

EU Industrial Strategy: EEB's Response

Introduction

According to the Commission, the EU Industrial Strategy should support European industry's global competitiveness, make Europe climate-neutral by 2050 and shape Europe's digital future.¹

When it comes to action for climate and the environment, time has run out for business as usual. Scientists have been warning us for decades; citizens, the UN and governments are waking up to reality as well. Yet the Strategy published by the European Commission's on 10 March 2020 unfortunately fails to live up to promises made by Ursula von der Leyen, who called for "bold steps" and a Commission that would "strive for more" in her address to the European Parliament in July 2019.² It certainly does not take into account the environmental reality we're facing.

The new Strategy was announced in the European Green Deal (EGD) as one of its main pillars and comes after the Masterplan on Energy Intensive Industries presented in December last year³. Despite this, the Strategy document seems to only vaguely refer to EGD. The climate emergency is listed only as one of the three equally ranked pillars of the strategy, together with 'innovation' and 'digitalisation'.

This document represents the European Environmental Bureau's initial response to the EU Industrial Strategy. It includes a table with commentary on seven key areas we identified as crucial:

- Avoiding fossil fuel lock-in
- Maintaining ambition
- Good governance
- Ending industrial pollution
- Financing the right projects
- Making the ETS, carbon pricing and a carbon border adjustment effective
- Putting material efficiency and the circular economy first

We have also commented on two additional points:

- Following the 'Energy Efficiency First' principle
- Making the grid Paris-Agreement compatible and ready to be fully renewable

¹ 'Making Europe's businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe', European Commission, 10 March 2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_416

² Opening Statement in the European Parliament Plenary Session by Ursula von der Leyen, Candidate for President of the European Commission, European Commission, 16 July 2020. https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_19_4230

³ Masterplan for a Competitive Transformation of EU Energy-intensive Industries Enabling a Climate-neutral, Circular Economy by 2050, European Commission, 28 November 2019. <https://ec.europa.eu/docsroom/documents/38403>

Summary

The leading role for Circular Economy and Energy and Material Efficiency are welcome parts of the document, but we stress that these concepts lack clear indications of policies to become priorities.

Scarce attention is given to the other environmental performances as potential drivers for the right type of responsible innovation, thus failing to comply with the zero-pollution goal of the EGD.


The main shortcomings of the proposed Strategy are as follows:


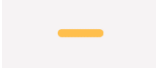
- The lack of clarity as to how and when the industrial transition should happen, with missing qualitative expectations on the desired outputs. Focus seems to be limited to pull side instruments (like more favourable markets for EU industry)
- The desired “innovation” or meaning of “clean” or “green” technologies is not specified: aspects like smart design or changing the ways of producing or consumption are not further addressed, providing a misguided assumption that “(IT) technology will solve it”
- The role of Civil Society Organisations in helping steering this industrial transformation is largely underestimated and little to no details are disclosed as to whether there will be civil society participation in the Industrial Alliances and Industry Forum that the European Commission intends to set up
- This plan fails to grasp reality on what the scale of urgency is to protect the “essential needs”. The “essentials” to sustained life on earth is to provide for stable climate, clean air, water, rich biodiversity soil for sustainable food and toxic-free living conditions for a better future where people and nature thrive together. The EU Commission’s wish for an EU Silicon Valley duplicate seems to be disconnected from what those “essential needs” are.


However, there are positive aspects, which are to be welcomed:

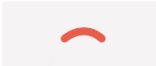
- Climate neutrality by 2050 and circular economy goals are reaffirmed
- Some concrete transition projects such as clean steel, other energy intensive industries and specific product groups are mentioned e.g. EU clean hydrogen, batteries, textiles and electronics
- A Circular Economy Action Plan, sustainable product policy framework with stronger empowering of consumers (right to repair) will bring forward innovation
- A chemical strategy for sustainability. However, the future will tell on how seriously the Commission will embrace the sustainability goal to achieve a toxic free environment and to achieve the needed redesign of chemical manufacturing (e.g. cradle to cradle, benign by design)
- The Energy Efficiency First principle is reaffirmed and directly connected to the need for a more strategic approach on renewable energy industries. This view is welcome because it finally departs from the “technology neutrality” dogma that has prevailed so far taking a clear stance on direction for what type of responsible innovation the EU wishes to promote.

