2025

POLICY BRIEF

Commission's Communication on "The Clean Industrial Deal: a joint roadmap for competitiveness and decarbonization"

Summary

The Clean Industrial Deal (CID) is a non-legislative initiative that outlines the Commission's strategy to enhance competitiveness and drive industrial decarbonization across Europe, with a particular focus on energy-intensive industries and the clean-tech sector.

The CID identifies six factors key for an industrial ecosystem of growth and prosperity called "*business drivers*": (1) affordable energy, (2) lead markets, (3) financing, (4) circularity and access to materials, (5) global markets and international partnerships and (6) skills.

This policy brief is structured into two sections: (i) a summary of the CID and (ii) ERCST's analysis and key takeaways on its main aspects.

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1. Introduction

On February 26, 2025, the European Commission published a Communication titled "*The Clean Industrial Deal: A Joint Roadmap for Competitiveness and Decarbonization*" (hereinafter "CID")[1]. In parallel, the Commission also introduced the Action Plan for Affordable Energy, aimed at reducing energy costs for industries, businesses, and households while accelerating essential structural reforms.

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2. Summary of the Commission's Communication on "The Clean Industrial Deal"

2.1. Business Drivers

2.1.1. Access to affordable energy

Action Plan for Affordable Energy[2]: Most initiatives will be completed by 2025. Key focus areas:

- **Lowering energy bills:** Prioritizing reforms from the Electricity Market Design and introducing a EUR 500 million pilot program for corporate Power-Purchase Agreements (PPAs).
- **Grid investments:** Launching a EUR 1.5 billion Grids Manufacturing Package and a European Grid Package to support interconnectors and streamline permitting.
- **State aid reforms:** Simplifying state aid rules by mid-2025 and introducing new cross-border electricity capacity allocation by 2026.

[1] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation", Brussels, 26.2.2025 COM(2025) 85 final. Available at: https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en.

[2] 'With the cooperation of Member States and the private sector, the Action Plan will have a transformative effect, respecting the principle of technology neutrality. The bulk of the Action Plan will be delivered already in 2025.'

- **Clean energy expansion**: Addressing permitting bottlenecks through the upcoming Industrial Decarbonization Accelerator Act.
- **Gas market stability**: Establishing a Gas Market Task Force to assess market conditions and propose legislative changes by late 2025.

2.1.2. Lead markets

The CID will establish the conditions for the demand for decarbonized products to emerge (lead markets for clean technologies).

Creation of a market for captured carbon: The implementation of the Industrial Carbon Management Strategy will build the business case for permanent carbon removals to compensate for residual emissions from hard-to-abate sectors, including in the context of the review of the ETS Directive in 2026. Measures will be developed to acknowledge the use of captured carbon in a wider range of products and prevent double counting of embodied carbon emissions, should waste incineration be included in the ETS.

- **Non-price criteria in public procurement and incentives for private purchases**: The Industrial Decarbonization Accelerator Act will: (i) introduce resilience and sustainability criteria to foster clean European supply in energy-intensive sectors; and (ii) develop a voluntary label on the carbon intensity content of industrial products, based on a simple methodology using ETS data and in coherence with the ongoing revision of the CBAM methodology.[3]

- **Promote the uptake of renewable and low-carbon hydrogen** - the Commission will:
    - Adopt as soon as possible the Delegated Act on low-carbon hydrogen (Q1 2025)
    - Launch a third call under the Hydrogen Bank in Q3 2025[4]

[3] In the interest of speed, the Commission will start with steel in 2025. This will require no additional reporting from industry. A label for cement will be created under the Construction Products Regulation, and a standardization request will shortly be lodged.
Such labels will allow industrial producers to distinguish the carbon intensity of their industrial production and to benefit from targeted incentives, e.g., for clean steel. They could also be used by Member States to design tax incentives and other support schemes.
In parallel, the Commission will continue working on developing comprehensive life-cycle assessments, building on the Industrial Decarbonisation Accelerator Act's voluntary label where relevant. Labels will also benefit consumers by allowing them to see the carbon footprint of relevant products, thanks to existing legislation (e.g., the Eco-design for Sustainable Products Regulation, the Construction Products Regulation, and sectoral legislation such as for batteries or buildings).
[4] Hydrogen Mechanism under the European Hydrogen Bank in Q2 2025 will mobilize and connect off takers and suppliers, linking participants with financing and de-risking instruments to facilitate demand aggregation of off takers, e.g., in the maritime and aviation sectors.

