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SEE ENERGY BRIEF

Monthly Analysis

Lack of Clarity in EU's Clean Industrial Deal

Introduction

On February 26, 2025, the European Commission proposed to make €100 billion available to support EU-made clean manufacturing along with measures to lower power bills. The EU Clean Industrial Deal, as it is known, aims to provide support for energy-hungry industries that face "high energy costs, unfair global competition and complex regulations", while also boosting the clean-tech sector. The Deal aims to accelerate decarbonisation, while securing the future of manufacturing in Europe. **(1)**

The current Analysis examines in detail the Clean Industrial Deal, attempting to shed light on the necessary actions that need to be taken in order to support the competitiveness and resilience of energy-intensive industries and clean tech, focusing also in the impacts on the industrial and energy sectors in (SE) Europe.

The Clean Industrial Deal

The Deal focuses mainly on two closely linked sectors: (a) **energy-intensive industries** as they require urgent support to decarbonise and electrify. The sector faces high energy costs, unfair global competition and complex regulations, harming its competitiveness and (b) **clean tech** that is at the heart of future competitiveness and growth as well as crucial for industrial transformation. **(2)**

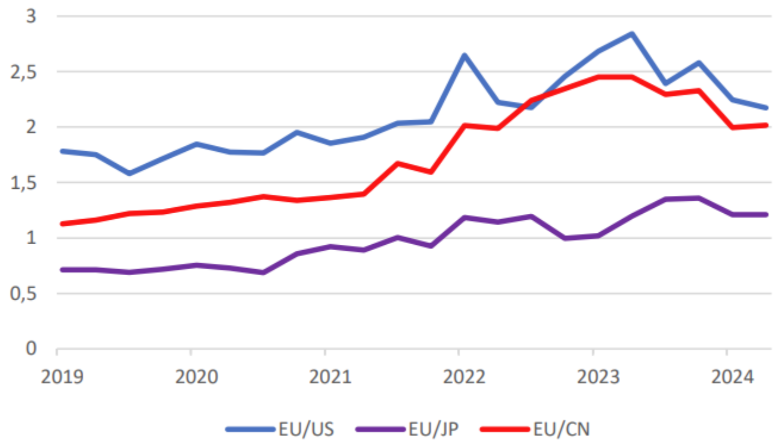
Circularity is also a central element of the Deal, as the EU needs to maximise its limited resources and reduce overdependencies on third country suppliers for raw materials. The Deal presents measures strengthening the entire value chain. It serves as a framework to tailor action in specific sectors. The Commission will present an Action Plan for the automotive industry in late March and an Action Plan on steel and metals in Spring. Other tailored actions are planned for the chemical and clean tech industry.

The Deal identifies business drivers for industry to succeed in the EU: (a) lower energy costs, (b) boosting demand for clean products, (c) financing the clean transition, (d) circularity and access to materials, (e) acting on a global scale and (f) ensuring access to a skilled workforce.

As average energy prices in Europe are higher than those of EU trading partners, securing affordable energy is a key condition for competitiveness in industry, especially for energy-intensive sectors. Access to affordable energy is therefore a cornerstone of the Clean Industrial Deal. Europe's dependence on imported fossil fuels is the main cause of these higher, and more volatile, energy prices. This situation has been exacerbated by the recent energy crisis and the weaponisation of gas supply by Russia. Meanwhile, the current geopolitical and market uncertainty drive up investment costs, which are passed on to consumers.

For industries, retail electricity prices have almost doubled: for a medium-sized industrial consumer, prices in 2023 remained 97% above their 2014-2020 average. The gap in energy prices between the EU and its main competitors is growing, with the risk that new investments favour countries outside Europe and that existing industries relocate, leading to a potential drain of critical industries that drive the EU's economy and resilience and create quality jobs. The current situation undermines the EU's global standing and international competitiveness. Figure 1 depicts the ratios of industrial retail electricity prices in global markets, taking into account that a ratio of more than 1 means that EU prices are higher than those of the corresponding non-EU country.

