

Diagnosis

Europe's energy-intensive industries are facing significant challenges, including a marked shift in trade balances from strong export positions to rising import dependency. This is increasingly driven by cost burdens from carbon pricing not matched by other regions, limited carbon leakage protection, and lower abatement costs elsewhere. These dynamics underscore the urgent need to close the cost gap and reduce regulatory burdens.

Achieving deep decarbonisation while sustaining economic growth requires mechanisms that assign a clear market value to net-zero, renewable, low-carbon, and circular products, solutions and services. Establishing robust market demand for such products will enable industry to invest profitably in decarbonisation technologies.

The European Round Table for Industry (ERT) welcomes the European Commission's ambition for a Clean Industrial Deal that supports the competitive decarbonisation of European industry with the right enabling conditions. ERT endorses the vision of creating lead markets for low-carbon strategic products (e.g. steel, cement and chemicals) and clean technologies, thereby safeguarding Europe's industrial competitiveness and catalysing investment in major decarbonisation projects. Mapping strategic technology gaps should be done ex-ante, while avoiding creating scarcity for the development of power capacity and grids necessary to secure energy supply.

However, this ambition does not yet go far enough.

Lead market incentives must be designed to drive tangible investment within Europe and reward early movers – allowing them to recover the green premium in investment and production costs associated with low-carbon products and projects. This requires a balanced mix of demand-side (pull) and supply-side (push) measures that create predictable revenue streams, de-risk early investment, and stimulate the domestic deployment of clean industrial technologies.

Ultimately, only such measures can effectively facilitate investment in the decarbonisation of Europe's most energy-intensive and hard-to-abate sectors. They are essential to mobilising capital for key decarbonisation pathways such as electrification, energy efficiency, energy storage, smart technologies, cyclical, carbon capture, utilisation and storage (CCUS), and low-carbon hydrogen.

Remedies

ERT's approach builds on the 'spirit' – and specific proposals – of both the Draghi Report and the Antwerp Declaration to stimulate demand for net-zero, renewable, low-carbon, and circular products, solutions and services through targeted regulatory measures.

More specifically, ERT urges the Commission to act swiftly in implementing demand-side measures under the forthcoming Industrial Accelerator Act (IAA). The anticipated measures, such as public procurement criteria favouring verified low-carbon content and carbon

contracts for difference (CCfDs), are welcome. Crucially, such measures must also safeguard the affordability of Europe's energy transition and uphold stable relationships with trusted trading partners.

At the same time, measures such as labelling and green public procurement, while playing an important supportive role, are unlikely on their own to unlock large-scale investment across the strategic sectors ERT represents – especially given the complexity and diversity of value chains, each with distinct purchasing drivers.

The IAA's measures should therefore be complemented by a more ambitious suite of incentives to build robust demand markets for low-carbon products. This requires a comprehensive value chain approach, including private procurement initiatives that reinvest revenues into European industries. Only such an approach will enable the progressive decarbonisation of European industry in line with climate objectives while generating the economic value needed to sustain investment in Europe's industrial transformation.

As part of these complementary measures, the Commission and Member States should:

- Deploy a *comprehensive and coordinated set of demand- and supply-side policies*, including CCfDs, performance-based standards, targeted tax incentives, and enhanced access to state aid for transformative projects, alongside investment in enabling infrastructure (e.g. power networks, CO₂ transport networks, clean power capacity, hydrogen backbones).
- Strengthen *cross-border industrial alliances* (e.g. in steel, cement, chemicals) to pool risk, share infrastructure, and scale low-carbon production capacity.
- Establish a *predictable framework for private capital mobilisation*, through instruments such as the Strategic Technologies for Europe Platform (STEP), InvestEU guarantees, and green bond standards aligned with EU industrial priorities.