

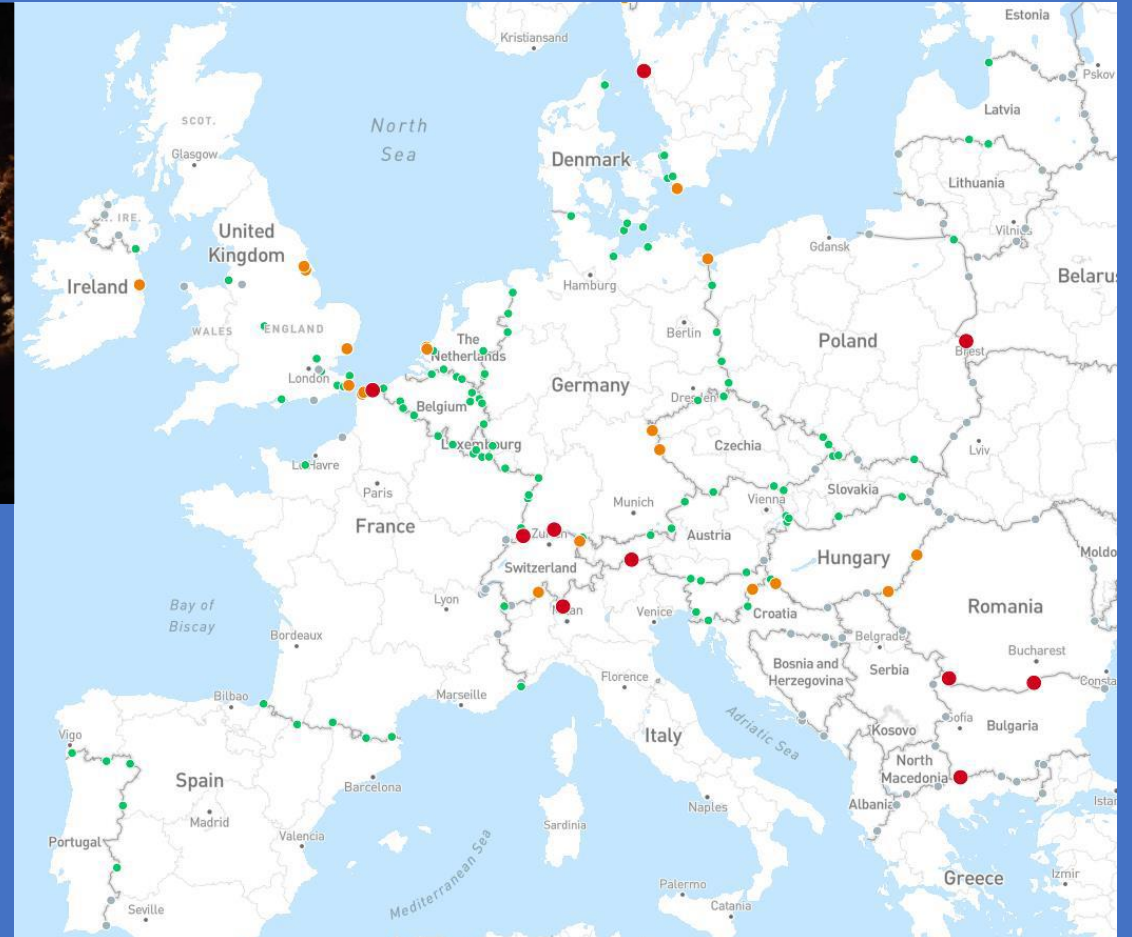


Industrial Strategy Update

Giulia Del Brenna
European Commission
24 June 2021



Single Market's resilience –
Situation at the borders during the first months of the crisis