Figure 1: Ratios of Industrial Retail Electricity Prices in Global Markets



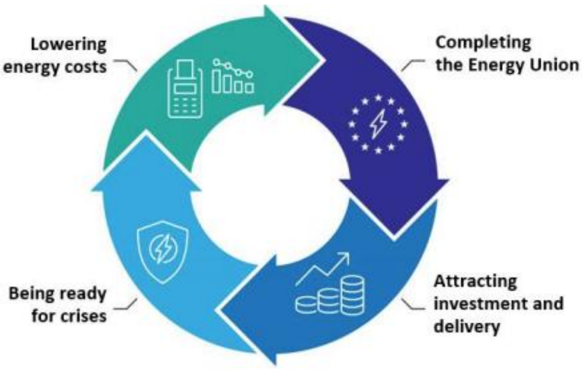
Source: European Commission

In addition, more structural inefficiencies in the electricity system raise energy costs and have an impact on the energy bills of European industries. Insufficient interconnections and grid infrastructure, as well as limited energy system integration and flexibility hinder the further integration of cheaper decarbonised energy sources and limit the EU's resilience against threats. Digitalisation, including AI driven smart grids and IoT-based energy monitoring, will be key to ensure energy systems integration, supporting real-time grid management, improving demand-side flexibility, and enabling predictive maintenance for critical infrastructure. The EU must advance towards electrification and a fully integrated single market for energy.

As the European Commission states, "to reduce energy costs in the EU, we need to accelerate electrification, and the transition to clean, domestically generated energy, complete internal energy market with physical interconnections, and use energy more efficiently. In order to deliver a genuine Energy Union that benefits all, an Action Plan for Affordable Energy was also presented" **(3)**. It includes measures to lower energy bills for industries, businesses and households in the short term, while speeding up necessary structural reforms.

According to EU planners, with the cooperation of Member States and the private sector, "the Action Plan will have a transformative effect, respecting the principle of technology neutrality. EC aims to have the bulk of the Action Plan delivered within 2025. Passing on the benefits of cheaper energy to end users will support industry's business case to invest in electrification and decarbonisation. But investors also want certainty. In this sense, the National Energy and Climate Plans (NECPs) are essential tools to ensure EU target achievements and to support strategic investment. Moreover, Member States' national strategies to achieve the 2030 climate and energy goals should be translated without delay into concrete action".

Figure 2: The Four Pillars of the Action Plan for Affordable Energy



Source: European Commission

In the Action Plan, three flagships are particularly relevant to industry: (a) lowering energy bills, (b) accelerating the roll-out of clean energy and electrification, with completed interconnections and grids, as well as clean manufacturing, and (c) ensuring well-functioning gas markets.

Critique on Both Legal Documents

Over the last few weeks, EU has released both the Action Plan for Affordable Energy and the Clean Industrial Act. The one feature common to these action plans – because that's what they are supposed to be – is money. Both will require massive amounts of it, but Europe doesn't have a money tree garden. When the Commission released the Action Plan for Affordable Energy, it was hardly a surprise to see that the EU's executive arm continues to place the blame for exorbitant energy costs on hydrocarbons. It was anything but surprising that the suggestions for bringing those costs down were focused on building even more weather-dependent sources of electricity despite the growing body of evidence that they are a key reason for higher electricity costs and lower reliability of supply. **(4)**

Even less surprising is the idea of boosting subsidies for these sources of electricity, again despite of the evidence pointing towards that money essentially turning into a gravy train for wind and solar operators in the form of guaranteed prices for their electricity while the cost of those guaranteed prices gets passed on to the end consumer. So, essentially, the EU's proposing to bring down electricity prices by making electricity even more expensive—and more unreliable.