- The PPAs counter-guarantee will also de-risk renewable hydrogen producers for the long-term purchase

2.1.3. Public and private investments

The Commission highlights the need for **EUR 480 billion in annual investments** to advance clean energy, industry, and transport. To achieve this, mobilizing private capital is essential. Key Measures:

- **Short-term funding:** The CID will allocate EUR 100 billion for EU-made clean manufacturing, including EUR 1 billion in guarantees under the current budget.
- **EU-level funding**: A proposed Industrial Decarbonization Bank will aim for EUR 100 billion, leveraging the Innovation Fund, ETS revenues, and InvestEU revisions.
- **Private investment:** InvestEU's risk-bearing capacity will increase, mobilizing up to EUR 50 billion in private and public investments. The EIB Group will introduce new financing tools, such as counter-guarantees and de-risking measures.
- **State aid reforms**: The upcoming Clean Industrial Deal State Aid Framework will accelerate approval processes and provide a five-year planning horizon for businesses and Member States.
- **Taxation:** The Commission will recommend corporate tax reforms to favor clean investments over fossil fuels, including shorter depreciation periods for clean tech assets and phasing out fossil fuel subsidies.

2.1.4. Circular economy

The Commission aims to make the EU more strategic in procuring **critical raw materials**, emphasizing circularity through recovery, reuse, and recycling. Key Measures:

- **Implementation of the Critical Raw Materials Act**: The first list of Strategic Projects will be recognized in March 2025, and an EU Critical Raw Material Centre will be established to facilitate joint purchasing.
- **Circular Economy Act:** This will enable free movement of circular products, secondary raw materials, and waste while improving recycle quality.
- **Recycling incentives:** The Act will revise e-waste rules and "end of waste" criteria, considering measures to keep critical raw materials recycling within the EU rather than exporting waste.
- **Tax policy updates:** The VAT Directive will be reviewed to address embedded VAT issues in second-hand products, making reuse more financially viable.

2.1.5. Global markets and international partnerships

The Commission is proposing changes to CBAM to reduce administrative burdens on industries. Key Measures:

- **CBAM simplification (Q1 2025)**: Part of the first Omnibus package, these changes will exempt small importers from CBAM obligations and simplify rules for companies still covered.
- **Comprehensive CBAM review (Q3 2025):** The Commission will assess expanding CBAM to other EU ETS sectors, downstream products, and indirect emissions.
- **Legislative proposal (Q1 2026):** Based on the review, the Commission will introduce new CBAM legislation to refine and extend its scope.

2.1.6. Skills and quality jobs for social fairness and a just transition

The Commission plans measures to ensure that foreign investments in the EU contribute to long-term competitiveness, technological innovation, and economic resilience. Key Measures:

- **Investment conditions:** Member States may set conditions for foreign investments, such as equipment ownership, EU-sourced inputs, EU-based recruitment, joint ventures, or intellectual property transfers.
- **Foreign Subsidies Regulation guidelines (Jan 2026):** The Commission will adopt guidelines to assess distortive effects of foreign subsidies and clarify when it may review mergers that don't meet thresholds but threaten fair competition.
- **Trade Defense Instruments (TDIs):** The Commission will continue to use anti-dumping and anti-subsidy duties to protect EU industries when needed.

2.2. Sectoral Actions Planned for 2025

- **Automotive:** An Industrial Action Plan for the Automative sector was adopted on 5 March 2025.
- **Steel and Metals:** A Steel and Metals Action Plan will be presented in Spring 2025, focusing on clean and digital transitions for both ferrous and non-ferrous metals industries.
- **Chemical Industry:** A Chemical Industry Package will be adopted in late 2025, with initiatives to boost the sector's competitiveness.
- **Sustainable Transport:** The Sustainable Transport Investment Plan will support renewable and low-carbon fuels for aviation and waterborne transport, with an unspecified release date.
- **Bioeconomy Strategy:** This strategy will set priorities for using and manufacturing biomaterials, focusing on their long-term retention in the economy, but its release date is also unclear.