Overview

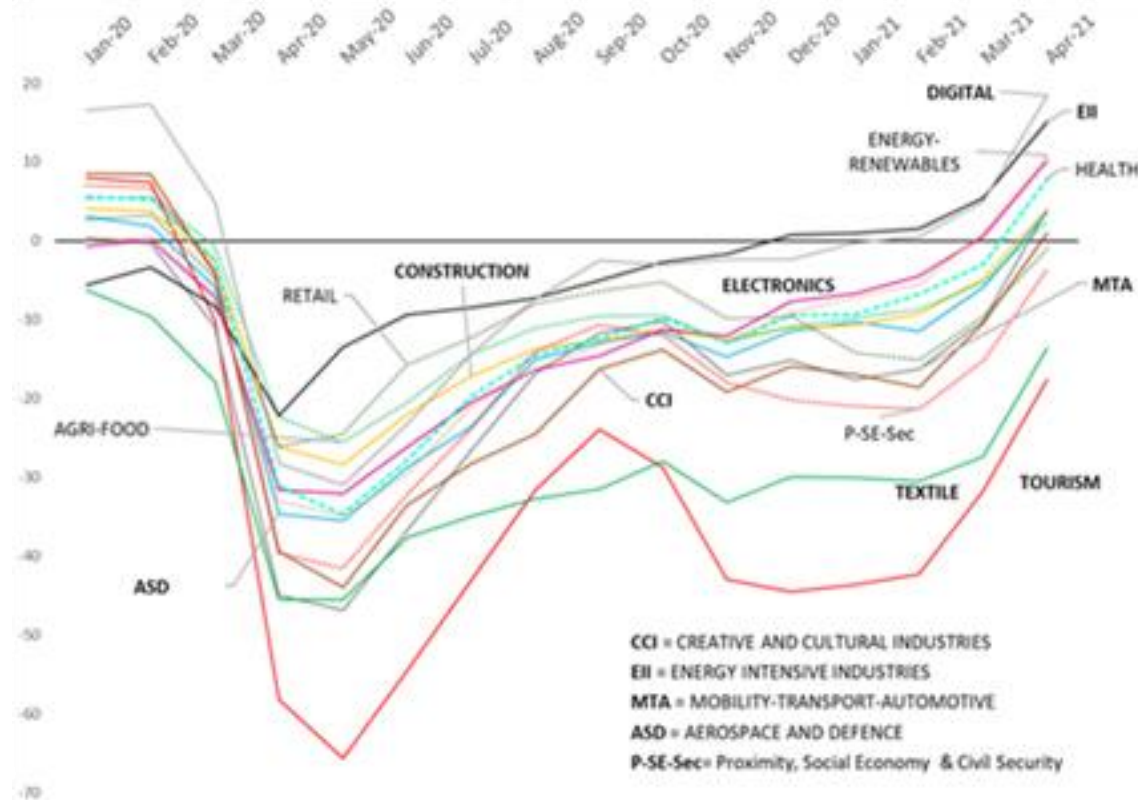
- **Why is an update needed?**
- **Lessons from the COVID-19 crisis**
 - **Strengthening Single Market resilience**
 - **Analyse and address strategic dependencies**
 - **Accelerating the twin green and digital transitions**

Industrial Ecosystems in Europe



Impact of crisis and recovery perspectives across ecosystems

Confidence Indicator



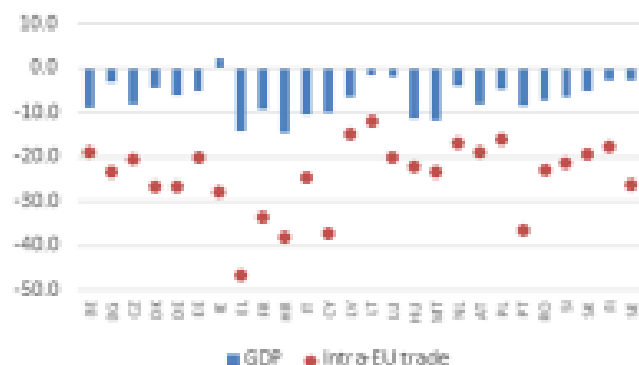
Source: GROW calculations based on Eurostat and EC business and consumer surveys

