EEB
European
Environmental
Bureau

A Post-Growth European Green Industrial Policy

The EEB is the largest network of environmental citizens' organisations in Europe. It currently consists of over 180 member organisations in 40 countries, including a growing number of networks, and representing some 30 million individual members and supporters.

The EEB is an International non-profit association /
Association internationale sans but lucratif (AISBL).
EC register for interest representatives:
Identification number 06798511314-27
BCE identification number: 0415.814.848
RPM Tribunal de l'entreprise francophone de Bruxelles

Published: September 2024

Author: Emilie Tricarico, Policy Officer for System Change

European Environmental Bureau (EEB)
Rue des Deux Eglises 14-16
1000 Brussels, Belgium
+32 (0)2 289 1090
eeb@eeb.org
eeb.org
meta.eeb.org

@green_europe European Environmental Bureau eeb_europe eeb_europe

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or CINEA. Neither the European Union nor CINEA can be held responsible for them.

The return of industrial policy

In recent years, industrial policy has re-emerged at the EU policy-making level in the wake of the Green Industrial Plan (which incorporates the Critical Raw Materials Act, the Net Zero Industry Act and the reform of the EU's electricity market), and more recently with the shift toward competitiveness enshrined as a central tenet of the next EU Commission mandate, together with the publication of the Draghi report[1], signalling a potentially alarming turn towards the deregulation of green and social measures at the benefit of private capital.[2] In contrast with the U.S. and China's state-intervention programmes, the absence of a coordinated approach to industrial policy in the EU is sparking fears at high-level of further de-industrialisation and greater economic dependence on foreign countries for the critical materials and technologies needed for the green transition and other sectors of EU interests including defence and digitalisation.

Broadly speaking, industrial policy refers to government-led interventions towards specific sectors and activities of so-called 'strategic importance' to deliver economic transformation.[3] Most importantly, industrial policy was central to the functioning of modern economies up until the market-driven neoliberalism turn of the 1980's, which was itself a way to supress the growing power of working class and trade union movements in the 1970's.[4] Today, in the face of the twin social and ecological crises, industrial policy should go beyond targeting specific sectors of interest and challenge the overall structure of the economy. While there is a relatively broad consensus among civil society and policymakers on the problems posed by the incoherent EU approach to industrial policy and the lack of fiscal capacity given to Member States, few account for the need to fit it within a post-growth economic framework with respect to ecological constraints and declining growth rates.[5] In this brief, we outline three main pillars, and their respective key policy proposals, that are central to the delivery of an EU post-growth industrial policy:

A mission-oriented policy towards a wellbeing and solidarity economy within planetary boundaries

- An integrated set of beyond-GDP indicators
- An EU Directive with binding resource reduction targets
- A revised global trade infrastructure

---

[1] Also exemplified by the Letta report on the EU Single Market.

[2] This was emblematic in the Antwerp Declaration, an industry exclusive summit organised by the trade lobby European Chemical Industry Council with no access to CSOs, who essentially called for a 'smarter' regulatory landscape and the derisking of private investment to boost businesses in Europe.

[3] Such as manufacturing or agriculture via an array of state intervention measures like protective tariffs, direct subsidies, public spending and procurement rules.

[4] It is important to note that the European Union was founded on a common production and investment plan for its coal and steel sectors, namely through the Paris Treaty of 1951 establishing the European Coal and Steel Community, to preserve peace on the continent. See Schuman Declaration http://aei.pitt.edu/43776/1/A7519.pdf

[5] Evidence shows that low growth rates across Europe are the new normal (EU 2024 Spring Economic Forecast). Rather than suffering the consequences of stagnant growth in the economy, a democratically planned post-growth economy is necessary to cushion the impacts from external geopolitical and ecological shocks while raising living standards and boosting investment into the green & just transition.

