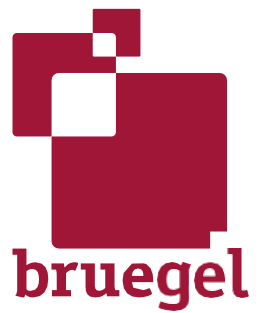


Net Zero Industry Act

Simone Tagliapietra
Senior fellow, Bruegel

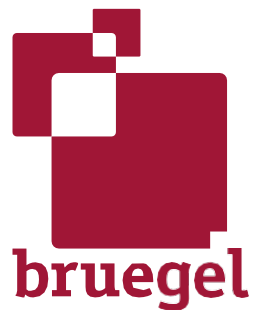
S&D ITRE Working Group hearing – European Parliament
May 31, 2023

Main flaws in the NZIA proposal



- It adopts a one-size-fits-all 40% target that is conceptually wrong
- Key focus is fast-track of permitting procedures: but not sure how defining this really is
- Strategic use of public procurement is irrelevant here, given 10% higher cost safeguard
- Governance is weak. Difficult to see how EC can implement and monitor

Two missing elements in the NZIA proposal

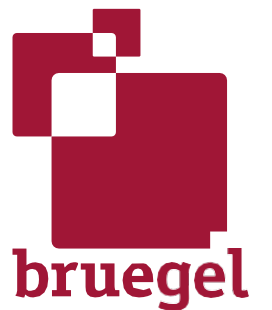


1. NZIA does not leverage the European scale, which is key of success in this space
 - *Most important tool here is the Single market. NZIA does little to empower EU-level action*
 - *NZIA approach is MS- (and thus State aid-) based. No real incentives for EU collaborations*

2. NZIA lacks an EU-level funding strategy
 - *NZIA does not streamline existing EU funding instruments*
 - *EU Sovereignty Fund only mentioned – to be seen what happens in Summer*

Overall risk: intra-EU subsidy race. See moves in Germany and France

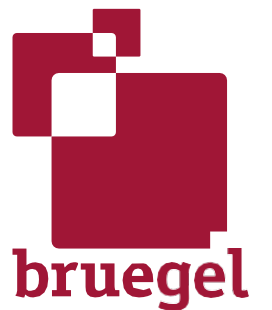
Moving forward: recommendations for the co-legislative process



1. Drop the 40% target and adopt a new KPI to monitor and evaluate progress: the trend in private investments in the EU that secure the NZIA targets of decarbonization, global competitiveness and security of supply. A NZIA 2.0 should be all about unleashing private sector investments in clean-tech by providing the right enabling framework conditions for investment. This is what will ultimately define the success of the Act.

2. Leverage the Single market: this is Europe's greatest asset here. Only an open, globally linked EU market scale can compete with the US and China. Fragmented national actions will fail to deliver. An integrated Single market for goods, services, components, energy, capital, people and ideas is the key framework condition for a NZIA 2.0 to reach its KPI. EU also needs to preserve the power of its competition policy toolbox to avoid incumbency, protectionist and rent-seeking traps.

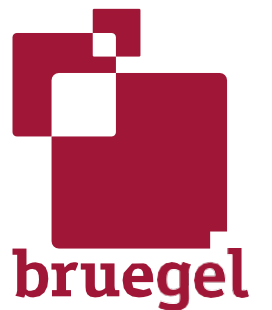
Moving forward: recommendations for the co-legislative process



3. Focus on creating European public-private clean-tech ecosystems, covering the entire clean tech value chain, from innovation to deployment at scale. We need a 2.0 version of Horizon Missions, KICs, IPCEIs and European Alliances, as they continue to be bureaucratically heavy and end-up mostly supporting a few large incumbent players that have the ability and experience to propose and manage such projects, and as they typically take place in the EU countries that have sufficiently deep pockets to (co-) support them. Simplification is key.

4. Develop an EU-level funding strategy for clean-tech to complement and leverage national funding. First, make existing instruments more simple, accessible and coordinated. Second, create an EU Sovereignty Fund to support pan-EU projects along the whole innovation cycle, with smart subsidies (e.g., guarantees, loans) aimed at leveraging private investments. Ideas of action: EU ARPA-EC, Top-ups to MS support for pan-EU projects, Intra-EU mobility for clean tech skills.

Moving forward: recommendations for the co-legislative process



5. Get a strong governance to deliver. EU industrial policy requires a great coordination effort, as well as strong monitoring and evaluation capacity to assess which policy interventions work and what not, learn fast and shift fast to adapt policy making. This requires a highly competent and empowered governance body, with strong political mandate. After the adoption of the IRA, President Biden appointed John Podesta as Senior Advisor to the President for Clean Energy Innovation and Implementation and Chair of the President's National Climate Task Force, with a mandate to oversee its implementation. A similar move by the European Commission might make sense in the current governance setting, to ensure top-level coordination and political steering of the overall process.

Thank you!

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