3. Commentary and takeaways

3.1. ETS

- ERCST has long term advocated for the integration of CDRs in EU ETS[5]. This is a positive development to encourage investments in these technologies through leading markets such as the EU ETS. A new mandate for an institution with the role of Carbon Central Bank can be beneficial to manage the supply and demand of certificates during the initial phases of CDR integration into the EU ETS, and at the same time, provide flexibility to current EU ETS compliant entities.
- The recognition of carbon removals, sooner rather than later, could trigger virtuous behaviour among hard-to-abate sectors (e.g., unavoidable emissions linked to process). ETS installations that nevertheless are required to reduce their carbon footprint. The integration of CDRs into the EU ETS has been recently supported by the EASBCC[6].
- The review of the EU ETS Directive in 2026 is a good opportunity for EU policy makers to bring credibility to CDRs in the EU. Article 49 of the Monitoring and Reporting Regulation (MRR), sets that carbon does not need to pay for CCS under certain conditions. This principle could be expanded also into CDRs.

3.2. Hydrogen

- Allowing the use of Power Purchase Agreements (PPAs), including those sourced from nuclear power, can significantly benefit low-carbon hydrogen producers. By providing stable and predictable electricity prices, PPAs facilitate investment decisions and enable market entry. This is particularly relevant for producers operating in EU Member States where securing affordable electricity that complies with the Delegated Act (DA) rules can be challenging. Additionally, the counter-guarantee mechanism for PPAs is a positive development, as it helps de-risk long-term purchases for renewable hydrogen producers, enhancing the overall market stability.
- The swift adoption of the Low-Carbon Hydrogen Delegated Act is essential to provide regulatory certainty for investors and hydrogen producers. A clear and scientifically robust Life Cycle Assessment (LCA) methodology is crucial for ensuring that the regulation is immediately applicable. This requires not only methodological clarity but also the availability and feasibility of all necessary elements. If full implementation is not possible from the outset, a well-structured transition phase should be introduced. This phase should include appropriate

[5] See Marcu, A., López Hernández J.F.,Romeo G. (2023): "EU ETS Post-2030 : a European Central Carbon Bank to manage the EU ETS? ERCST. September 2023.

[6] European Scientific Advisory Board on Climate Change (2025). "Scaling up carbon dioxide removals. Recommendations for navigating opportunities and risks in the EU'.

default values, established processes, grandfathering clauses, and level-playing-field mechanisms to maintain fairness until other countries adopt the same standard.
- A third funding call under the Hydrogen Bank should be launched in the third quarter of 2025, as additional financial support is necessary to accelerate the development of the hydrogen market. To maximize its impact, the Hydrogen Bank should be opened to low-carbon hydrogen, ensuring a broader range of projects can benefit. Additionally, it would be beneficial to introduce a dedicated funding basket for smaller EU Member States to ensure more equitable access to resources.
- When considering lead markets, it is important to highlight that the European Roundtable on Climate Change and Sustainable Transition (ERCST) maintains a market-driven perspective. The EU Emissions Trading System (EU ETS) price signal should play a key role in determining where hydrogen is most effectively deployed. This approach ensures that allocation decisions are guided by rational economic principles, leading to an efficient and sustainable hydrogen market.

3.3. Carbon Border Adjustment Mechanism (CBAM)

- The CBAM developments in 2025 and 2026 will be crucial in refining the mechanism into an effective tool for carbon pricing, industrial competitiveness, and international trade relations.
- The planned simplification of CBAM in early 2025 marks a key step in reducing administrative burdens for businesses. A more streamlined system can enhance CBAM's efficiency while ensuring European industries remain competitive.
- The CBAM review report in the second half of 2025 will be instrumental in evaluating (a) its potential extension to additional EU ETS sectors, downstream products, and indirect emissions, (b) support measures for exporters of CBAM-covered products, and (c) solutions to mitigate circumvention risks. Revising CBAM's design parameters will be essential in maintaining a level playing field going forward.
- In a rapidly evolving trade landscape, the EU must stay committed to expanding its trade network through FTAs, reinforced by CTIPs to align external trade with industrial policy objectives. The EU should demonstrate political courage and take a proactive approach to securing economic resilience and competitiveness in the global market.

3.4. Sustainable transport

- It is essential that the Industrial Action Plan for the Automotive Sector prioritizes competitiveness and technological neutrality as its foundational pillars. By emphasizing these principles, the plan can support innovation and growth without being constrained by rigid preferences for specific technologies, allowing the sector to evolve flexibly and sustainably in a rapidly changing landscape.