Note: Data reported in this graph may underestimate the impact on Cultural and Creative industries and Proximity, Social Economy and Civil security

Lesson 1: Strengthen Single Market resilience

Impact of the COVID-19 crisis on the Single Market and the way forward

A significant fall in intra-EU trade (-24%) during the period when obstacles to the Single Market emerged



GDP and intra-EU exports of goods and services - Q2, Q3 2020 compared with 2019

Disruptions in the Single Market:

Disruptions in free movement of people, goods and services

Poor coordination and information sharing on restrictions

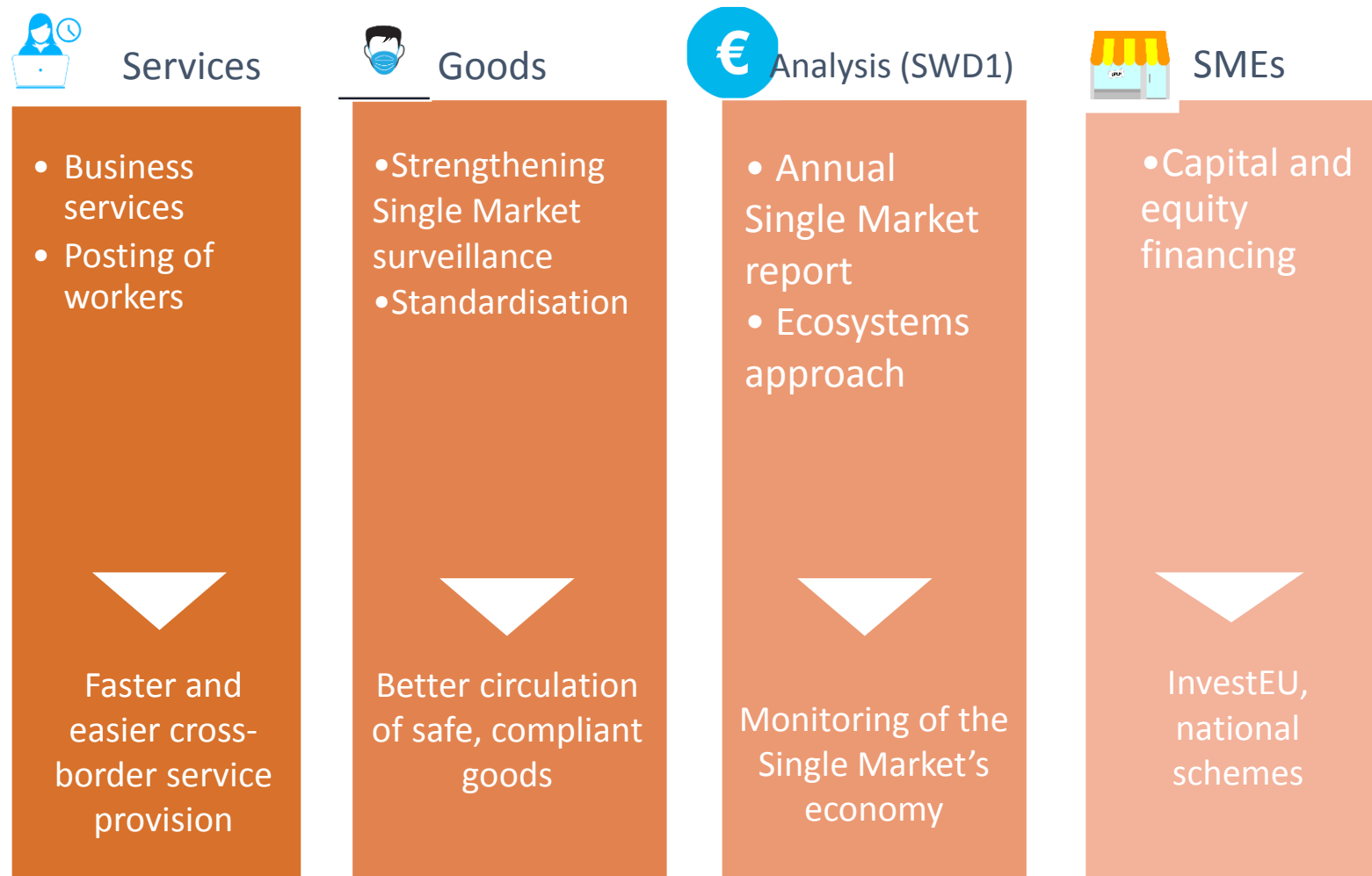
Disruptions in supply chains and lack of essential products (e.g. masks, ventilators)