Strong social-ecological entrepreneurial member states

- A permanent EU investment mechanism
- Social and environmental conditionalities on public funding & procurement
- Public forms of ownership for critical sectors of the green transition

Place-based just transitions with future-fit industries and quality 'green jobs'

- An EU Just Transition Directive
- Well-funded public services with high working standards
- Establishment of EU cross-value chains for strategic industries

An inadequate EU policy landscape

As part of the EU Green Deal, Europe's Green Deal Industrial Plan (GDIP) was intentionally set-up in response to the U.S. Inflation Reduction Act (IRA) (see infobox below), to decarbonise EU's industries and to boost its competitiveness. There are several issues to do with the design of this policy package. Rather than pursuing a strategy of actively shaping the market to meet socio-economic and environmental objectives, the GDIP – like its U.S. counterpart - is in fact tailored towards 'derisking private capital', meaning that the government intervenes only to 'correct' and re-direct private investment which defeats the purpose of having an effective industrial policy in the first place. Furthermore, constraints placed by the EU single market, which penalise EU countries with less fiscal capacity to invest in their own industries, are directly undermining the goals of the GDIP to boost its low-carbon manufacturing capacity and ensure objectives of 'strategic autonomy' (defined according to the EU's own priorities which do not necessarily align with goals of human and planetary wellbeing) in the face of its Chinese and U.S. competitors.

To make matters worse, the EU just approved new fiscal rules incompatible with a sound green industrial policy agenda[6] and the forecasted end of the Resilience & Recovery Facility in 2026 is due to cut member states' spending by half. This risks further increasing divergence between Member States, and result in a two-speed transition, as some larger economies like Germany or France have much deeper pockets to provide funding and state aid into the green industrial transition[7] than those who already struggle with their public budgets. Other shortcomings include its inability to support the effective deployment of renewable energy, its lack of regulatory and permitting procedural capacity to assess raw materials strategic partnership projects, and its absence of tying public investments to strong social and environmental conditionalities to ensure that state-aid and investment is directed to critical sectors for the transition rather than shoring up company

[6] Under these new rules only 3 member states are able to meet their social and climate investment needs https://www.etuc.org/sites/default/files/press-release/file/2024-04/Fiscal Rules Report.pdf

[7] State aid accounted for 53% in Germany, 24% in France and only 3% in Italy since the war in Ukraine started. Source: Nef, 2023.

profits.[8] Furthermore, these policies strongly lack an international cooperation dimension as they are strictly intended for the benefit of European interests.

Post-growth industrial policy

While industrial policy is no silver bullet, it offers a comprehensive framework of directed state intervention programs which can be oriented towards the goal of post-growth and wellbeing economic transitions. We present below our overarching and non-exhaustive vision for a post-growth industrial policy, articulated around three main axes.

Mission oriented: From competitiveness to a wellbeing & solidarity economy within planetary boundaries

The EU is steering its agenda towards industrial competitiveness, with a high risk of coming at the expense of other targets of ecological, social, and economic prosperity. However *green* or *sustainable* that competitiveness will be, it remains problematic insofar as it fails to deliver economic prosperity for all and does not address the overlapping social-ecological crises which demand an overall shift in our economies beyond the narrow pursuit of productivity growth towards a wellbeing economic model with sufficiency at its heart. This requires orienting production and investment based on a set of key indicators (beyond GDP metrics, zero pollution ambition compatibility check, etc.) to measure progress and performance against these goals. The EU should also adopt a Directive that will set binding EU material footprint reduction targets to 5 tonnes per capita by 2050 in line with the best available research on sustainable consumption levels, with incremental targets to monitor and ensure progress. Global trade and investment partnerships with foreign countries will remain an important part of a European industrial policy, and diversifying the EU's raw materials supply chains away from a single country like China will require constant dialogue, collaboration and investment under its current and upcoming raw material partnerships. This can only be done by revising the rules governing the global and EU trade & investment infrastructure, including challenging the primacy of free trade agreements and their bias towards corporations, to ensure that these partnerships are of value added to citizens and the planet for both European and third countries rather than to the benefit of multinationals.

