

The EU Clean Industrial Deal:

A roadmap to boost Europe's industrial, clean tech and digital competitiveness





In February 2025, the European Commission unveiled two new pillars to accelerate the transition to a low-carbon economy and boost European industrial, clean tech and digital competitiveness: the EU Omnibus and the Clean Industrial Deal. If fully approved, they would form an ambitious strategic roadmap to remake Europe as an industrial powerhouse by revitalizing energy-intensive industries and closing the clean tech and digital innovation gap.

The EU Omnibus proposal aims to simplify EU sustainability regulations, while the Clean Industrial Deal (CID) focuses on accelerating industrial decarbonization and achieving economic growth through cutting red tape, reducing energy prices, expanding finance and skills, and ensuring fair competition. This policy alert explores the CID; ERM has produced a separate [policy alert on the EU Omnibus](#).

A few coinciding developments are responsible for this new momentum for deregulation and concerted efforts to enhance market dynamics. The European economy has lost innovative power compared to other regions like China and the U.S., most notably in AI and technology, but also clean tech. At the same time, high energy prices are hollowing out the competitiveness of Europe's industrial sector. Attempts by the U.S. to reshore manufacturing have further escalated the urgency to protect European industry and workers.

This pressure created the political momentum to break the status quo. Many companies already felt that Europe's desired transition to a low-carbon and just economy leaned too heavily on prescriptive disclosure rules while neglecting the fact that many clean solutions still aren't economically viable without substantial market reforms and ongoing financial incentives.

Mario Draghi, former Governor of the European Central Bank, captured this growing discontent in his report "The Future of European Competitiveness". The report calls the existing EU sustainability reporting rules "a major source of regulatory burden" while "Europe is stuck in a static industrial structure" with a self-fulfilling "lack of dynamism". Draghi also warns that the absence of EU policy coordination threatens to turn decarbonization from an economic opportunity into a further drag on EU competitiveness.

The EU Commission and Member States took Draghi's words to heart with their urgency heightened by recent geopolitical disruptions. The CID builds on the insights from the Draghi report and the EU Competitiveness Compass, published in January. Together with the EU Omnibus, it represents a marked shift towards lowering market obstacles, clearing regulatory hurdles, and increasing financial incentives. The CID is also a firm acknowledgment that if Europe wants a strong industrial and clean tech base, it needs to strike a new balance between sustainability and competitiveness.



What is the Clean Industrial Deal trying to solve?

At its core, the [CID proposal](#) seeks to enhance market dynamics, streamline and harmonize regulations and standards, and accelerate the finance and talent needed to transition to a carbon-neutral economy. The EU Commission structured the CID around six business drivers, each with its own set of programs, mechanisms, or acts to ensure progress in the desired direction.

Many of the programs, mechanisms, and acts are new. Others already exist but will be modified. The EU Commission hopes to implement the full Deal over the next two to three years. Whether this timetable will be met depends on how fast elements go through the EU approval process. If history is any guide, parts of the proposal are also likely to change during the approval process.

The table below summarizes the instruments involved for each business driver and the priority actions the CID proposal envisions.

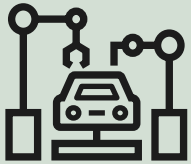




BUSINESS DRIVER	MAIN INSTRUMENTS	PRIORITY ACTIONS
1 Reducing energy costs, improving energy systems, and ensuring price stability	→ Affordable Energy Action Plan <i>(new)</i> → Industrial Decarbonization Accelerator Act <i>(new)</i> → €0.5 billion PPA pilot for SMEs <i>(new)</i> → €1.5 billion Grids manufacturing package <i>(new)</i> → Gas Market Task Force <i>(new)</i> → State Aid Framework <i>(new)</i>	Reducing energy bills through <ul style="list-style-type: none"> • Electricity market, tax, and grid reform • Stimulating uptake of power purchasing agreements (PPAs) • Clean power and grid incentives Accelerating clean energy generation, storage, and grid development (cutting permitting time; simplifying state aid rules) Reducing speculation/ price volatility on the gas market
2 Lead markets: boosting demand for clean products	→ Industrial Decarbonization Accelerator Act <i>(new)</i> → Public Procurement Directives → Delegated Act on low carbon hydrogen → Hydrogen Bank	Promoting sustainability and minimum EU-content requirements for private and public procurement Promoting uptake of low-carbon hydrogen (€1 billion Hydrogen Bank pilot for de-risking) Introducing carbon intensity product labeling and harmonized carbon accounting Introducing resilience, sustainability, and EU-content criteria for public procurement