Another concerning point in the Action Plan for Affordable Energy is the focus on interconnectors. The Commission has argued for a while now that the only way to make electricity supply across the EU more reliable is to make EU members more reliant on each other through cross-border electricity supply. On the face of it, the idea is sound. More interconnectors would help reduce so-called curtailment when wind and solar in optimal parts of the continent generate more than the immediate vicinity can consume. But what happens when the sun sets and the wind dies down? The electricity supply contracts are still there and their terms must be complied with regardless of the weather. Enter gas, coal, and nuclear, and higher electricity prices for the domestic market of the producer while it complies with its export contract terms.

While the focus of the Action Plan for Affordable Energy was on wind, solar, and interconnectors, the focus of the Clean Industrial Plan was on industry—and how to reduce emissions while boosting competitiveness. Again, no attention is being paid to the evidence suggesting there is no way to both reduce emissions through available technology and regulations, and boost competitiveness. The ideas put forth in the Clean Industrial Deal boil down to even more subsidies for industrial enterprises, more loans, and more financial guarantees, so industrials can borrow without worrying so much whether they'd be able to repay the money. Another notable idea in the Clean Industrial Deal is the creation of demand for low-emission goods—through mandates.

These mandates, to apply to public and private procurement contracts, would, according to the Commission, serve to jumpstart demand for so-called clean products, meaning products made with wind and/or solar electricity as opposed to coal and gas, for example. In spite of the present day myth of cheap renewables, RES power generation tends to be often considerably more expensive than their hydrocarbon-produced equivalents, meaning even higher costs for the end consumer. It's a bit like the EU can't help itself but feed inflation.

Finally, ReArm Europe aims to jumpstart a defence spending spree in the EU in light of the fact that the United States is rearranging its foreign policy priorities. The plan envisages close to a trillion euro in spending on things like military equipment, ammunition, and drones, to mention but a few. What there is no mention of in the plan is how this lavish spending plan fits in with the emission reduction priority of, it seems, every single EU policy, and how the money will be repaid, because that money will come from loans.

It appears that the authors of the plan see absolutely nothing wrong with saddling already deeply indebted countries with additional debt for the sake of a defence prop up in the face of what increasingly looks like fabricated danger—and badly fabricated, at that. The idea of having sensible defence is always a smart one but doing it in a rush is not that smart, especially if you are also strangling your industries with emission control regulations, emission-trading markets, and emission reporting mandates, although those last ones were at least relaxed.

As Irina Slav observes in a latest IENE Comment **(5)**, "the European Union's executive leadership is acting very much like a frantic chicken that has been spooked by the neighbour's dog. Frantic is not a state to be with when you are sealing the fate of several hundred million people and their children and grandchildren by essentially sentencing them to repay over a trillion euro in transition and war loans – with nothing to show for any of it. But hey, emissions will be coming down, at least until the missiles start flying and the bombs going off".

The "Voice" of the European Industry

The non-ferrous metals industry is the backbone of Europe's energy transition, the digital transition and increasingly importantly for its defense. More strategic autonomy is required in a world which is increasingly unstable and where war is on the European borders. The Chairman and CEO of METLEN Energy and Metals, a major European non-ferrous metals processing company, as well as the President of Eurometaux, the European non-ferrous metals association, Mr. Evangelos Mytilineos, is expecting significant action to be taken by the European Commission to get the sector back up and running before it is too late. As he said, "On December 18, 2024, 15 aluminium, silicon and zinc processing plants lie shuttered across Europe. This is the opposite of what we need, and the time to revive them is running short". **(6)**

Furthermore, Mytilineos underlined the exceedingly high energy costs, faced by the European industries. As he said, "We must urgently address the soaring energy costs that are crippling our industries. Ursula von der Leyen has listed economic security as one of her key pillars of the Clean Industrial Deal. We cannot have economic security when the price of electricity and gas is four times than that paid by our competitors. Meanwhile, third country subsidies have worsened the picture. It's now three times more capital intensive to build a new battery materials refinery in Europe compared with our rivals, with operating costs up to 50% higher", he stressed. He added that "We need decisive action to lower energy costs and create a level playing field. Failure to do so will result in further loss of critical industries and weaken Europe's strategic autonomy, with ripple effects on entire value chains. It is time to act before it is too late".

