

## Industrial strategy initiatives for energy-intensive industries

### Main messages

- With the new **Industrial Strategy for Europe**, which we published in March, just before the outbreak of COVID-19 in Europe, we set Europe's industry on course to face **the twin transitions of climate neutrality and digitalisation**. In addressing the key challenges of today and tomorrow, the strategy aims at maintaining Europe's **global competitiveness** and at a strengthening our industrial and **strategic autonomy**.
- I understand the gravity of the situation your industry faces. A number of ecosystems that drive demand for your products are already affected severely, including the automotive and construction ecosystems.
- However, the crisis will not make us change this approach. Rather, we want to use it to accelerate our joint efforts to reach the aims that the new Industrial Strategy wants to address.
- That is why our Recovery Plan builds on the priorities of the Industrial Strategy. The aim is to help repair the economic and social damage brought by the coronavirus pandemic, to kick-start the European recovery, accelerate the green and digital transition of our industrial ecosystems, make them more resilient, to protect and create jobs. That is what we mean by sustainable recovery.
- Industry must be at the core of the transition towards a circular and climate-neutral economy, if we want to succeed.
- The transition needs to serve all – it needs to support both green technologies and the transformation of existing industries. That is why our focus in the energy-intensive industries is on breakthrough technologies, creation of lead markets and avoiding carbon leakage e.g. through the use of a carbon border adjustment mechanism. We also need to ensure access to affordable clean energy for the transition to a low-carbon industry and the appropriate infrastructure for clean energy.
- The Industrial Strategy presents a comprehensive toolbox, including new industrial alliances.
- The newly launched Clean Hydrogen Alliance will bring relevant stakeholders together to identify technology needs, investment opportunities and regulatory barriers and enablers to build a clean hydrogen ecosystem in the EU. Hydrogen is one of the key technologies to move from fossil fuels to greener energy sources, in particular in the field of mobility and in energy-intensive industries such as steel.
- To make hydrogen an affordable energy source, political leadership and stakeholder engagement are required to spur needed investments in innovation, infrastructure and scale-up.
- Similarly, the low-carbon industry alliance would deliver large projects to deploy breakthrough technologies in the EU, help remove barriers to innovation and improve policy coherence.
- On the global scale, we will always be committed to open and fair trade but must be aware of the need to reduce dependencies and strengthen security of supply. With this in mind, we will pursue a model of strategic autonomy.
- The implementation of the Industrial Strategy and the transformation of our industries, including energy-intensive ones, requires an approach based on partnerships. More than ever, we need joint commitment and cooperation between industry, EU Institutions and Member States.

- In this vein, we commend ArcelorMittal's ambition, expressed in the recent Climate Action Plan, of making its operations climate-neutral by 2050.

### **Defensives**

#### ***What will be the role of industry in the new Industrial Forum? What is the timeline for its setup?***

- The governance structure of the Industrial Forum will be decided in the coming months. Our aim will be to create an open and inclusive forum representing the diversity of stakeholders.
- We are now working internally on its setup.

#### ***Is the Green Deal harming the competitiveness of EU industry?***

- The Recovery plan adopted on 27 May confirms the **European Green Deal as the EU's recovery strategy**.
- The Green Deal, together with new Industrial Strategy, sets European industry on the right track to face the **twin challenge of sustainability and digitalisation**. Acting now gives us the first-mover advantage.
- Industry must be at the core of the transition towards a circular and climate-neutral economy, if we want to succeed. To do so, we need to spell out more clearly the challenges, but also the opportunities: **global leadership on low-emission technologies**, products and services, increased innovation, **reinforced security of supply and technological independence**.
- If we overcome the challenges ahead and take advantage of the linked opportunities, the Green Deal will strengthen our competitiveness.

#### ***How does the industrial ecosystem approach relate to the strategic value chain approach? What are the differences?***

- The industrial ecosystems concept is **wider than strategic value chains**, which focus mostly on areas of strategic importance, industrial competitiveness and technological sovereignty. Industrial ecosystems include both those ecosystems that were hardest-hit by COVID-19 (such as tourism, local businesses, distribution and heavy industry) and those that are crucial for strategic autonomy (e.g. defence and space) or key for addressing the twin green and digital transformation (such as the digital ecosystems or the low-carbon energy-intensive industries).
- The **analysis of the needs of the industrial ecosystems** in terms of financing but also other aspects such as regulatory measures, necessary for their recovery but also for their digital and green transformation, **will allow for a targeted response**. The partnership with industry, including through alliances like for batteries or hydrogen, will remain important in delivering on solutions for the recovery and transformation.

#### ***Why did the Commission not accept some critical requests by the industry on safeguard measures: stop carry-over of unused tariff rate quotas, reduction of tariff rate quotas levels and reduction of liberalisation pace?***

- We have looked into each of these proposals with great care. However, **in adjusting the safeguard measures we are bound to respect World Trade Organization rules**. We cannot cross this red line, and we would have crossed it if we had accepted some of the proposals. Nevertheless, I strongly believe that the combination of all the adjustments proposed constitute an effective response to the needs of the Union industry in these difficult times.

***Don't you think that free allocation of allowances should be maintained as a complement to border measures to avoid all forms of carbon leakages?***

- The text of the Green Deal is clear in that respect, asking us to develop a mechanism “**alternative to the measures that address the risk of carbon leakage in the EU's Emissions Trading System**”. In the context of the Impact Assessment, we will assess various options. It is, of course, in our interest to identify a system that will support our industries without penalising those who have already been investing to develop cleaner and better-performing production processes and products.

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