BUSINESS DRIVER	MAIN INSTRUMENTS	PRIORITY ACTIONS
<p>3</p> <p>Expanding finance for clean transition</p>	<p>→ Industrial Decarbonization Bank (<i>new</i>)/European Investment Bank</p> <p>→ State Aid Framework (new)</p> <p>→ Innovation Fund/EU ETS</p> <p>→ InvestEU</p> <p>→ €1 billion decarbonization pilot auction run by the Innovation Fund (<i>new</i>)</p>	<p>Mobilizing finance to improve business case of EU-made clean manufacturing through</p> <ul style="list-style-type: none"> Expanding the risk-bearing capacity of InvestEU by €50 billion Creating IDB with a €100 billion budget (funded by additional revenues from EU ETS and Innovation Fund and InvestEU) <p>Introducing tax incentives and relaxed state aid criteria for low-carbon investments</p> <p>Increasing the role of EIB in leveraging private capital for (clean) tech/AI</p>
<p>4</p> <p>Leveraging circularity & joint sourcing to ensure access to critical raw materials</p>	<p>→ Critical Raw Materials Act</p> <p>→ EU Critical Raw Material Centre (<i>new</i>)</p> <p>→ Circular Economy Act (<i>new</i>)</p> <p>→ Trans-regional circularity hubs (<i>new</i>)</p> <p>→ Ecodesign Work Plan</p>	<p>Setting up centralized purchasing and stockpiling of critical raw materials; designing financial products for upstream investments</p> <p>Creating a single, harmonized market for circular products, materials, and waste</p> <p>Promoting smart specialization and economies of scale for recycling</p> <p>Introducing eco-design requirements</p>
<p>5</p> <p>Developing global partnerships and securing stable and fair clean trade arrangements</p>	<p>→ Clean Trade and Investment Partnerships (CTIPs; <i>new</i>)</p> <p>→ Carbon Border Adjustment Mechanism (CBAM)</p> <p>→ Foreign Subsidies Regulation</p>	<p>Negotiating CTIPs alongside free trade agreements to</p> <ul style="list-style-type: none"> Manage strategic dependencies Secure competitive position in global supply chains Secure access to critical raw materials, clean energy, and clean tech <p>Expanding CBAM to other EU ETS sectors</p> <p>Using trade instruments to enforce fair competition (CBAM, low-carbon standards, anti-dumping/anti-subsidy duties)</p>

BUSINESS DRIVER	MAIN INSTRUMENTS	PRIORITY ACTIONS
<p>6</p> <p>Expanding skills & high-quality jobs needed for the low-carbon economy</p>	<ul style="list-style-type: none"> → Union of Skills <i>(new)</i> → Skills portability initiative <i>(new)</i> → Quality Jobs Roadmap <i>(new)</i> → Erasmus plus 	<p>Including Just Transition principles and high labor standards in industrial policies</p> <p>Supporting workers in transition and updating state aid rules to encourage corporate investment in upskilling/reskilling</p> <p>Standardizing recognition of skills acquired in another country</p> <p>Investing in new educational models, sector skills initiatives, and digital initiatives to give the industry access to the right green skills</p>



The CID will also serve as a framework for communicating with industries to develop sectoral transition pathways. Action plans for sector-specific strategies that the CID will introduce include the following:

TRANSITION PATHWAY	SUMMARY OF ACTIONS
 <p>Industrial action plan for an automotive sector</p>	<p>The action plan will address the needs of the automotive value chain with a strong focus on innovation in future technologies and capabilities. It introduces initiatives to address unfair competition in the market, boost electric mobility transition, and give greater production autonomy.</p>
 <p>Steels and metals action plan</p>	<p>Proposes actions for both the ferrous and non-ferrous metals industry, which are essential for clean and digital transitions. Measures include reducing energy costs, deploying low-carbon hydrogen for green steel, deploying carbon capture and storage (CCS), assessing CBAM's impact on the competitiveness of products, and safeguards to avoid excessively cheap steel imports.</p>
 <p>Chemicals industry package</p>	<p>The package proposes initiatives to enhance competitiveness and modernization and support European production and innovation. Measures include reducing energy costs, using low-carbon hydrogen as feedstock, deploying carbon capture and utilization (CCU), assessing CBAM's impact on the competitiveness of products, and protecting against excessively cheap chemical imports.</p>
 <p>Sustainable transport investment plan</p>	<p>Outlines measures to support renewable and low-carbon fuels for aviation and maritime transport on which many energy-intensive industries rely, and to roll out recharging infrastructure. The plan will also develop new rules for facilitating sustainable land transport, which will enable the rail sector to embrace the clean and digital transition.</p>
 <p>Bioeconomy strategy</p>	<p>Aims to improve resource efficiency and tap into the potential for bio-based materials to substitute fossil-based materials and related industries. The new bioeconomy sectoral plan will lay down priorities for manufacturing and using biomaterials and retaining them as long as possible in the economy.</p>

Key takeaways

If approved, CID would be a step forward in making decarbonization and clean tech development a competitive strength and a source of value creation for European companies. Countries with large industrial sectors, such as Germany, France, the Netherlands, and others, stand to benefit. The CID could also amplify domestic initiatives, such as the €100 billion Germany earmarked for climate action in its €500 infrastructure and defence fund. A few consequences stand out, should CID be approved in its current form.

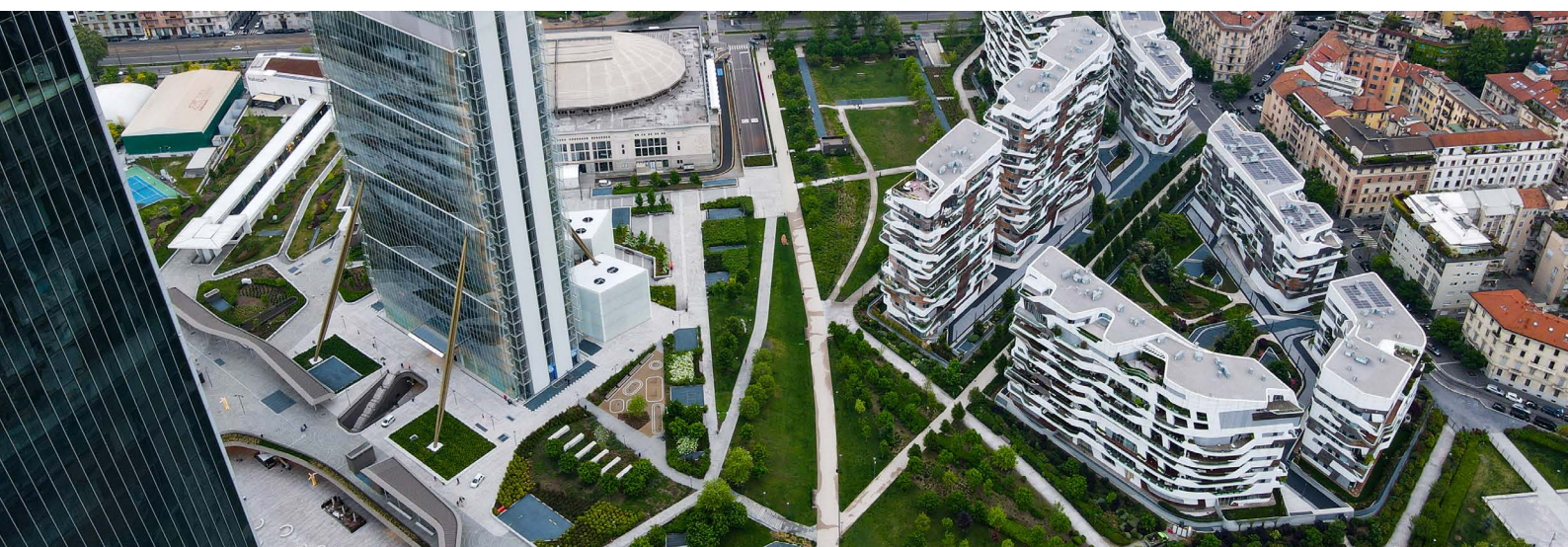
1. **CID would substantially expand available finance for industrial decarbonization and clean tech**

