Statement from the **Energy-intensive industries in Germany (EID) on** an **European Clean Industrial Deal**

1. Background

On 18 July 2024, Commission President Ursula von der Leyen presented her political guidelines for the legislative period 2024-2029. The proclaimed Clean Industrial Deal aims to combine a successful path to climate neutrality while securing industrial competitiveness at the same time.

As EID, we are convinced that the Clean Industrial Deal should present a set of policy measures that enhance the sectors' competitiveness and reduce bureaucratic burden.

2. Proposed measures

1. The speedy development of a CO_2 and H_2 infrastructure is crucial for the decarbonisation in many sectors. Grid developers & operators need a regulatory and financing framework that mitigates economic risks, particularly in the ramp-up phase. **Regulation should ensure grid costs being distributed without creating prohibitively high grid fees during ramp-up.**
   The expansion of renewable energies, electricity grids, energy storage and backup power plants must be accelerated. Synchronization of those elements is also required.

2. Energy intensive industries face electricity cost levels which are uncompetitive compared to China and the United States. Major drivers are CO_2 pricing as well as investments into grid extension, storage capacities and back-up power plants to balance the fluctuating renewable energies. As a result, energy-intense industries do not only become uncompetitive, but the disadvantageous cost position also creates a hurdle for investments in electrification of European production, a crucial element in the transformation towards climate neutrality.
   Bringing down electricity cost to a competitive level must be a key component of an industrial act. Hence, the **Member States should be given the opportunity creating instruments to safeguard the competitiveness of energy-intensive industry regarding electricity cost.**

3. A rapid and cost-efficient expansion of the European hydrogen market requires strengthening the role of low carbon hydrogen. It is a transitional solution providing a more immediate and scalable option to reduce carbon emissions. Therefore, a more pragmatic and technology neutral approach is required. **We need a regulatory framework that supports low carbon hydrogen as well as green hydrogen production.**

4. The EU ETS I is a core element of EU climate policy. The achievement of climate targets in the energy and industrial sectors can be directly ensured by the corresponding auction volume. Despite this certainty, there is regular intervention via the Market Stability Reserve (MSR). This leads to instability, with increasing magnitude in the future. **Interventions via MSR must be reduced to ensure planning certainty on the auction volume within the EU ETS I. The MSR intake ratio needs to be reduced.**

5. In addition to CO_2 avoidance, the Commission is also focusing on the removal of CO_2 from the atmosphere. To leverage its potential, **Carbon Dioxide Removals (CDR) should be adequately supported and play an ambitious role in achieving the EU climate targets.**

6. A stronger focus on international climate protection is required. Industries should be empowered to invest in international decarbonisation projects and generate CO_2 reduction credits for use within the EU-ETS. Strict auditing should ensure projects' benefit for climate protection. **The Clean Industrial Deal should facilitate technology transfers to support well audited international decarbonisation projects.**

7. Member States can adopt financial measures for sectors or subsectors with exposure to a genuine risk of carbon leakage. In return, companies are obliged to deliver ecological compensation (i.e. measures to improve energy efficiency and/or to achieve climate neutrality). These rules can be found especially in
    - the ETS free allowances / climate neutrality plan,
    - in the state aid scheme in accordance with Art. 10 para. 6 of the ETS-Directive (in Germany: electricity price compensation),
    - in "concrete and feasible Action Plans" according to Article 11 para. 2 of the EED as well as
    - in No. 414-415 of the Guidelines on State aid for climate, environmental protection and energy 2022 (2022/C 80/01).

    However, the lack of coherence across different frameworks makes it challenging, sometimes impossible for companies to comply. Greater consistency across these schemes is required. **Reporting and verification for ecological compensation need to be reduced strongly.**

8. Power Purchase Agreements (PPAs) are of particular importance to utilize renewable energy. To foster electrification and decarbonization, **member states should be enabled to support the competitiveness of PPAs for energy-intensive industry, e.g. by addressing balancing costs, to foster electrification and decarbonization.**

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The EID is the joint platform of the energy-intensive industries in Germany. The industries for building materials, chemicals & pharmaceuticals, glass, non-ferrous metals, paper and steel pool their joint energy and climate policy positions under its umbrella. Other common topics are resource efficiency and environmental policy.

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Register number of EU transparency register (VCI):	15423437054-40
Register number of EU transparency register (VW Stahl):	75755621888-61
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