8th February, 2023

To: The EU Heads of State and Government, President and Members of the European Council
Cc: The President of the European Parliament

In advance of your extraordinary meeting on 9-10th February, the 40 undersigned European innovators, business organisations, think-tanks, institutes and NGOs working to advance EU cleantech and net zero industries have come together to **welcome the announcement by European Commission President von der Leyen on a Green Deal Industrial Plan** (GDIP). The EU must use this initiative to position itself as a leader in business sustainability and the global clean energy technology manufacturing market, which the IEA forecasts at $650 billion annually by 2030. Here, we offer ideas and the pledge of our practical support for the EU's competitive sustainability strategy which we hope will help you develop and implement this important initiative.

The GDIP should be the core of a rapid and robust response to your call for an EU strategy to boost competitiveness and productivity. The European Green Deal has already proven itself to be a highly resilient strategic compass with which to address the combination of economic and security challenges faced by the EU. The Covid pandemic, the fossil fuel crisis and the illegal Russian war of aggression against Ukraine have tested our mettle, and yet clean, secure, resilient and local solutions have emerged from European innovators and leading businesses which are building a sustainable and competitive future. Their creativity, ambition and success will demonstrate that going beyond net zero emissions to create a circular, regenerative, fair and healthy economy and society in Europe will drive a transition that offers advantage to Europe and global sustainability.

Further urgent EU action is needed to reduce dependencies in critical supply chains, improve energy and resource efficiency, accelerate the investment in and growth of renewable energies, and enabling infrastructure. The growth in cleantech and net zero innovation driven industries in Europe is testament to the **strength of the Green Deal's integrated approach and will continue to support the EU's strategy of competitive sustainability**.

The provisions of the US Inflation Reduction Act (IRA) strongly support the development of cleantech and growing net zero aligned industries. It is also the most prominent recent example that shows how **EU climate leadership has successfully catalysed a race to secure the benefits from the enormous economic opportunity** that this deep transformation entails. At this watershed moment, a tipping point in the dynamic of this transition, the EU can take confidence in its leadership. The EU, and its Member States, are very well positioned in the Competitive Sustainability Index and as evidenced in the European Commission's Competitiveness Progress Report[1], and now is the time to redouble informed policy and investment action. The EU can build on its strengths and add resources in the areas where it and Member States can build the resilient ecosystems required to succeed.

With this in mind, and to secure the fruits of our leadership to date, we offer a set of guiding principles, and an Annex containing **10 high priority actions,** which we believe can accelerate and scale investment in the cleantech and net zero industrial ecosystems.

Key guiding principles for a successful Green Deal Industrial Plan are:

1. Consider the GDIP as a **top and enduring political priority**, that is instrumental in delivering EU strategic priorities. GDIP is vital to speed up the transition to **climate** neutrality to ensure the EU delivers on its domestic climate objectives, and avoids a climate disaster. Energy security in Europe can only be guaranteed by accelerating clean solutions, reducing energy demand and phasing out fossil fuel consumption.

[1] COM(2022) 643 - EU leads in high-value inventions for many clean energy technologies yet Asian private R&I spending is three times greater as a share of GDP