Eurometaux's Chairman believes that the three actions that must be taken to address the energy price crisis are the following:

1. We must remove barriers to renewables power purchase agreements (PPAs) and their uptake by electricity-intensive industries, by allowing targeted support measures for matching the variable generation profiles of solar and wind with the baseload consumption profile of metals production. This is a clear and joint ask by the power sector and industry, reflected in the recent recommendations from the Antwerp Dialogue on Industrial Electrification & Competitiveness. Promoting "Green Pooling" schemes, like the one put forward by the Greek government, also featuring in the Draghi Report, will undoubtedly form part of the solution.

2. We must preserve and strengthen the Emissions Trading System's indirect cost compensation scheme beyond 2030, to provide investment certainty by partially offsetting the ETS's impact on electricity costs for industry, even when consuming decarbonised electricity.

3. We must Cap taxes, levies and all other regulatory power costs for energy-intensive consumers,

and make sure they cumulatively do not exceed a percentage of the industry's Gross Value Added.

Addressing these issues would be a good way to start giving economic security to the European non-ferrous metals producers and the communities the continent's facilities support. Energy prices are a top concern, but Europe also sees the urgent need to get the Critical Raw Materials Act (CRMA) implemented and delivering. Eurometaux estimates that the related sector needs 10 new mines, 15 new processing facilities and 15 new recycling plants in Europe by 2030 if Europe is to meet the goals of the CRMA. Obviously, Europe also needs to re-open the 15 closed plants too.

This also requires finance and Mr. Mytilineos supported the view that it is necessary to have simplified and accessible funding mechanisms to support European companies. More specifically, he believes that Europe needs to:

1. Introduce Raw Materials State Aid guidelines focused on OPEX as well as CAPEX, including scaling-up critical raw material production and facilitating consumption of decarbonised electricity, partly building on the dedicated chapter of the Temporary Crisis and Transition Framework.

2. Deliver a Sovereignty Fund for manufacturing, including a strong raw materials focus, capable of rivalling global competitors.

3. Set up a Raw Materials Bank, inspired by the Hydrogen Bank, which provides time-limited output-based support, applicable both to operating and capital costs of strategic projects.

Europe also needs to reduce the build-up of new regulatory costs in Europe. The European Commission needs to address where its tsunami of adopted policies will impose unwarranted new costs on its industries and take common-sense corrective measures. The Letta and Draghi reports have refocused the European debate onto the foundations of industrial competitiveness, taking Europe forward from the Critical Raw Materials and Net Zero Industry Acts. The Clean Industrial Deal must be a catalyst for the European industrial competitiveness and focus on practical and immediate measures to bring down production costs and streamline regulations, making Europe a more attractive destination for businesses.

Impact on (SE) Europe

The European Commission has already admitted that "the gap with our competitors is constantly widening", but this has not been accompanied by more decisive measures to support the competitiveness of European industry and stop the wave of deindustrialization, triggered by the surge in energy costs.

The European and Greek energy-intensive industries share the view that the long-awaited Clean Industrial Deal, as well as the Action Plan for Affordable Energy do not include measures that could lead to an immediate reduction in energy prices, despite the fact that the Commission recognizes the problem of high energy costs as a determining factor in reducing the competitiveness of industrial enterprises. In fact, leading representatives of the European and Greek industry estimate that some of these proposals, instead of reducing energy costs, may increase them.

"The significant increases in natural gas prices have led to large increases in energy costs, especially for energy-intensive businesses. The higher levels of natural gas prices have reduced the competitiveness of the European industry, especially in energy-intensive sectors, compared to competitors such as the US and China, where prices remain significantly lower", the Commission notes in the Action Plan for Affordable Energy. However, the only measure of immediate implementation to decrease energy costs is the reduction of taxes and electricity network charges, interventions that have an impact on the budgets of the EU member states. **(7)**

"The Action Plan for Affordable Energy is disappointing. It does not respond to the need to reduce the gap between the European industry and its global competitors. Once again, the Commission has not consulted the associations and has not incorporated their proposals. Due to high energy costs, the European industries have not only lost their international competitiveness. They are now facing a sustainability problem. The Commission's general proposals, instead of reducing energy costs, may increase them", Mr. Mytilineos commented. As he explained, "cutting production, called "flexibility", is not a solution, especially when Europe seeks to recover its industrial power" and underlined that "in 2025 the energy system must guarantee an uninterrupted supply of electricity at competitive prices and reduced emissions".