State intervention: public investment & ownership

An effective industrial policy requires active involvement from the State in the transition. The public sector must actively shape the market based on sufficiency and solidarity principles via different measures including protective tariffs, subsidies, public spending and so forth as well as by prioritising democratic forms of public ownership[9] for key sectors providing essential services for the

[8] The EEB argued for strong environmental conditionalities of state aid rules under ETS https://eeb.org/wp-content/uploads/2020/03/EEB-Reply-to-consultation-on-ETS-State-aid-Guidelines.pdf

[9] Public ownership is an umbrella term that comprises various models including state-owned, municipal and locally-led, community-owned and cooperatives. Public ownership plays a central role in delivering green and fair transitions by securing democratic accountability and ensuring the long-term viability of the sector by keeping wealth into the local economy.

green and social transition such as transport, energy, water, education, health & social care.

Large public investment capacity is required to plug the current green (estimated at 855 billion euros per year) and social investment gap. Given the fiscal straitjacket imposed by the new EU fiscal rules (under the Growth and Stability Pact), an adequate investment plan is required based on the redirection of harmful expenditures[10], including fossil fuel subsidies, complemented by an adequate EU public borrowing capacity, itself backed up by a reformed EU Budget (MFF) and a new fund through joint borrowing and progressive taxes.[11] The adoption of progressive tax measures, with the Polluter Pay Principles at its heart, is also a priority to redress balance and fairness in the economy via taxes on extreme wealth, capital gains, resource taxes targeted at luxury consumption, financial transactions, and windfall profits. Strong social[12] and environmental conditionalities must also be integrated across all public funds and procurement rules and include, among others, the respect of workers and trade unions rights, the promotion of collective bargaining, up-skilling and reskilling opportunities, social inclusion, the respect of the Polluter Pays principle as well as the prioritisation of circular economy strategies and sufficiency measures to make the most from public resources, diversify our economies and keep the raw materials consumption within planetary and socially just boundaries.

Place-based just transitions: future-fit industries & quality 'green jobs'

Due to the absence of a strong and effective industrial policy, the ongoing wave of de-industrialisation that began in the 1980's, has further entrenched across Europe[13]. Regional disparities have increased, especially across Central and Eastern Europe given the higher proportion of energy intensive industries in these regions who made up almost one third (70 million workers) of total EU employment in 2015. We are now seeing an increasing level of 'left-behind' regions in Europe.[14] These unmanaged transitions are a problem for both the European economic model of solidarity and democracy as they are a hotbed for the far-right which capitalises on those left-behind to use migrants and minorities as scapegoats for economic issues. To answer part of these challenges, a coherent industrial policy would rebalance economic disparities across European regions by providing high-quality jobs to these areas, with the involvement of workers and local communities, and establishing cross-value chains for strategic industries. These include jobs in resilient and green industries[15] and in the education and healthcare profession, two critically

[10] It is estimated that three quarters of these funds could be secured by reallocating current expenditure (EU-27 fossil fuel subsidies are estimated at €359 billion per year).

[11] This would have the capacity to raise over €1 trillion by 2030 (source).

[12] For a full definition of social conditionalities see ETUC's latest adopted resolution (June 2024) https://www.etuc.org/sites/default/files/document/file/2024-07/EN%20-%20Adopted%20Resolution%20-%20Social%20conditionalities%20for%20social%20progress.pdf

[13] It is estimated that 853,000 manufacturing jobs were lost in the last 4.5 years (Source).

[14] These include the coal-mining capital of Poland, Katowice, where there is a lack of employment prospects as well as in the Ruhr region in west Germany which hasn't recovered since the closure of the last coal mine in 2018 (Source)

[15] With a 'Right to Stay' principle, as stated in Letta's report to ensure that jobs remain in one's region rather than being displaced elsewhere.

