

Taken together, these measures will give a sizeable boost to both demand for and supply of transformation technologies not just in our two countries but along the value chains that run throughout the Single Market and will hence secure and build up green industries throughout the EU. This will also reduce our dependencies as agreed in March 2022 in the Versailles Declaration and contribute to the reduction of the global carbon footprint. We invite all Member States to take similar steps.

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