He also pointed out that the only positive aspect was the initiatives for bilateral industry-RES producers contracts (green PPAs) with the support of national regimes and the introduction of risk reduction tools, as well as for tripartite contracts for affordable energy between RES producers, energy-intensive industry and member states and the EU. "I want to believe that the Action Plan for Affordable Energy refers to the Greek proposal for the Green Pool that is still awaiting the Commission's approval". This is the only proposal in the Action Plan for Affordable Energy that the Hellenic Union of Industrial Consumers of Energy (UNICEN) also recognizes as positive.

In the same vein, the President of UNICEN, Mr. Antonis Kontoleon, observed that "We highlight the importance of a positive proposal, namely the creation of an institutional framework, where a state entity, in collaboration with another private entity, can make green energy available to industry through long-term contracts (PPAs)". Otherwise, he said that "the Commission is evident that it insists on its narrative that the only solution to reduce energy prices is the production of more clean energy at whatever cost this may have in the transition phase. However, a cost that will be borne by consumers".

Mr. Kontoleon notes that, in order to immediately limit the effects of high energy costs, the Commission is proposing that EU member states consider reducing network charges and taxes. "However, this has a budgetary impact. Thus, we will have two-speed countries: those that have the fiscal space to reduce taxes and fees and those that do not", Mr. Kontoleon said. On the contrary, he noted that "the Commission is not proposing measures to correct the structural weaknesses of the electricity markets (target model) and the Dutch exchange (TTF), where the price of natural gas supply is set, or rather manipulated".

Furthermore, the Federation of Industries of Greece (SVE) assessed the Clean Industrial Deal as an important agreement in principle, expecting, as the President of the Federation, Ms. Loukia Saranti, stated to further specialize in the individual action plans in the coming period. "It is moving in the right direction and sets the basic principles that we must follow for a realistic, green future of the European industry", she stated. "It seems that the time has finally come for Europe to activate its reflexes and stop creating disproportionate obstacles to its own path", she added, highlighting the effects on the competitiveness of businesses and the economies of EU member states from excessive regulations and interventions. She also emphasized the imperative need to provide immediate solutions for the drastic reduction of energy prices for industry. "We expect the Greek government to support industry, as our neighboring countries have been doing for some time. The necessary balance between environmental restrictions and growth must finally be found, so that we can achieve real – and literal – green growth, which will allow our industry to remain competitive in global markets".

Discussion

The Clean Industrial Deal and the Action Plan for Affordable Energy are significant steps towards achieving a sustainable, secure and competitive energy future for Europe. Although EC planners appear convinced that the Clean Industrial Deal will play a crucial role in driving the decarbonisation of Europe's industrial sector, thereby contributing to the EU's climate goals, industries and enterprises throughout Europe say that this will drive energy prices even higher. The Action Plan for Affordable Energy, on the other hand, promises to make energy more affordable (i.e. less expensive) for all European citizens and industries, in particular by lowering energy bills and accelerating the roll-out of clean energy and electrification, while ensuring that no one is left behind in this transition.

However, there are some urgent issues that need to be clarified, as the European industry is still trying to decipher both documents. The success of the Clean Industrial Deal hinges on the close cooperation between industry and policymakers. While businesses will need to take the lead in the transition, they will rely on clear incentives and regulatory certainty to make long-term investments. Equal commitment and a shared vision between the national and EU levels will be essential to aligning security, competitiveness, and sustainability to deliver a durable, clean industrial revolution in Europe. However, such shared vision is at present totally lacking.

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