

Position Paper on the Importance of the Net-Zero Industry Act for the European Union (EU)

European Enterprise Alliance and Union of Entrepreneurs and Employers (ZPP) present our position on the crucial role of the Net-Zero Industry Act in advancing sustainable decarbonization in the European Union. Committed to fostering a resilient and environmentally responsible energy future, we, European Enterprise Alliance, collectively support the imperative role of the Net-Zero Industry Act in achieving the European Union's ambitious emission reduction goals and fostering economic stability.

Background

The Net-Zero Industry Act (NZIA), proposed by the European Commission on March 16, 2023, represents a pivotal step towards strengthening the European manufacturing capacity for net-zero technologies (European Commission, 2023). It addresses barriers to scaling up manufacturing capacity in Europe, aiming to enhance competitiveness, resilience, and energy security. The Act underscores Europe's commitment to leading the net-zero technology transition, aligning with the Fit-for-55 and REPowerEU objectives.

The NZIA distinguishes between net-zero technologies and strategic net-zero technologies, the latter making significant contributions to decarbonization by 2030. Strategic technologies, including solar photovoltaic and solar thermal technologies, onshore and offshore wind renewable technologies, battery/storage technologies, heat pumps and geothermal energy technologies, electrolyzers and fuel cells, sustainable biogas/biomethane technologies, carbon capture and storage (CCS) technologies, and grid technologies, benefit from additional advantages such as resilience criteria in auctions and potential Net-Zero strategic project status.

There are a couple of critical points that need to be examined about the Act:

➤ **National Representation:**

The call for a Plenipotentiary reflects the imperative need for a dedicated representative who possesses the authority to engage in nuanced negotiations with the European Union on matters concerning the Net-Zero Industry Act. This approach between the member state and the EU ensures that all national interests, concerns, and perspectives are not only effectively conveyed but also meticulously considered during the implementation phases of the Net-Zero Industry Act. However, concerns might linger about potential bureaucratic complexities and the risk of the Plenipotentiary becoming a bottleneck in decision-making. Achieving the right equilibrium between authority and streamlined processes will be crucial to avoiding hindrances in the Act's swift and efficient execution.

➤ **Net-Zero Platform:**

The Net-Zero Act transcends a mere information-sharing forum; it embodies a collaborative space designed to facilitate thorough discussions, share valuable insights, and garner input from diverse stakeholders across the European Commission and EU countries. Through open dialogue and comprehensive information exchange, this platform becomes a cornerstone for fostering a cohesive and well-informed approach to the challenges and opportunities presented by the Net-Zero Industry Act. Yet, the challenge lies in preventing the platform from becoming a forum for extended deliberations without tangible outcomes. Balancing inclusivity with efficiency will be key to turning insights into actionable policies, ensuring the platform's effectiveness in steering the net-zero agenda.

➤ **Non-Price Support Systems:**

Non-price support systems would revolutionize the auction system, ensuring that resilience and innovation become integral criteria, incentivizing industries to prioritize these aspects alongside economic considerations. However, concerns arise about potential subjectivity and the challenge of quantifying qualitative factors, which requires a balance between flexibility and objectivity will be essential to avoid unintended consequences and ensure fair competition.

➤ **Innovation Valleys:**

Innovation valleys would serve as specialized hubs, either geographically or in terms of competencies, providing a conducive environment for research, development, and innovation in net-zero technologies. On the other hand, the effectiveness of these valleys may hinge on the allocation of funds and the risk of creating regional disparities, the

member states might ensure equal opportunities and preventing concentration in specific regions will be vital for the equitable development of net-zero technologies.

➤ **Academies for Skills Enhancement:**

Net-zero academies would play a pivotal role in addressing the skills gap, offering targeted training programs for various net-zero technologies, and facilitating the transferability of qualifications. However, concerns arise regarding the ambitious target of training 100,000 learners within three years of establishment. There should be a feasible expectation regarding the quantity and quality, and ensuring rigorous standards will be imperative to avoid compromising the effectiveness of the training programs.

➤ **Funding Challenges:**

The funding challenge is a critical aspect that demands urgent attention. Exploring innovative financing mechanisms, such as leveraging the National Recovery Plan and redirecting funds from the ETS, could provide the necessary financial support for the ambitious goals outlined in the Net-Zero Industry Act. However, the potential reliance on funds from the Sovereignty Fund may raise questions about diverting resources from other essential national priorities.

➤ **Innovation Fund Reallocation:**

The Innovation Fund, traditionally allocated to generational and innovative projects, could be strategically redirected to support the development and implementation of supply chain activities and tangible projects within the Net Zero industry, ensuring a practical impact on the ground.

➤ **Complexity and Opportunities:**

Recognizing the challenges that entrepreneurs may face in navigating the intricacies of the Net-Zero Industry Act is essential. Simultaneously, it's crucial to underscore the vast opportunities this presents for the renewable energy industry, creating a conducive environment for growth, innovation, and market competitiveness. However, the concern here is the possibility of overburdening entrepreneurs with regulatory complexities, potentially stifling innovation. We, therefore, recommend a regulatory adherence and entrepreneurial freedom will be crucial to avoiding unintended consequences and fostering a thriving renewable energy sector.

➤ American Inflation Reduction Act Influence:

Drawing inspiration from successful models is a commendable approach, but cautious evaluation of potential risks, particularly the risk of production relocation, is vital. Balancing competitiveness with global collaboration should be a priority in implementing the Net-Zero Industry Act. Yet, a cautious assessment of potential risks, particularly the prospect of production relocation from Europe to the USA, is imperative. A comprehensive risk mitigation strategy should be integral to the implementation of the Net-Zero Industry Act.

Conclusion

The Net-Zero Industry Act is instrumental in securing the transition to climate neutrality, establishing a competitive net-zero industrial base in the EU, and reducing dependency on imports. We recommend swift legislative efforts, including the development of net-zero industry national policies, resource assessment for CCS projects, financial guarantees for investors, and active international engagement to address challenges and promote a cohesive European approach to net-zero technology adoption.

European Enterprises Alliance and the Union of Entrepreneurs and Employers envision a stable, resilient, and sustainable energy sector. The Net-Zero Industry Act plays a crucial role in achieving these aspirations, ensuring a low-carbon future that aligns with Europe's economic and environmental goals. As we navigate these critical steps, the EU and its member states must act decisively to foster the development of the Net-Zero Industry Act and secure a sustainable, net-zero future.

References

"The Net-Zero Industry Act." *Single-Market-Economy.ec.europa.eu*, single-market-economy.ec.europa.eu/industry/sustainability/net-zero-industry-act_en.