Table of key issues with further information and EEB comment:


What is needed	The EEB's view	The EEB's reaction to the Industrial Strategy	Assessment
Avoiding fossil fuel lock-in and transitioning away from fossil fuels			
<p>An end to investments in fossil fuel projects - including fossil fuel infrastructure. The EU's financial and economic planning policies must be coherent with climate neutrality. This means phasing out investments in fossil-fuel based industrial activities (energy production, energy consumption and grids).</p>	<p>The oil and gas industry has created a false narrative around solutions based on fossil fuels, such as fossil hydrogen and fossil gas and CCS, which they are promoting as "transitional technologies". This creates a double liability because:</p> <p>They are bound to become stranded assets due to their non-compatibility with climate neutrality. This is likely to be particularly the case in areas that are currently heavily dependent on coal which should be spared the need to transition twice - first to gas, then to renewables.</p> <p>They drain resources that could be invested in more effective measures, such as boosting the circular economy and the electrification of industrial processes.</p>	<p>The document released by the Commission fails to address the issue of steering the investments towards the right direction. In this sense we call on the Commission to make sure that the announced European <i>Clean</i> Hydrogen Alliance will be focused on renewable hydrogen and not on fossil-hydrogen.</p> <p>No fossil fuel phase out is mentioned in the Strategy. <i>E.g. the Communication only mentions that "reliance on available fossil fuels could be replaced with reliance on non-energy raw materials."</i></p> <p>Putting the right price on carbon is missing.</p>	

Maintaining ambition			
<p>There must be a clear commitment to a climate neutrality target for the industrial sector, with a clear roadmap and intermediate targets</p>	<p>Making no reference to carbon neutrality as a sectorial target leaves room for burden shifting and blurry commitments ahead.</p> <p>The lack of a clear roadmap on how to get there, with intermediate targets, leave rooms for bad investments in a moment Europe should be focusing on the highest-delivering policies. All member states should develop specific decarbonisation road maps for each sector.</p> <p>We think the European Commission missed a chance to carve in stone that climate neutrality is this sector's duty as much as anyone else's and industry should not rely on other sectors such agriculture or forestry to offset what are today considered its hardest-to-abate emissions.</p>	<p>The document barely mention climate crisis as a motivation for this Strategy in its introduction. Climate compatibility is just one of the three equally ranked pillars of the strategy.</p> <p>Climate neutrality is not there as a target and industry is only requested to "pave the way to carbon neutrality" with no specific roadmaps.</p> <p>These paths should come from the industrial sectors that "should be invited and incentivised to define their own roadmaps for carbon neutrality": this wording is very disappointing as we believe it is the role of the European Industrial Strategy to invite Industry to such roadmaps, and it is not clear who else should be doing this.</p>	
Good governance			
<p>To allow for a balanced and transparent control, an independent 'EU Industrial Policy Observatory' composed of relevant stakeholders, including civil society organisations, should be established to continually monitor progress towards climate neutrality and suggest corrective measures should real emissions deviate from the trajectory.</p>	<p>Civil society and independent scientists should be given the chance to have a say in the process of transitioning our economy to carbon neutrality. The relevant amount of public money that will be invested in re-engineering and re-designing products and processes, infrastructure, research and development must be geared towards the most promising solutions and best value for money, an effectively functioning independent body could ensure this.</p>	<p>In this sense the Strategy presents the well-known intention of the EC to work on Industrial Alliances, that is, public private partnerships focused on steering the innovation process in the different industrial sector, building on the battery example.</p> <p>We call on the Commission to make sure that such Alliances explicitly includes Civil Society and there is a balance of interest group representation.</p> <p>We welcome the idea of an Industrial Forum open to civil society but we ask this forum is given the relevance needed to steer the process.</p>	


Ending industrial pollution			
<p>We do not just need to decarbonise, we need to de-pollute. Upgrading industrial processes in view of climate neutrality is an unmissable opportunity to achieve other environmental benefits</p> <p>The Industrial Strategy must be aligned with the EU goal of zero-pollution and address the hazardous chemicals problem across sectors, as well as being aligned with the risk management hierarchy of actions in risk management that prioritises exposure prevention, elimination and substitution over control measures.</p>	<p>According to the EEA, industry was responsible for over half of all anthropogenic emissions to air of CO₂, SO_x, NMVOC and the heavy metals Cd, Hg and Pb in 2017. Poor quality of air, surface and ground waters are generally associated with the presence of fossil-fuelled and chemical industrial compounds,</p> <p>The Strategy should therefore accelerate the plans for different EU legislation and policies and promote financial incentives for sustainability throughout the production chain. As the Industrial Emission Directive is set for revision in 2021, we think that <u>climate neutrality should be fully integrated in the BREFs</u> (best available techniques (BAT) reference documents), the BAT concept shall be re-designed to provide for the best ratio of environmental impact of industrial activity versus public good/service provided and set on technical feasible levels. The following items are to be prioritised: energy and protein production, water quality and supply, resource management, substitution of chemicals of concern. Full internalisation of external costs (e.g. air pollution) is paramount and any support scheme should ensure beyond EU standards performance.</p> <p>Environmental benchmarking, transparency and stronger enforcement provisions are also necessary to monitor success.</p> <p>More information here.</p>	<p>The Industrial Strategy seems to be written as if the Zero-Pollution goal in the EGD was not there: we welcome the announcement of a new Chemical Strategy for sustainability but we cannot help but stressing that its scope “encourage innovation in the sector to promote safe and sustainable alternative” to hazardous chemicals, is too weak.</p> <p>There is a general reference to “clean” technologies or “innovation” and also a link to EU standards.</p> <p>However, the assumption that the EU industry is “complying with the highest environmental standards” is to be questioned. This is certainly not the case when looking deeper in the Industrial Emissions Directive implementation. The EEB calls for a fundamental review on regulatory framework for industrial production (the IED), the strategy generally lacks for concrete proposals on how to ensure the industrial production activities in EU transition to the Zero Pollution ambition. See more information here https://eeb.org/library/an-eu-industrial-strategy-for-achieving-the-zero-pollution-ambition-set-in-the-european-green-deal/</p>	