The CID would mobilize between €100 billion to €150 billion of new funds to co-invest in decarbonization projects. The Industrial Decarbonisation Bank, with a €100 billion budget, could substantially accelerate low-carbon technology deployment across energy-intensive sectors such as steel, cement, and chemicals, while the increase in risk-bearing capacity of InvestEU could trigger €50 billion in public-private investments. The CID also opens other new avenues to finance by easing strict EU rules for State aid and tax incentives for clean tech and industrial decarbonization.

2. **Simplification is the dominant narrative throughout the CID**

The CID substantially lowers the burden from permitting and state aid rules to increasing access to power purchasing agreements (PPAs) for green electricity.

- The streamlined framework for permitting in the Industrial Decarbonization Accelerator Act would be particularly relevant for large-scale hydrogen, electrification, and CCS projects, which currently face longer lead times.
- Simplified EU approval processes and lifting individual project assessment requirements would give individual member states more leeway to financially support industrial decarbonization projects and clean tech technologies.
- The CID would improve access to green electricity for SMEs and energy-intensive sectors by making it easier to enter into green power purchasing agreements (PPA). For example, a pilot in 2025 will help companies deemed less creditworthy to enter into PPAs.



3. **CID could give a much-needed boost to low-carbon hydrogen**

CID could give the development of low-carbon hydrogen in Europe a shot in the arm, in combination with the introduction of CBAM and the first successes of [H2Global](#), a market mechanism that brings together long-term supply and demand for hydrogen. Given the important role of low-carbon hydrogen in reducing emissions from several hard-to-abate industrial sectors, it seems likely that the Industrial Decarbonization Bank may invest substantially in low-carbon hydrogen projects, even though its loans are technology-neutral. Additionally, the CID earmarks €1 billion to derisk hydrogen production. On the policy side, the adoption of the delegated act for low-carbon hydrogen will increase certainty for investors on the exact criteria hydrogen needs to meet to be considered low-carbon.

4. **Carbon intensity labels would give companies a new way to beat the competition**

The CID would broaden non-price criteria for public procurement, which aligns with the EU's desire to integrate sustainability, resilience, and EU-content requirements into procurement and product policy. This could make voluntary carbon intensity labeling- which the CID also proposes- a powerful product differentiator. Aligned with the EU carbon market and EU carbon tax rules, these labels will help public buyers and private customers identify low-carbon EU-made products and services.

What should your company do in response to CID?

The contours of the CID may still be a little vague, but there are enough compelling elements for companies to make it worthwhile to position themselves early. A few steps companies can take today include:



Familiarize yourself with the CID to proactively understand and align with emerging non-price criteria in public procurement, identify strategic partnership opportunities, and structure blended financing approaches. This will be essential to securing a first-mover advantage in this new EU industrial-support wave.



Energy-intensive companies, including small and medium-sized businesses, should start exploring how to leverage CID's focus on PPA accessibility to accelerate the transition towards electrification of their industrial processes.

