



Commission reports on EU policy initiatives to promote investments in clean technologies

Brussels, 24 October 2023

In a Communication adopted today, the Commission is setting out what the EU has done to promote and support the development and deployment of clean technologies, by reinforcing the **Single Market**, ensuring a **level-playing field**, supporting research and innovation, expanding its network of trade agreements, and mitigating the impact of external developments. It also looks at first results materialising from the US Inflation Reduction Act (IRA), as requested by the European Council, and stresses the need to continue monitoring the situation and constructively engaging with the US. Additionally, the Communication acknowledges that other actors, notably China, also have active public support programmes in place that are likely to affect the investment environment for clean technologies in the EU.

EU measures to promote investments in clean technologies in the Single Market

Clean technologies play a key role in our green transition and in tackling climate change and biodiversity loss. Under the overall umbrella of the [European Green Deal](#), and through a smart policy mix, the EU has built a regulatory framework and business environment that enhances growth and favours development, production, and deployment of clean technologies:

- **Incentives and predictability:** The EU has developed an ambitious regulatory framework to make Europe the first climate-neutral continent by 2050. Crucially, the set of legislation under the ["Fit for 55" package](#), includes a strengthened and expanded [Emissions Trading System](#), and a new [Carbon Border Adjustment Mechanism](#), which put the EU on track to reduce greenhouse emissions at least 55% by 2030. In addition, the Commission is gradually reducing red tape and administrative burden, and is making permitting for clean technology projects simpler and faster, notably with the [Net-Zero Industry Act](#).
- **EU investment:** Over the course of 2021-2027, 32.6% of the total EU budget, that is € 578 billion, is projected to contribute to climate spending. The Commission is also launching the first ever EU-wide auction dedicated to the production of renewable hydrogen, with a budget of € 800 million from the Innovation Fund.
- **Private investment:** A conducive EU regulatory environment helps effectively raise and channel private financing towards economic activities that contribute to decarbonisation. The [EU Taxonomy](#) and the [Capital Markets Union](#) can help investors in supporting the development of clean technologies.
- **National public investment:** State aid policy provides numerous possibilities to support clean investments at national level. Since March 2023, the Commission has approved Member State schemes for a total budget of around € 6.9 billion for investment in clean technologies, and is currently assessing additional ones. The investments needed to deliver on the green and digital transitions have put extra pressure on national budgets. This highlights the need to swiftly agree on the reform of the EU's economic governance rules following the Commission's proposal last April.
- **Cooperation with stakeholders:** Industrial alliances like the European Battery Alliance and the Clean Hydrogen Alliance played an important role in bringing together industry and policy makers to facilitate stronger cooperation. As part of a series of Clean Transition Dialogues announced by President von der Leyen in her 2023 State of the Union speech, a first dialogue dedicated to hydrogen was held this October 2023.
- **Skills:** "Net-Zero Industry Academies" will help ensure that the EU workforce has the skills it needs to drive the twin transition to a green and digital economy. This is also the specific focus of the European Year of Skills.
- **Resilience and competitiveness:** The Green Deal Industrial Plan aims at safeguarding the competitiveness of the European clean tech industry and at positioning Europe as a leader of industrial innovation. The Net-Zero Industry Act aims to tackle barriers and scale up the

European manufacturing capacity of net-zero technologies, and the Critical Raw Materials Act will bring further certainty for European industry.

- **International engagement and assertive trade policies:** The EU will continue strengthening its supply chain resilience and diversification, and thus its economic security, through international cooperation and, where necessary, autonomous measures. The Critical Raw Materials Club proposed by President **Von der Leyen** will facilitate international cooperation by bringing together consumer and resource rich countries.

Mitigating the impact of the US Inflation Reduction Act

All major economies are seeking to improve the competitiveness of their clean technology industries, including the US, China, Canada, and Japan.

With the IRA, the US has stepped up its efforts to fight climate change, which is a welcome development. The US approach to support the green transition is based on direct and indirect subsidies to create a domestic manufacturing ecosystem of low-carbon technologies. Some elements of the IRA, notably with respect to discriminatory content and assembly requirements, have raised concerns among international partners, including the EU. These regard distortion of international trade and investments, adverse impacts of companies not-located in the US and its compatibility with World Trade Organization (WTO) rules.

Although analysis to date points to a rapid acceleration of clean tech investments in the US, it is difficult at this stage to fully assess the impact of the IRA on the EU economy, and on the longer-term development of the EU's clean technology industrial base. This is also due to the fact that sufficient data on support disbursed under the IRA is not yet available. Investment decisions may also take time to materialise into actual projects. In addition, there are several other challenges currently affecting the EU economy, notably the ongoing war of aggression of Russia against Ukraine, high energy prices and interest rates and inflationary pressures. All these elements make it difficult to isolate the impact of IRA on EU investments in clean technologies.

The overall impact of the IRA on EU clean technology investments will also depend on the effectiveness of the EU's response and on its policies to improve its long-term competitiveness and technological edge. A swift adoption of relevant EU legislation, such as the [Net-Zero Industry Act](#), the [Critical Raw Materials Act](#), and [Strategic Technologies for Europe Platform \(STEP\)](#), reinforced by the [Multiannual Financial Framework mid-term revision](#), would help further improve the EU regulatory framework and address the heightened need for EU public investments in critical technologies.

The Commission will remain highly vigilant and continue monitoring global and domestic investment flows and public support policies from other countries. At the same time, it is **constructively engaging with the US** to mitigate potential effects of the IRA, and make sure that our respective policies are mutually reinforced to accelerate the green transition. The EU continues to pursue negotiations with the US on a Critical Raw Materials Agreement and is seeking to deepen cooperation on sustainable trade through the US-EU Trade and Technology Council.

Beyond IRA, other elements will shape the future competitiveness of the EU clean tech industry including energy supply, skilled workforce, adequate private and public funding, raw materials, continued trade openness and a supportive business environment. Sustained, determined and consistent policy action on these fronts will therefore be essential.

For more information

[Link to Communication](#)

[Link to factsheet](#)

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Quotes:

As a global leader in clean technologies, the EU has stepped up financial support to accelerate its transition to climate neutrality. As others around the world do the same, we need to make sure that clean energy incentives used elsewhere do not undermine fair competition. Clean tech financing should be provided in a spirit of mutual benefit to improve the world's climate and environmental sustainability – and avoid zero-sum competition.
Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People - 24/10/2023

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