High volumes of non-compliant goods to be checked

Single Market Emergency Instrument:

Providing a structural solution to ensure the availability and free movement of persons, goods and services in the context of possible future crises

Key actions: Deepening the Single Market



Lesson 2. Analyse and address strategic dependencies and capacities

Key actions: Building a toolbox to reduce and prevent strategic dependencies

- Some strategic dependencies caught Europe by surprise and underprepared
- SMEs are particularly vulnerable
- Diversify supply
- In some areas, EU lacks domestic strategic capacity
- We have successful examples of building capacity in Europe (e.g. Battery alliance)

Update of the New Industrial Strategy

- Ensure **periodic review** of strategic dependencies and monitoring of risks associated with strategic dependencies
- Provide specific support to increase **resilience of SMEs**

- **International partnerships & cooperation** (e.g. transatlantic relationship to address common dependencies)
- **Industrial alliances:** Alliances on processors & semiconductors, on industrial data, edge and cloud, on Space Launchers, on Zero Emission Aviation
- Support development of new **IPCEIs**

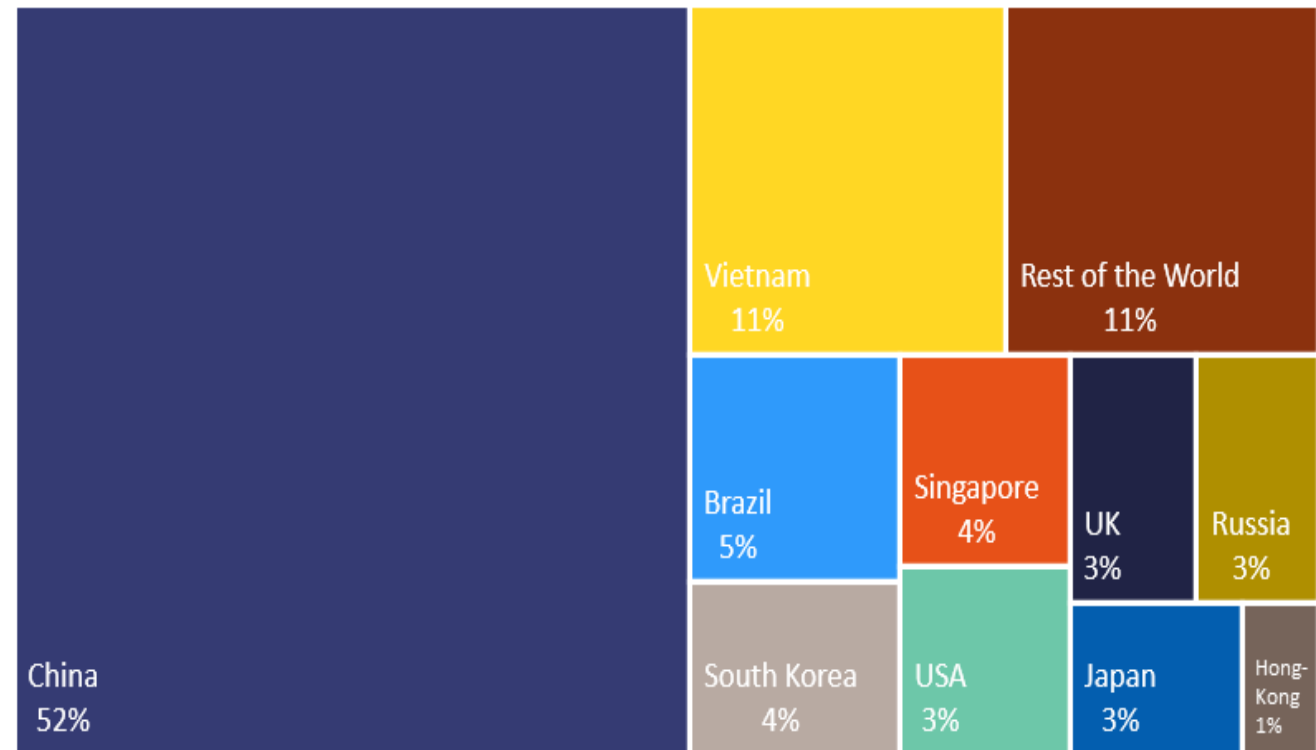
- Horizontal measures:
 - **Standards:** standardization strategy (Q3/21)
 - Proposal to address potentially **distortive effects of foreign subsidies** in SM (5/5/21)
 - **Public procurement:** guidance (Q1/22)