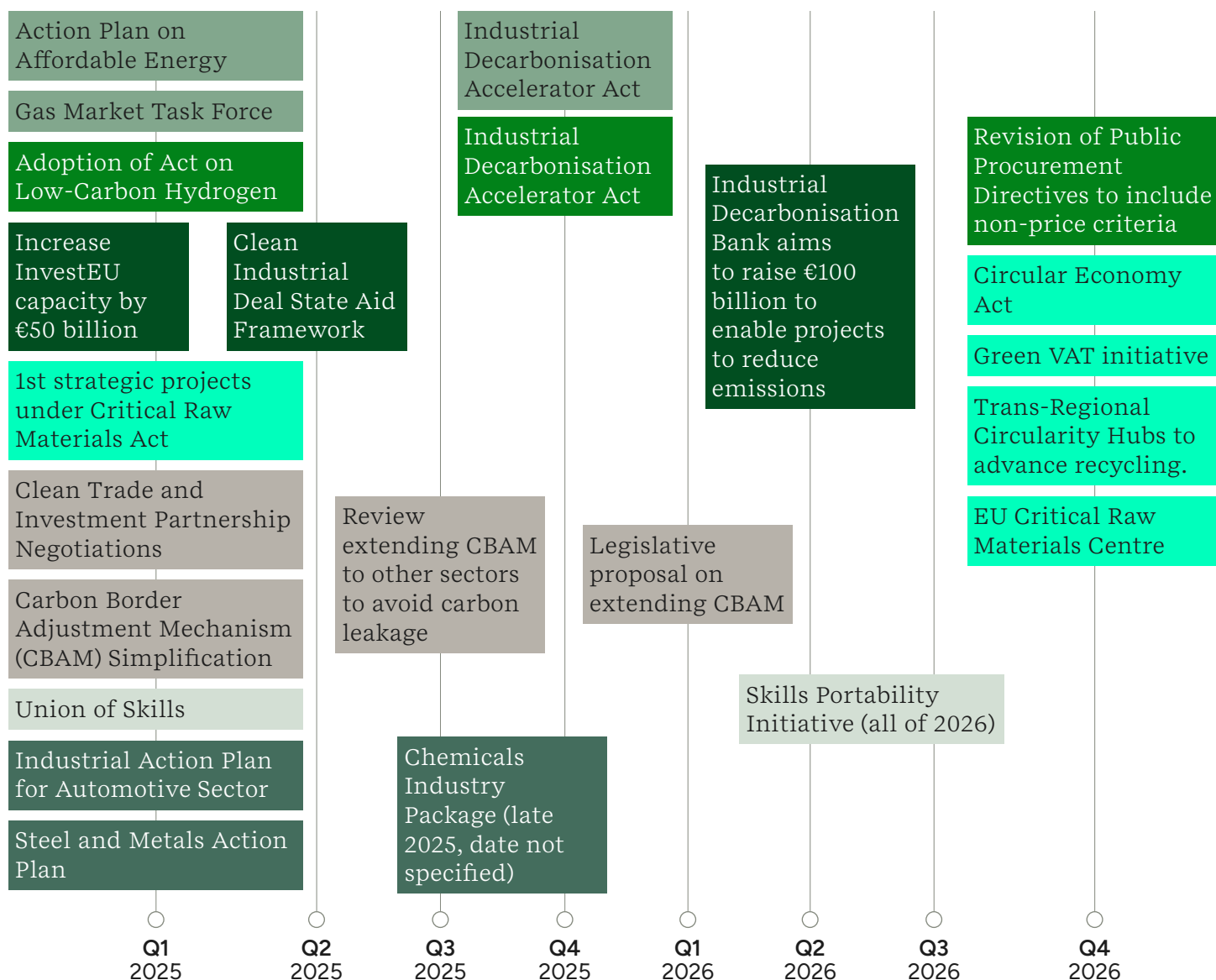


Early adoption of carbon labeling offers a strategic edge in upcoming tenders and funding rounds. Since non-price criteria requiring resilience, sustainability, and EU content are bound to increase in procurement procedures, early movers will be well-positioned to meet evolving buyer expectations.

