

7 February 2023

CIP comments “A Green Deal Industrial Plan for the Net-Zero Age”

The European Union urgently needs to improve competitiveness and investment conditions in Europe in order to achieve the transformation and decarbonisation of the economy.

To do so, it is necessary to address the very high regulatory and energy costs that companies incur when operating in Europe, as well as the long and complex licensing procedures, and create attractive conditions for private investment that, in full respect of the rules of the World Trade Organisation, can counter the negative impact of measures such as the US Inflation Reduction Act or the policy of high subsidies carried out in China.

The communication from the European Commission “A Green Deal Industrial Plan for the Net-Zero Age” introduces the important component of industrial policy, fundamental to achieve the objectives and targets of the European Green Deal. Indeed, it will not be possible to achieve a green economy without the active participation of industry. But this strategy entails several proposals which must be well evaluated.

The transformation of industry and, consequently, of society and the economy will be profound in the medium and long term. The green economy offers great business opportunities, but it also entails many risks, and must therefore be accompanied by adequate measures that allow the EU to secure leadership and achieve competitive advantages.

Agreeing with the four pillars on which the strategy presented by the European Commission is based, we believe that an in-depth analysis of the impact of some proposals is necessary, as well as consultation and dialogue with the industry in their implementation.

1. In the regulatory pillar, **we regret not seeing reflected the urgent need to reduce the regulatory burden in the EU.** The EU will hardly be able to compete with other parts of the world in terms of subsidies, which is why regulatory reduction and simplification is of utmost importance. European companies must be able to operate in the EU and cope with international competition. For that, it would be essential to reconsider and re-examine some European regulations (both in preparation and already adopted) given the bureaucratic and economic burden they impose.

We welcome the measures aimed at simplifying and speeding up the granting of licenses for projects, as well as the commitment to include a “competitiveness check” in all new legislative proposals. However, the net zero strategy should not be limited to specific sectors or technologies: all industrial sectors need to be part



of this transformation. The objective of creating an enabling environment that reduces the administrative burden, simplifies and streamlines procedures should be extended to the entire industry. This is an effort that belongs not only to the European Union but also to each of its Member States.

2. With regard to the financing pillar, we believe that it is essential to recognize that **the relaxation of state aid for green projects will create serious distortions in the internal market and will affect the level playing field.** It will be good not to forget that Germany and France accounted for 77% of state aid approved by Brussels, under the Temporary Crisis Framework (adopted on March 23, 2022). We therefore view the proposals for a new “temporary crisis and transition framework” with concern. It is therefore **fundamental that a further relaxation of state aid rules is accompanied by a reinforcement of European funds, in order to ensure all member states can have the same chances of success in this transition.**

With regard to European funding, the plan is very limited to intentions to improve the use of already existing instruments. The European Commission mentions the creation of a European Sovereignty Fund, an idea already flagged out by President Ursula von der Leyen, in September last, during the State of the Union address. But it remains unclear how big it will be or how it will be financed. As Commissioner Thierry Breton has rightly defended, in order to be credible, this fund must be provided with adequate resources and we must consider the possibility of financing it through common debt, as was successfully done with NextGeneration EU.

We also believe it is **crucial to use the flexibility to review the Recovery and Resilience Plans**, to face the impact of rising costs of projects, reinforce business investment in projects that may have a structural impact in Portugal, as well as include, namely through RepowerEU, projects to reinforce the competitive advantages of Portugal.

3. The skills pillar is of crucial importance – **efforts for up-skill and re-skill are necessary in order to succeed in the green transformation.** Member States should be supported in their efforts to ensure that education and training systems are aligned with the needs of labor markets, with a particular focus on digital skills. But measures need to be implemented efficiently and the proliferation of initiatives with limited impact, as we have seen in recent years, must be avoided.

We agree on the need to develop adequate measures to attract and retain talent. But in addition to this, there is an aspect that seems to have been forgotten, which is the need to develop realistic strategies to promote births in order, among other effects, to respond to the lack of manpower.



4. Finally, we highlight the EU's effort to ensure the opening of international trade. **Europe will never be self-sufficient, nor is it desirable.** It is critical to diversify our supply chains, ensure equitable access to the internal market and foster the investment climate, and accelerate the implementation of the Global Gateway. We must continue to develop the network of free trade agreements, by concluding negotiations and ratifying open agreements, but also by pursuing new forms of cooperation with other regions, namely Africa and Latin America. We remember that the ratification of the agreement with Mercosur would be extremely important for our country. **The success of this strategy will depend on the EU's ability to maintain and develop business opportunities with other regions, as well as on managing to diversify access to critical raw materials and components needed for the development, production and implementation of clean technologies.**

Finally, we emphasize that market scale is essential to achieve a competitive advantage globally. Unfortunately, the new initiatives announced in the proposed strategy to increase competitiveness and productivity do not address the fragmentation of the Single Market and the need to remove obstacles that still undermine its potential, when this should be an integral part of the success of this strategy.