Financing the right projects			
<p>EU money must be invested where it is most effective.</p> <p>As of today, only part of the EU money has been spent efficiently on good projects effectively delivering climate and environmental benefits. This remains but a fraction of what is needed and is often weakened by poorly targeted funding.</p> <p>Finance must be better targeted to provide for the massive amount of public investments needed for transitioning our industrial system towards carbon neutrality in a pathway compatible with the IPCC's 1.5 degrees scenario.</p>	<p>As we expect unprecedented demand for financing to transform a very carbon-intensive sector, EU money must be used to leverage private funding. Project that receive funding should meet strict climate and environmental standards and represent best value for money.</p> <p>It is important that the worst-performing processes and facilities are tackled first. This could be done according to a defined timeline and on the basis of progressive ambitions on environmental performances, as is the case, for instance, for ecodesign measures. This would prevent the possibility for companies to be financed for pilot projects for an undefined time span, while they continue to produce products with a high climate impact.</p> <p>Given the existing basket of technologies and very long investment cycles in resource and energy-intensive industries, a set of no-regrets options, such as maximisation of renewable energy uptake and performance targets for increased circularity, should be prioritised in the transition and no longer be delayed under the pretext of technological neutrality.</p>	<p>We welcome that the Strategy announces that “the EU Emissions Trading System Innovation Fund will help deploy other large-scale innovative projects to support clean products in all energy-intensive sectors” and clean and affordable energy and raw materials are a priority” but we fail to see a real priority making process in the document. While the Commission propose to invest in “place-based innovation and experimentation (...) drawing on their local characteristics, strengths and specialisms”, we warn this should not be a wild card for allowing fossil fuels or other polluting industries to keep investing in lock-in technologies that would not pass the zero pollution compatibility test.</p> <p>The Commission could have proposed a minimal carbon shadow price of 100€/tonne and internalisation of other external damage costs such as for air pollution, when assessing “best value for money criteria” used for rating financial support projects.</p> <p>For EEB views on financing climate mitigation projects, see https://eeb.org/library/a-budget-to-address-the-climate-crisis/</p>	

Making the ETS, carbon pricing and a carbon border adjustment effective

<p>The negative externalities of carbon emissions <u>need to be fully reflected in the price of products available on the European Market.</u></p> <p>The practice of insufficiently targeted and over generous handouts of free allowances to carbon-intensive industry sectors <u>needs to stop.</u></p>	<p>Industrial emissions covered by the EU's Emissions Trading System (EU ETS) have been stagnating in the last 7 years. Past and current debates have been focusing more on protection against international competitiveness than on creating incentives for industry to transform and deeply decarbonise. <u>Free allocations of ETS emission allowances have been extremely untargeted and in some cases has led to windfall profits</u> or businesses that failed to take action to cut their emissions.</p> <p>Should a border carbon adjustment be introduced, it would need to take into account the following:</p> <ul style="list-style-type: none"> • Its introduction would need to go hand in hand with a full phase out of free allowances. • It would need to be accompanied by diplomatic efforts to steer the targeted country/countries towards better implementation of the Paris Agreement. • Negative impacts on most vulnerable nations would need to be mitigated as much as possible (either with explicit exemptions or by earmarking revenues fully for targeted international climate protection assistance). 	<p>EEB is disappointed by the missed opportunity to address the carbon price as a driver for innovation.</p> <p>On the carbon border adjustment mechanism, which we welcome, the Strategy mentions it will only be necessary if a much needed international policy will not be put in place. However, it states that “This should be supported by strengthening our current tools to tackle carbon leakage” and fails to clarify if the ETS free allowances that have prevented innovation in the highest emitting industrial sectors will be lifted.</p> <p>Further, there is a general lack of internalisation of external costs e.g. due to air pollution, chemicals from diffuse emissions or legacy uses, material consumption.</p>	
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Putting material efficiency and the circular economy first