2. The **Net Zero Industry Act should build on the successful template of the European Battery Alliance** and replicate it in other critical sectors such as renewable energy technology and renewable, fossil-free hydrogen, green steel, aluminium and cement, electric transport, power to gas, buildings, bio-manufacturing and other key areas where the EU has potential for sustainable competitive advantage. Public finance must be scaled to achieve EU targets for 2030 and must be targeted and easily accessible to private co-investors and innovators at every point of the net-zero industrial value chain.
3. **Smart policy and regulation must reflect the role of innovation as a key ingredient driving competitive sustainability**. The EU's Fit for 55 package, REPowerEU and related initiatives must all reflect this in their final forms and when implemented. The clear and stable EU energy and climate targets established for the short, medium and long-term must lead to sector goals and world-leading Single Market standards. With a clear definition of what is green, this can drive demand and bolster the commercial success that must flow to European companies from manufacturers and infrastructure developers to distribution and retailer service providers, investing to gain first-mover advantage. This will be enhanced by the speedy adoption of relevant standards and Delegated Acts, such as those for Green Hydrogen and Mortgage Portfolio Standards to help finance the EU's buildings' renovation goals.
4. **State aid procedures must** enable and not delay increased public investment in renewables and other net zero industrial technologies and solutions. They must be reviewed to ensure ease of access to drive innovation through the whole length of the value chain so the EU secures the commercial advantage of its early stage investments. EU funds and structures should be fully and effectively mobilised to support the race to decarbonise. Permitting and other key barriers to scaling technologies need to be urgently tackled.
5. **Revise EU ETS benchmarks to align with fit-for-55 energy and climate targets.** Given that co-legislators chose to keep the allocation of free ETS allowances until 2034, granting those free allowances must be made on the basis of a thorough revision of the applicable ETS sectoral benchmarks. The current methodology to determine the scope of product benchmarks puts innovative clean technologies at a competitive disadvantage. These benchmarks need to refer to independent and verifiable data and be updated by 2025 at the latest. This revision should ensure that the benchmarks: 1) are based on products rather than specific production processes; 2) do not refer to (fossil fuel) combustion capacities; and 3) take into account emission reductions through circular approaches and material substitution. In future, the methodology to determine the scope of product benchmarks must ensure innovative clean technologies are not at competitive disadvantage.
6. **An EU Sovereignty Fund which is fit for innovation.** Additional public money designed to promote the strategic ownership of our clean energy future must support innovators at each level of the supply chain to the future net zero EU industries. This means providing matched funding to innovators building pre-commercial facilities to prove a new net-zero manufacturing concept, and then as guarantees to allow those successful companies raise debt to build their first commercial scale plant in Europe.
7. **Promote mutual public incentive eligibility through international Climate Alliances**. Climate change is a global threat that requires global action, **competition and collaboration** framed by international frameworks and rules. Having European firms participate in the IRA, and US firms to participate in the GDIP, through sectoral 'climate alliances', and ensuring that emerging and developing economies are supported, will not only improve the EU's competitive sustainability, resilience, security and prosperity, but also helps accelerate the global transition. Working through international partnerships, following global rules, can ensure fair market competition and build a dynamic, mutually beneficial virtuous circle of a competitively sustainable 'race to the top'.
8. The need for the EU to address **short-term industrial energy costs must not distract from or be misaligned with our climate objectives or with measures to address strategic competitiveness**. Structurally high European fossil gas costs will continue to shape priorities for future industrial development. Yet innovation for sustainability, modernisation, biomanufacturing and efficiency will continue to drive critical EU advantages, in combination with smart regulation. The GDIP must make it easier to build a battery giga-factory than a gas power plant.

9. The **skills pillar of the Green Deal Industry Plan is crucial for workers, the wider economy and the success of the transition overall** – social sustainability is the basis for competitive sustainability. There is an urgent need to build on the EU's existing skills agenda to ensure that the EU has the workforce available that is able to fill the millions of new jobs that are already being created in this transition, ranging from renewables installers to construction workers and staff capacity at local level to plan and implement renovation programmes. There is clear evidence that shows that climate action can help ensure that the EU labour market is more resilient to the various megatrends that are impacting it, including the wider sustainability transition[3]. And evidence from the Competitive Sustainability Index further supports the case that **countries with strong social and governance performance perform best at economic competitiveness** too.

All countries can be winners in the competitive sustainability transition, and with the right additional actions the EU's industries and innovators can be among the global leaders and attract the jobs and material community benefits that come with that. The new GDIP offers the EU an opportunity to build on its strengths, and we are determined to support you in making a success of it in the months and years ahead. We are at your disposal to develop this agenda together to that effect with urgency and determination.