6% of EU product imports are highly dependent and situated in sensitive ecosystems

Main messages

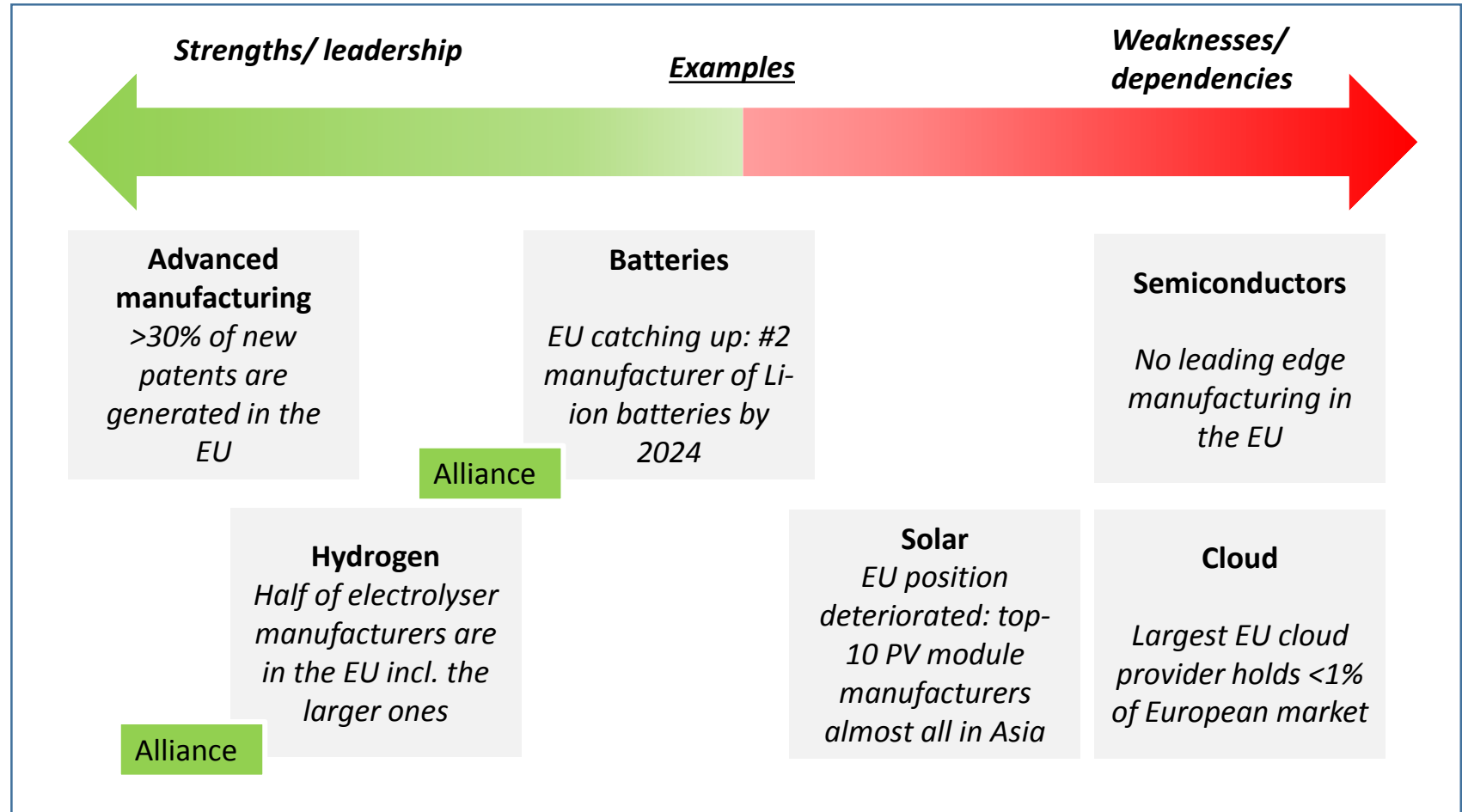
1. **Dependency**: high concentration of imports and limited production in the EU
2. **“Bottom-up” screening**: 137 products in sensitive ecosystems (6% of EU total import value of goods) for which the EU is highly dependent
3. **Origin of dependencies**: More than 50% originates in **China**