Planned timeline of Clean Industrial Deal proposal and path to approval

So, when can companies expect the CID to be implemented? The CID is a sprawling mixture of plans, programs, financing mechanisms, and legislative proposals. Many of them are new; some of them already exist but would be modified under the CID. Timelines for detailed proposals for individual elements range from months to the end of 2026. The timeline in the CID proposal refers to dates when the EU Commission will publish detailed proposals for individual elements, not when they take effect. This not only means that many details are yet unknown, but also that the full implementation of CID will likely take 3 years or more. In particular, the legislative elements in the CID, both new EU regulations and existing EU regulations that the CID plans to amend, will take time. They need to go through the EU approval process and will eventually have to be approved by the European Parliament and Council. CID's exact timing and details are still largely in flux and will get clearer over time. Companies should stay informed, especially on elements that are most relevant to them.

Approval timeline for Clean Industrial Deal components



Key:

- Affordable Energy
- Lead Markets
- Expanding Financing
- Circularity
- Developing Global Markets
- Developing Talent
- Developing Talent

Conclusion and a few open questions

The EU Omnibus and the Clean Industrial Deal form two new pillars to accelerate the transition to a low-carbon economy and boost European industrial, clean tech, and digital competitiveness. The EU Omnibus proposal aims to simplify EU sustainability regulations. The Clean Industrial Deal contains a package of proposed actions to accelerate industrial decarbonization and achieve economic growth through cutting red tape, reducing energy prices, expanding finance and skills, and ensuring fair competition.

The Clean Industrial Deal flows from the realization that the European economy has lost innovative traction compared to other regions like China and the U.S. in areas such as AI, tech, and clean tech. "Approval timeline for Clean Industrial Deal components" To regain a strong position while maintaining its low-carbon ambitions, Europe must strike a new balance between sustainability and competitiveness. If the CID were fully implemented, the package could be an important step in striking that new balance.

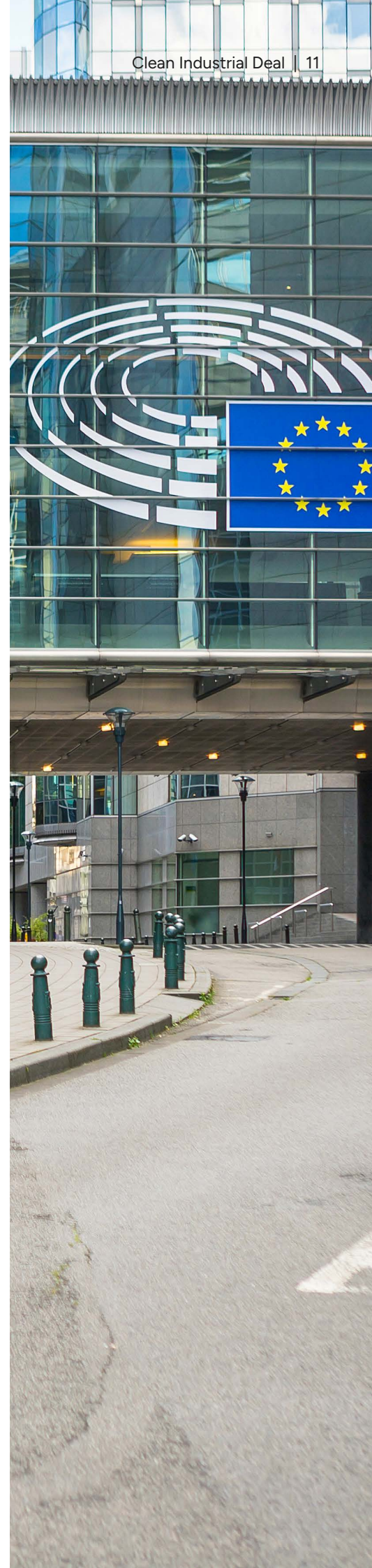
However, many details are still unknown, and many features of the CID could change during the EU approval process. Many questions about CID's ability to deliver a boost to Europe's competitiveness remain, including:

Will the intended rapid rollout of renewables and circularity reduce costs and increase competitiveness enough compared to countries relying on low-cost fossil fuels?

