

Key recommendations

1) Launch swift action to support energy-intensive industries.

- a. Slash **energy prices** in ways consistent with – and going beyond – the Affordable Energy Action Plan (AEAP), the new Energy Market Design (EMD) and the Clean Industrial Deal State Aid Framework (CISAF):
 - Accelerate **permitting procedures** by cutting red tape.
 - Provide **greater fiscal headroom for state aid distribution** (including aid to cover ELLs' operational costs), enabling idle EU plants to restart operations and supporting those unable to compete due to energy price differentials and unfair competition.
 - Enable the implementation of **Carbon Contracts for Difference (CCfDs)**.
 - Couple the rapid roll-out of renewables with **anticipatory grid investments and non-fossil flexibility, low-carbon, and nuclear baseload capacity**.
 - Raise **indirect-cost compensation** to 100% while broadening eligibility, and assess the scope for allowing **environmentally robust and verifiable extra-EU CO₂ abatement credits**. Harmonise carbon cost compensation mechanisms across Member States and ensure compensation mechanisms remain predictable and transparent, drawing on lessons from past experience, particularly the use of international CO₂ credits.
- b. Improve **CBAM** in line with proposals from the industries already covered by the instrument – particularly regarding export solutions, anti-circumvention, resource shuffling, and the downstream scope extension for complex products. This should be aligned with suitable action on ETS free allocation (i.e. consider extending allocation while CBAM's effectiveness in preventing carbon leakage is still being evaluated). To safeguard European competitiveness and complex value chains, link the pace of ETS allowance reduction to the availability of decarbonisation inputs (e.g. clean energy) and shield exports from CO₂ costs.
- c. Adopt a **holistic economic security doctrine**:
 - Mobilise public and private procurement and a coordinated and efficient **"Buy European"** drive across industrial supply chains, whose impact is duly assessed on a value chain basis.
 - Protect the **Single Market** from third-country imports that fail to meet Europe's decarbonisation standards or that benefit from unfair external competition.

2) Enable a cost-effective energy transition.

- a. Unlock financing options through both new and existing instruments:
 - Transform the **Industrial Decarbonisation Bank** into a cornerstone facility for Carbon Contracts for Difference (CCfDs), grid connection projects, and the de-risking of first-of-a-kind industrial carbon management value chains (e.g. through risk mitigation mechanisms).
 - Scale up long-term **Power Purchase Agreements (PPAs)** via an industry support scheme backed by European Investment Bank guarantees, potentially within the scope of the tripartite contracts system proposed by the Commission

- in the Affordable Energy Action Plan. Additionally, allow PPAs to be integrated into product carbon footprint methodologies to maximise and valorise renewable energy uptake.
- Provide broader tax and financing incentives for green investments in line with the **EU taxonomy approach**, including support for identified transition technologies and the investments required to deploy them.
- b. Develop key infrastructure and sectoral strategies to boost demand and secure energy supplies:
- Update **relevant European frameworks to ensure grid charge designs** reflect the evolving system, and strengthen the investment climate for energy infrastructure; improve coordination between transmission and distribution operators and storage across energy vectors to enhance overall system efficiency. Continue expanding interconnectors to advance the Single Market for Energy (Energy Union). Progress should be monitored through Key Performance Indicators (KPIs) measuring funding deployed, permits granted, and projects completed each year.
 - Publish a comprehensive **Electrification strategy** and **EU natural gas strategy**, aligned with the 2050 carbon neutrality objective, addressing security of supply, diversification needs, and infrastructure planning.
 - Make the **Sustainable Transport Investment Plan (STIP)**, as a core element of the Clean Industrial Deal, a driver for public and private investment in a European value chain for renewable and low-carbon fuels, including domestic production and transport.
- c. Ensure efficient delivery of the 2050 net carbon neutrality objective by consistently applying the **principle of technology neutrality** and **cost-effectiveness** in regulation. This will support the deployment of the full toolbox of decarbonisation technologies: renewable and low-carbon energies; Carbon Capture, Utilisation and Storage (CCUS) and carbon removals; sustainable biofuels and biomethane; electrification; and natural gas (as a transitional fuel); through to breakthrough innovations such as fusion.
- Promote a swift recalibration of EU legislation on cars and heavy-duty vehicles, away from a rigid one-size-fits-all approach and towards **pragmatism and flexibility**. This means embracing a tech neutral approach that recognises the role of renewable and low carbon fuels towards the decarbonisation of road transport.
- d. Strengthen the **role of digitalisation** in achieving industrial decarbonisation and transforming the energy system, while advancing the broader green transition:
- Promote the integration of digital solutions and ensure their eligibility in EU decarbonisation, energy transition, and energy efficiency projects.
 - Provide greater clarity on the definition of “clean tech” to enable financing for supporting digital technologies and connectivity.
 - Support strategically located data centres powered by low-carbon energy, designed to minimise system-level impacts, and maximise energy efficiency, improving both energy efficiency and system resilience.
 - Enable flexibility in electrification through digitalisation, ensuring industrial processes can adapt dynamically to fluctuating electricity tariffs.
 - Ensure all digital technologies are implemented in a cyber-secure manner, safeguarding industrial systems and critical infrastructure.
- 3) In defining the emission reduction target by 2040, provided that key enabling factors are in place.**
- For an ambitious 2040 climate target to be credible (e.g 90% emission reduction target), it must apply across sectors, so as not to place an disproportionate burden on industry.

The European Council should agree a **workable enabling framework**, including a balanced pathway for further decarbonising ETS1 sectors, complemented by **targeted flexibilities** (e.g. acknowledging that balanced decarbonisation roadmaps for certain industries involve additional complexities) and greater transparency. At the same time, policy should incentivise lower-cost reductions in non-ETS1 sectors.

- Introduce **Article 6 “high-quality” international carbon credits**, as proposed by the Commission. This essential flexibility should be maintained, together with an economy-wide approach that allows flexibilities between sectors according to their decarbonisation potential.

4) Enable the transition to a circular and low-carbon economy.

- To create lead markets, prioritise **demand-side measures** for low-carbon and circular products such as cement, steel, sustainable biomethane, chemicals and (biobased or recycled) polymers, liquid fuels, SAF, and hydrogen – including by fostering private procurement.
- Remove **regulatory barriers** to circular and bio-based business models in both EU and national legislation, including through targeted harmonisation of Extended Producer Responsibility schemes across Member States to ensure consistent collection and recycling.
- Establish **incentives and financial frameworks** to make circular business models commercially viable at scale.
- Pending careful sectoral impact assessments, set **mandatory recycling targets** for end-products reaching the consumer market, where studies show they are achievable, taking account of sector-specific circumstances and supported by appropriate incentives.
- Strengthen separate collection and promote **innovative recycling solutions**.
- Set **renewable content uptake targets** in sectors like packaging, textiles, and construction and treat renewable materials as circular inputs on par with recycled content.