Identified 137 dependencies by origin (% imports)



EU strategic capacity: strong in some technologies, highly dependent for others

- Dependencies are **not limited to products**
- Strategic capacity in key technologies is essential to **deliver on green/digital ambitions**
- EU has **strengths and weaknesses**: highly competitive in some areas, highly dependent in others
- Can **build on successful examples** (e.g. alliances)

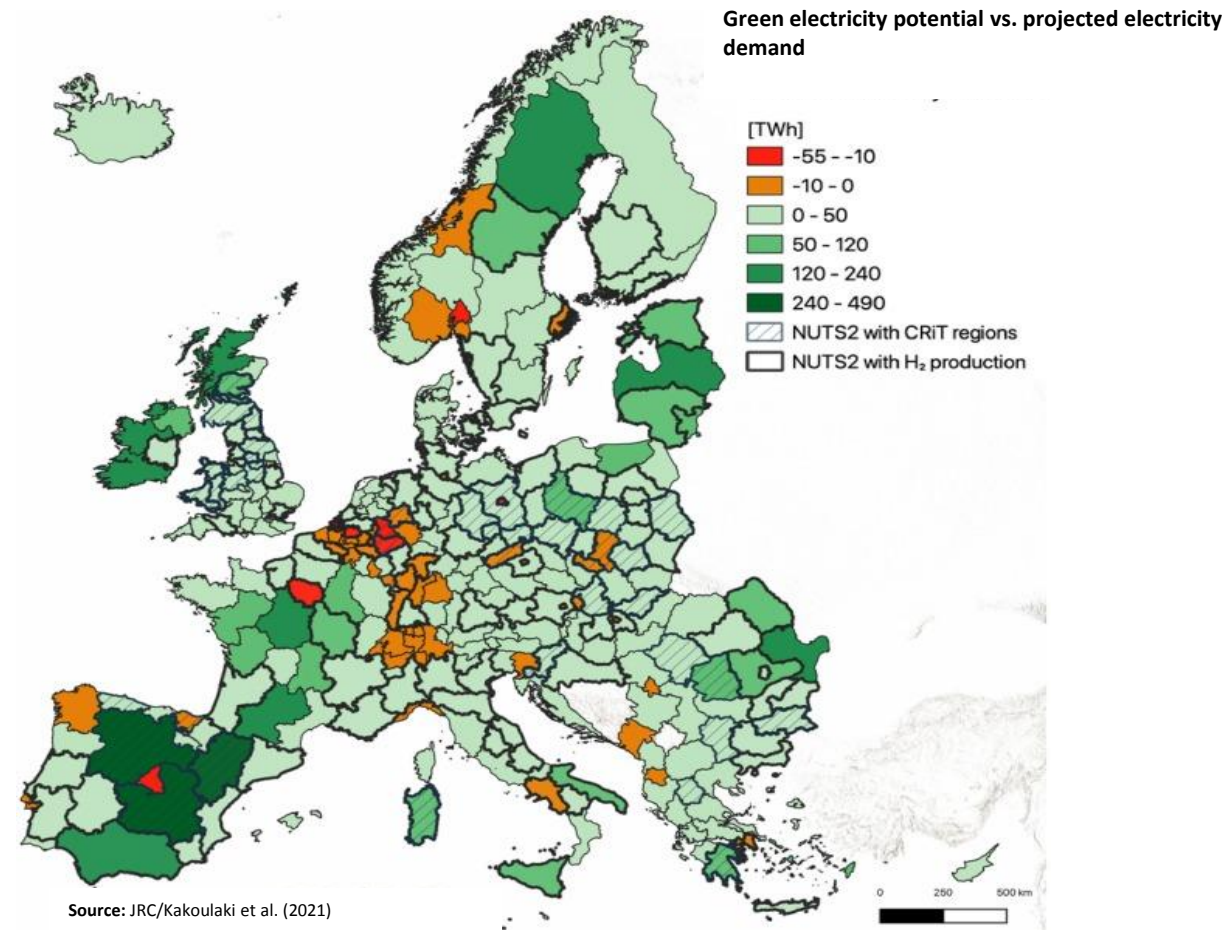


Lesson 3. Accelerating the green and digital transitions

The green business case

To be successful in the green transition, EU industry requires:

- A coherent and stable **regulatory framework** → Fit for 55 package
- Access to **capacities and infrastructure** → Energy and Industry Geography Lab
- **Finance** for innovation and deployment → Horizon Europe, State Aid rules, renewed Sustainable Finance Strategy
- Access to **raw materials** → European Raw Materials Alliance
- **Decarbonised energy** → Support the uptake of corporate renewable power purchase agreements
- The right **skills** → Skills Roundtables



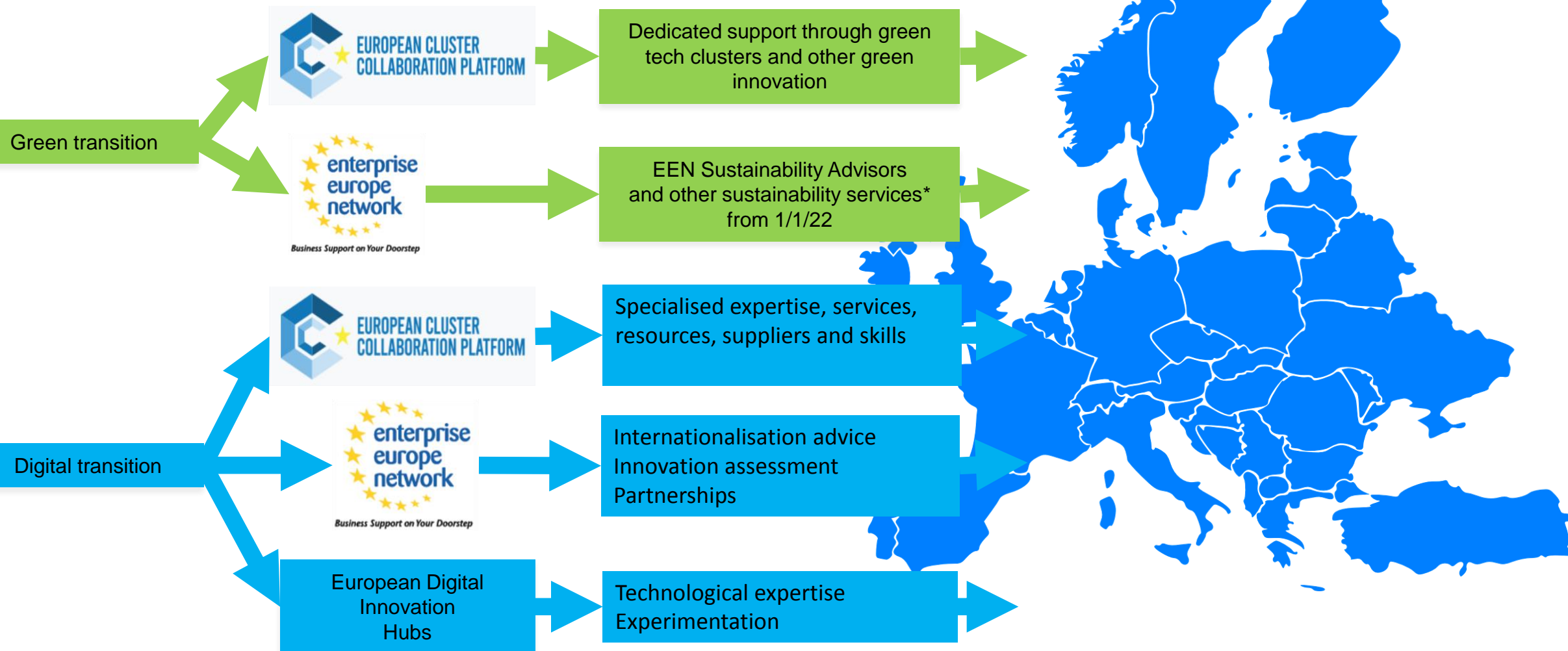
Putting SMEs at the core of the twin transitions