underfunded sectors and largely female-dominated professions, which are central to delivering a green and just transition. Working conditions in these sectors must be brought to the level of male-dominated jobs through fair wages, job security, improved labour standards and access to social protections and childcare. Attention should also be paid to secure better conditions and protection for non-traditional and precarious forms of work, such as those carried out by informal, seasonal and migrant workers, including Roma communities. To adequately manage the transition, European trade unions are advocating for the EU to adopt a Directive for Just Transition[16] based on job-to-job transition plans for all sectors of work to address inefficiencies and weakness in current transition policies, establish a strong legal basis and ensuring coherence with other EU legislation. Rather than a race to outcompete China and the U.S., only a well-resourced, anti-austerity and coordinated European industrial policy, opened to fair global partnerships, with quality green jobs[17] and strong environmental and social conditionalities, can reverse deindustrialisation in critical sectors across Europe and deliver true economic prosperity for all.

[16] This was approved by vote by the representatives of 45 million European workers at the European Trade Union Confederation Congress in May 2023. It is also supported by the European Parliament's resolution from November on job creation and the European Economic and Social Committee (EESC) Opinion published in December 2023.

[17] For a definition of quality jobs check ETUC Resolution (2017) https://www.etuc.org/en/document/etuc-resolution-defining-quality-work-etuc-action-plan-more-and-better-jobs

References

EEB, 2020. *Industrial transformation for a more resilient future.* https://eeb.org/wp-content/uploads/2020/05/Transforming-industry-report.pdf

Bush, J., Foxon, T.J, Taylor P.G. 2018. *Designing industrial strategy for a low carbon transformation.* https://strategicperspectives.eu/report-forging-economic-security-and-cohesion-in-the-eu/

Galgóczi, B., 2024. *Industrial policy for quality jobs and a just transition*. ETUI Policy Brief https://www.etui.org/sites/default/files/2024-06/Industrial%20policy%20for%20quality%20jobs%20and%20a%20just%20transition-2024.pdf

Grossi, T. and Rayner, L., 2024. *The socio-ecological dimension of the Green Deal Industrial Plan.* https://www.etui.org/sites/default/files/2024-03/Bilan%20Social%20Presentation%20-%20Grossi.pdf

ETUC, *Industrial policy*, https://www.etuc.org/en/issue/industrial-policy

Hafele, J., Le Lannou L.-A., Rochowicz, N., Kuhls, S., Gräbner-Radkowitsch, C., June 20203. *Securing future-fit jobs in the green transformation: A policy framework for industrial policy*. Zoe Dicussion Papers. No. 10 https://zoe-institut.de/wp-content/uploads/2023/10/zoe-dp10-Hafele-Le-Lannou-Rochowicz-Kuhls-Grabner-Radkowitsch-industrial-policy.pdf

IndustriAll Europe, N.D. *Manufacturing our future! IndustriAll Europe's Action Plan for the Future of European Industry* https://news.industriall-europe.eu/documents/upload/2018/10/636752157211544067_Manufacturing%20Our%20Future%20AP%20EN%20COVER.pdf

Karcher, L. and Makaroff, N. 2024. *Forging Economic Security and Cohesion in the EU* https://strategicperspectives.eu/report-forging-economic-security-and-cohesion-in-the-eu/

Matthieu, S., Eickhout, B., Bloss, M., 2024. *Towards a European Green Industrial Deal.* https://assets.nationbuilder.com/groen/pages/18889/attachments/original/1714642824/Towards-a-European-Green-Industrial-Deal.pdf?1714642824

New Economics Foundation, 2023. *Beyond the bottom line. How green industrial policy can drive economic change and speed up climate action*, https://neweconomics.org/uploads/files/Beyond-the-Bottom-Line-web-v1.pdf

Vangenechten D., Pihlajamäki, E., and Waliszewska, A., (E3G); Porter, M., Rochet, A., and Potjomkina, D. (CISL); Korinek, L., and Bertram, L. (ZOE Institute), 2024. *Building a new European competitiveness deal. Six tests for a prosperous, resilient, fair and green economy*, https://zoe-institut.de/wp-content/uploads/2024/05/New-European-Competitiveness-Deal.pdf

EEB
European Environmental Bureau

eeb.org

A better future where people and nature thrive together