Annex: Ten recommendations for the Green Deal Industrial Plan to boost innovation and mainstream the clean tech and net zero industrial sectors for EU competitive sustainability:

1. Ensure the Stability and Growth Pact reform provides incentives for Member States to invest at least 1% of their GDP in public R&I funding with a climate-mainstreaming provision of at least 35% to align with Horizon Europe. Also reinforce the Lisbon Strategy 3% GDP targets for R&I with a core focus on clean tech and net zero industries.
2. Require green public procurement at EU, national and local levels with clear % of all budgets transparent for GHG emissions and aligned with NECP targets to create a green demand shock to spur final investment decisions and deployment.
3. Ensure EU State Aid Rules and the EU economic governance framework align with the EU Green Deal and support the phase-out of national fossil fuel subsidies.
4. Launch an EU Climate Investment Plan 2025-35 that builds on GDIP and provides a committed investment roadmap to align finance and funding from all sources: EU, Member State and private sector in EU Taxonomy eligible sectors to bridge the annual Euro 400 billion EU climate investment gap.
5. Ensure that all new draft National Integrated Energy and Climate Plans have a clear National Climate Investment Plan (NCIP) with committed funding. NCIPs can provide the Council and the Commission with ingredients for a cohesive and coherent EU Climate Public Investment Plan 2025-35.
6. Ensure that new EU initiatives and funds build on and do not reduce the existing commitments allocated to building cleantech and net zero industries through Horizon Europe, EIC, the Innovation Fund and EIB, for example. The Innovation Fund is an under-utilised vehicle which can expand to coordinate EU-wide competitive auctions for fixed premiums, and contracts for difference, to support renewable H2 production and other cross-cutting multi-sectoral decarbonising vectors.
7. Use the Net-Zero Industrial Act to accelerate scale-ups by accelerating the permitting, siting and approval processes involved.
8. Consider a Euro 1 billion matching grant scheme for early-stage cleantech investments (Euro 1-5 million each) with non-dilutive funding to enable faster innovation cycles and accelerated construction of pre-commercial facilities to accelerate market-entry.
9. Ensure European Sovereignty Fund considers guarantee instruments that facilitate access to affordable debt financing to build industry-scale first of a kind facilities in Europe. The US Department of Energy's loan programme is a good case study for this and target sectors may include industrial heat, chemicals, green hydrogen, long-term energy storage, sustainable aviation fuel, biomanufacturing and innovative renewables. The EU should also co-develop a 'one-stop shop' for organisations seeking to access EU funding, so that it is simpler and quicker to find and apply.
10. Boost Science Technology, Engineering and Mathematical tertiary education in the EU and doctorate students also with complementary targets for foreign doctorate students and by the creation of a new visa to attract talented foreign students to study, and then work, in the EU.

List of signatories:

1. 1.5° Ventures
2. Acciona
3. The Association of European Renewable Energy Research Centers (EUREC)
4. Ball Corporation
5. The Business Council for Sustainable Development (BCSD) Portugal
6. Carbonauten
7. Carbon-Free Europe
8. A Change for the Better
9. Climate Bonds Initiative
10. Climate Safe Lending Network
11. Climate Strategy & Partners
12. CER Sustainable Business Network
13. DSM
14. EDF
15. EPICO KlimaInnovation
16. The European Association for Storage of Energy (EASE)
17. Extantia
18. E3G
19. Future Cleantech Architects
20. The Good Food Institute
21. Iberdrola
22. Institute for Climate Economics
23. Interface
24. Jacques Delors Energy Centre
25. Kraftblock
26. The Mobility House
27. MVP
28. Negative Emissions Platform
29. Re:Pattern
30. ROCKWOOL
31. The Shift
32. Signify
33. Skift
34. Spanish Green Growth Group
35. Solar Impulse Foundation
36. Solytic
37. Stiftung KlimaWirtschaft
38. The Sustainability Embassy in România
39. Cambridge Institute for Sustainability Leadership
40. Wermuth Asset Management
41. World Fund

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