Many of CID's measures, like reducing taxes on electricity and integrating national funding schemes with the EU auction-as-a-service offerings, rely on collaboration between Member States. To what extent will Member States comply to achieve these measures?

Europe doesn't operate in a vacuum. Other countries will change their policies and react to what Europe does. How will potential international developments, like fast erosion of environmental standards in the U.S., retaliation against CBAM, or an influx of Chinese goods, affect the effectiveness of the CID and Europe's industrial competitiveness?

Despite these uncertainties, ERM thinks many elements of the CID could enhance competitiveness in energy-intensive industries. As such, companies should actively follow the CID's actions and the transition pathway for their sector to identify opportunities and benefits.



Appendix 1: Overview of actions and KPIs for each individual business driver

The CID contains a sprawling ecosystem of proposals underpinning six business drivers. The proposals combine new yet-to-be-approved instruments and modifications of existing instruments. In this chapter, we lay out in more detail the instruments and priority actions for each business driver and what KPIs the European Commission has set for success.

1. AFFORDABLE ENERGY

Objective	Advance towards electrification, a fully integrated single market with access to affordable energy.
KPIs	<ul style="list-style-type: none"> • Increase the electrification rate from 21.3% today to 32% in 2030. • Annually install 100 GW of renewable electricity capacity by 2030.

To achieve these objectives, the Commission published an [Affordable Energy Action Plan](#) alongside the CID, which has three core aims:

1.1 Reducing energy bills

- Launch of a ~€500m pilot program in Q2 2025 for corporate power purchase agreements (PPAs) in partnership with the European Investment Bank (EIB), which will counter-guarantee PPAs taken up by SMEs and energy-intensive sectors.
- Support for grid resiliency through a ~€1.5bn ‘Grids manufacturing package,’ with EIB offering counter-guarantees to manufacturers of grid components, and a European Grid Package by Q1 2026 to simplify Trans-European Networks for energy, expedite permitting, and ensure cross-border integration.
- Simplification of State Aid rules by June 2025 to accelerate uptake of low carbon energies and manufacturing, including nuclear. The Commission will also provide guidance on effective design of national contract for difference (CfD) schemes tied to PPAs (Q4 2025).
- Adopt new cross-border forward capacity allocation rules by 2026 to help industries secure long-term electricity, support growth of forward markets, and enhance energy security.
- Encourage energy tax reductions through the adoption of the Energy Taxation Directive and guidance on harmonized tariff design for lowering energy taxes.

1.2 Accelerating the expansion of clean energy and electrification

- The Commission will further streamline the permitting process for industrial access to clean energy by proposing new measures for permitting, such as one-stop shops and tacit approvals, under the upcoming Industrial Decarbonisation Accelerator Act (Q4 2025).

1.3 Gas markets reform

- By Q4 2025, a stakeholder consultation will be launched to assess the need for legislative changes to ensure complete and seamless regulatory oversight, align and strengthen energy and financial market rules (MiFID/REMIT13), and reduce the administrative burden on companies trading on financial markets for energy (single reporting).
- In March 2025, the EU proposed to extend the current Gas Storage Regulation until 2027.

2. LEAD MARKETS TO BOOST DEMAND

Objective	Increase demand for clean energy, clean manufacturing, and sustainable products in lead markets.
KPIs	<ul style="list-style-type: none"> • Reach 40% of domestically produced key components of clean tech products on the EU market. • Decrease <u>the External Vulnerability Index</u> of the CID products (vulnerability of EU supply chains within the global trade system).

2.1 Non-price criteria in procurement

- Green public procurement will be strengthened by introducing resilience and sustainability criteria within the upcoming Industrial Decarbonisation Accelerator Act (Q4 2025) and revisions to the Public Procurement Framework in 2026 to simplify and broaden sustainability criteria used across strategic sectors at all levels of government.
- Public procurement of sustainable and EU-made products will also be incentivized by including non-price criteria in some product legislation (e.g., battery cells) and voluntary labels on the carbon intensity of industrial products, starting with steel and cement. These will align with ETS and CBAM accounting methods.
- Parallel work will be done on developing more comprehensive lifecycle assessments for products and building on the voluntary label where relevant (including the Ecodesign and Construction Products Labels). By Q4 2025, the Commission will identify priority areas and possible approaches to simplification/harmonization of carbon accounting methodologies.