<p>Low-carbon markets for products such as steel and cement must be promoted through dedicated policies such as compulsory recycled content targets in new materials and Green Public Procurement.</p> <p>Policies based solely on demand-driven measures do not create an ambitious framework and will not secure the achievable savings that material and energy efficiency can deliver. Therefore, we call on the Council and Parliament to:</p> <ul style="list-style-type: none"> • Introduce a brown list of phase-out technologies • Set targets to reduce overall virgin resources use and its environmental impact by 2030 for metals, minerals and plastics • Define roadmaps to zero waste for all industrial activities <p>Make sure plastics are long-lasting and reusable and, when they are discarded, are collected through material loops systems decontaminating and recycling them with equivalent functionalities as virgin</p>	<p>The 2019 OECD Global Material Resources Outlook to 2060 projects that, in absence of new policies, global materials use would almost double from 89 Gt in 2017 to 167 Gt in 2060, with catastrophic consequences for people and the natural world. In Europe, industry is a massive market for these raw materials and fuels. The construction sector is the main market for cement and steel, two of the most relevant and GHG emitting industrial sectors. It is also a prominent market for PVC and other plastic streams. Adding to that, construction waste is the single largest waste stream in Europe.</p> <p>Circular economy provisions alone could cut over 50% of heavy industry's emissions and should be regarded as the number one no-regret choice for both public and private investments.</p>	<p>The EEB is pleased to notice that Circular Economy enjoys a relevant space in the document and is listed as a driver for competition and innovation, but we notice the document focuses on demand side “pull measures” such as the Green Public Procurement but fails to list production side “push measures” such as increasing minimum emissions standards for core products such as steel, cement and plastics.</p> <p>We welcome the emphasis on the International Procurement Instrument, which we believe could drive Green Procurement at world level and create a level playing field for EU's low carbon products.</p>	
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Following the 'Energy Efficiency First' principle			
<p>Pollution prevention shall take precedent over control measures. The cleanest energy is the one that does not need to be produced.</p> <p>Introduce minimal binding energy efficiency standards based on best-in-class solutions within a given industrial activity (e.g. electricity, heat generation) or product categories</p>	<p>The energy efficiency first principle is aligned with prioritizing pollution prevention over control and a smart approach to maximise resource use and prevent wasteful production types or upstream pollution (e.g. badly isolated buildings)</p> <p>Currently Energy Efficiency standards are set for products and housing, however for industrial activities these are left optional due to EU ETS. The policy framework should be adapted to strengthen this principle</p>	<p>The Strategy re-affirms the importance of the energy first principle in relation to “built assets” (buildings) and also across industry to reduce various emissions and to achieve climate-neutrality. The Energy Efficiency First principle is also directly connected to the need for a more strategic approach on renewable energy industries. This view is welcome because it finally departs from the “technology neutrality” dogma that has prevailed so far taking a clear stance on direction for what type of responsible innovation the EU wishes to promote.</p>	
Making the grid Paris-Agreement compatible and ready to be fully renewable			
<p>Provided the Energy Efficiency first principle is applied, the most relevant investments on infrastructures needed to decarbonise Industry are those related to the electrification of heat sources. To allow for processes electrifications (furnaces, clinkers, transports) a massive upgrade of electrical grids is needed alongside an unprecedented uptake of renewable energy production. Industry-bound renewable- hydrogen lines should be set up too.</p>	<p>Electric and gas infrastructure grids that are now under construction must be made to accommodate a fully renewable energy system by 2040 and phaseout fossil gas entirely. PCIs identified in the TYNDP (Ten-Year Network Development Plan) must be part of a Paris Agreement compatible grid to avoid becoming stranded assets. Lock-in to fossil gas in sectors such industry and domestic heating is especially harmful, and the majority of fossil assets need to be phased-out, and the rest assessed on a case-by-case basis. A Commission review of the Trans-European Networks for Energy (TEN-E) regulation should ensure close alignment between energy infrastructure, climate commitments and projections in the LTS.</p>	<p>We welcome that Commission envisages a more strategic approach to renewable energy industries, such as offshore energy, in the framework of a substantial increase in the amount of electricity required. However, no specific commitment to a 100% renewable grid is made and we believe this is not consistent with the carbon neutrality target.</p> <p>On a positive note, we acknowledge the request for “efforts to better connect Europe's electricity systems to increase security of electricity supply and integrate more renewables” and the fact that the Trans-European networks will have to support renewable energy. We deem relevant that the Commission will deliver a strategy for smart sector integration, which will also set out the Commission's vision on clean hydrogen, to use more effectively electricity, gas and liquid fuels by linking different sectors.</p>	