Channels for the next MFF (2021-2027):

Clusters: (JCI/ECCP around 1000 cluster organisations): 14 mn EUR per year

EEN: (around 500 members in EU): 47 mn EUR per year

EDIH: (200 EDIHs): 100 mn EUR per year



European steel industry

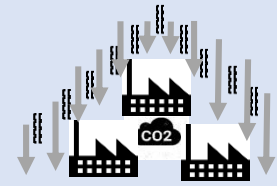
Policy actions to support the business case

Key measures on demand side

- **Carbon contracts for difference**
- **Sustainable Product Initiative**
(carbon accounting through the life-cycle) → e.g. clean car
- **Green public procurement**
→ to mainstream green steel purchasing by public buyers
- **Standardisation**
(e.g. clean steel)

Collaborative policy-making

- **Governance** through ecosystems
- **High-Level Group** energy-intensive industries
- **Industrial Alliances**
- **IPCEIs** (hydrogen, low-carbon industries)



-80-95% CO₂ emissions by 2050
(Eurofer roadmap)

The European steel sector:

- €170 bn gross value added to the EU economy
- 1.3% of EU GDP
- 500 production sites in 23 MS
- 330.000 direct jobs
- 2.6 million indirect jobs
- 200 mill t/CO₂ emissions (ca. 5% of EU emissions)

Input challenges:

- Technologies not yet ready;
- Cost & availability of clean energy (net zero steel requires 3-5x more electricity);
- Lack of skills

Investment challenge: High investment needs (~€26.5 bn) and long payback periods

Competitiveness challenge: loss of safeguards & major threat of dumping from Asia

Inputs

- **Technology and digitalisation**
Industrial Technology Roadmaps;
Digital for Green Alliance
- **Raw materials**
European Raw Materials Alliance
- **Clean & affordable energy** (electricity and hydrogen)
- **Skills**
Pact for skills,
European Climate Pact



Covering investment needs

- **RRF** (many hydrogen projects, a few on industrial decarbonisation)
- **MFF** (ETS innovation fund >10bn, Horizon Europe/Clean Steel Partnership ~2bn, InvestEU)
- **Private markets** (taxonomy)
- **EIB**
- **National budgets**

Actions at international level

- **Trade defence**
(prolongation of steel safeguards, anti-subsidy cases)
- **International cooperation** on decarbonisation of industry
- **Carbon Border Adjustment Mechanism**