

# Net Zero Industry Act – Danish non-paper

Europe must accelerate the decarbonisation of our economy to retain our global competitiveness in the face of elevated energy prices and intensified global competition in clean tech. We agree on the need to set ambitious objectives to identify and overcome key challenges and specific obstacles that are holding back investments into clean tech and the transition to climate neutrality. On these grounds, we find that a forthcoming Net Zero Industry Act as part of the Green Deal Industry Plan should reflect the following considerations:

## Objectives and scope for the Net Zero Industry Act

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The Act should provide a simplified regulatory framework for clean tech. However, it is important that we seek solutions that are evidence based and cost-effective, giving the best conditions to speed up the green transition of the European economy.

Therefore, the act should have a stringently defined scope that takes technology neutrality as a starting point and identifies products critical for meeting the EU's climate neutrality target. This must be based on a transparent and thorough sector-specific analysis with an assessment of strategic importance and identified needs. It should build on the EU's existing strengths, including the Fit for 55 package that sets in place stable and long-term regulatory framework and very significant funding available for the green transition in the MFF, Recovery and Resilience Facility and REPowerEU. It should address sectors where: 1) existing funding options and regulation is not sufficient to address market failures in sectors of strategic importance for the green transition; 2) there is identified a strategic dependency that would put the goal of reaching the EU's climate neutrality target at risk; or 3) there is untapped potential for a greater use of circular models, material substitution, and innovation of more cost-effective products, technologies or services. Furthermore, the act should be in line with the EU's WTO-obligations.

Net zero technologies differ in their applicability and level of maturity, their need for raw material inputs, potential ecological implications and associated permitting needs, as well as in terms of which barriers obstruct their development across the value chain. The Net Zero Industry Act should therefore focus on targeted, tailor-made solutions in line with the specific challenges identified for each technology, ranging from unlocking investments to developing common standards or certification, and allowing for innovation, regulatory sandbox environments and similar measures. Against this backdrop, we see potential for improvements in the following sectors:

- **Green hydrogen** will be an important energy carrier with the capacity to contribute substantially to the transition to climate neutrality. We need to establish electrolyser capacity underpinned by the requisite infrastructure for the transportation of green hydrogen and prioritise end-use in applications where more cost-effective alternatives to fossil fuels are unlikely to become available. Supporting the initial development of green hydrogen sector will be key to de-risk investments and boost the flow of private capital into the sector.
- **Carbon Capture Utilisation and Storage (CCUS)** is vital to reach net-zero emissions. The technology has substantial potential and needs alignment of standards at EU level as well as speeding up permitting and test facilities. The improvements should have a strong focus on the production of recyclable materials and green fuels that substitutes fossil or mineral materials with a larger environmental footprint.

- **Wind turbines** will play a very significant role in Europe's renewable energy mix. Ensuring swift deployment is essential, and will also facilitate the development of green hydrogen solutions. The EU's connecting energy infrastructure needs to be strengthened, bottle-necks addressed and permitting needs to be further streamlined to accelerate the development of wind energy in the EU.
- **Biosolutions** include various biological products and technological solutions that constitute sustainable alternatives to fossil-based materials with applications ranging from food science and agriculture to life science industries. As biosolutions are novel technologies, the industry is often faced with regulatory barriers in several areas. The current EU legislation can in some cases slow down these biotechnological products' placing on the market why a regulatory overhaul could help advance the development of biosolutions. For instance in the EU it takes 7-8 years to get a product approval whereas in the US it takes 2-3 years, which unaddressed leaves a significant risk that Europe will fall behind in developing the technologies and solutions of tomorrow. Moreover, as biosolutions are dependent on biorefineries there is a need to focus on the importance of sustainable carbon.
- **Water Technologies** make it possible to create an energy- and climate neutral water sector. It is important with new legislation and procurements to require energy-efficient solutions that can contribute to reduce climate impact. A barrier is that the cheapest solutions are in demand instead of the most energy efficient and no requirements for greenhouse gas reductions in the utilities.

## Concrete cross-sectoral actions for the act

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The act should be supported by thorough analysis that map out regulatory and practical barriers for the green transition, sector by sector, building on inputs from extensive consultations with stakeholders. For some sectors, modernizing and future-proofing existing regulation to facilitate emerging technologies will be adequate, while new legislation or updating standards might be needed in other. The act must have a direct effect on the speed of deployment, reduce the negative effects from the production, while avoiding disruptions to the internal market, competition or initiating a costly subsidy race. To this end, the act should have the following actions and principles as foundation:

- **Streamlining and simplifying administrative procedures to speed up permits.** Investments into the green transition should not be held up in lengthy administrative process. To this end, the act needs to address bottlenecks arising from permitting procedures e.g. environmental regulation to speed-up the green transition. For example, permitting in relation to REPowerEU does not address the issues related to off-shore wind. Clear objectives and guidelines need to be established, giving the applicant the best guidance up-front even before the application is submitted. Establishing these can also benefit the processing of applications by authorities. Further, issues related to tender procedures should be looked into.
- **Ensure that products are designed for circularity and increase traceability to help reduce the EU's dependency on critical raw materials and energy imports.** This includes requirements for manufacturers to consider design for disassembly, durability, repair, remanufacturing and recycling, promoting circular standards and business models while using secondary raw materials as production input. Also, it requires increased traceability and sharing of digital product data between companies to strengthen resilience, resource efficiency and reduced carbon emissions in their supply chains.
- **Goals for industrial capacity** key net zero technologies could be useful insofar that they effectively help crowd in private investments by communicating a strong political commitment to green and sustainable transition ambitions. However, such targets must be based on a thorough needs assessment and be sufficiently general in scope so that they do not give rise to undue lock-in effects, as the choice of technological solutions for decarbonization should be strongly market driven.
- **Finance:** Ensuring our industry is at the forefront of the global race towards sustainability requires strong commitment from governments and the private sector. The EU has already mobilized significant funds for this purpose, in particular through the Recovery and Resilience Facility (RRF) and REPowerEU and we must as a priority make better use of the funding already available by speeding up implementation on the ground with 450 bn EUR still outstanding, and swiftly finalize REPowerEU chapters. Further initiatives should be considered, including how to make optimal use of existing facilities on the EU budget such as InvestEU and increase the involvement of the European Investment Bank in support of industrial decarbonization. The revised EU emissions trading system alone is expected to raise close to 700bn euro by 2030 that can be used by Member States to accelerate green industrial transformation.