2.2 Promotion of low-carbon hydrogen

- The Commission will adopt the delegated act on low carbon hydrogen in Q1 2025 to clarify the rules for eligible production pathways.
- Funding will continue to be dispersed under the Hydrogen Bank, supplemented by the Hydrogen Mechanism from Q2 2025, which will connect off-takers and suppliers for aggregation and facilitation of off-takers' demand.

3. PUBLIC AND PRIVATE INVESTMENT

Objective	Mobilize the required capital from public and private investments for the clean transition.
KPIs	<ul style="list-style-type: none"> • Increase investments supporting industrial transition under <u>InvestEU</u> from €52.7bn as of June 2024.

- To support the rollout of decarbonization technologies, the EU will create a new €100bn Industrial Decarbonisation Bank (Q2 2026), which will be funded through the Innovation Fund and other EU sources. This financing mechanism will mimic the auctions held under the current Hydrogen Bank.

It will differ from the Innovation Fund through reliance on Contracts for Difference (CfDs) and focus on deployment, rather than innovation. As in hydrogen, Member States will be encouraged to use the Bank's infrastructure to run their own national funding programs (auction-as-a-service).

- Ahead of the Industrial Decarbonisation Bank, a €1bn pilot auction will run in 2025 under the Innovation Fund to encourage industrial decarbonization and electrification.
- A €600m flagship Horizon Europe call will be launched in Q4 2025, focusing on projects with maturities between the R&D and Innovation Fund stages.
- The Commission will amend the risk-bearing capacity of InvestEU and reallocate surpluses from various funds to generate an additional €50bn financing for clean tech, energy infrastructure, clean mobility, waste reduction & recycling, and industrial modernization. Furthermore, a new TechEU investment program will be created by Q2 2026, in partnership with EIB, to promote sectors like AI, clean tech, critical raw materials, etc.
- A new State Aid Framework will simplify the requirements for Member States to receive approvals for their national funding programs.
- The Commission will encourage Member States to adopt shorter depreciation periods and provide tax credits for clean energy technologies.

4. CIRCULAR ECONOMY

Objective	Increase affordability and accessibility of essential materials while reducing dependencies on external supply chains.
KPIs	<ul style="list-style-type: none"> • Increase circular material use rate from 11.8% today to 24% by 2030.

- Implementation of the Critical Raw Materials Act will be prioritized by publishing the first list of Strategic Projects in March 2025 to diversify supply and facilitate access to public and private financial support for these projects.
- An EU Critical Raw Material Centre will be formed by Q4 2026 to aggregate company and Member State demands for joint purchasing of critical raw materials .
- The Commission will adopt the Circular Economy Act (Q4,2026) to boost the transition to a circular economy by: enabling the free movement of circular products, secondary raw materials, and waste; stimulating demand for these initiatives; expanding extended producer responsibility; simplifying rules of e-waste; and incentivizing use of scrap metals.
- Trans-Regional Circularity Hubs (Q4, 2026) will coordinate recycling efforts across multiple EU countries to develop large-scale recycling projects, with groups of Member States and/or industrial players proposing strategic projects.

5. GLOBAL MARKETS AND INTERNATIONAL PARTNERSHIPS

Objective	Establishing international partnerships and mechanisms to ensure the effectiveness of the CID.
KPIs	<ul style="list-style-type: none"> • N/A

- The Commission will begin negotiation in Q1 2025 on Clean Trade and Investment Partnership (CTIPs) to form stable value chains for EU and its partners. CTIPs will be comprehensive collaborations that combine private-public funding for projects, rules that allow a level playing field with domestic industries, and regulatory cooperation to accelerate a global transition and carbon pricing.

- The EU is committed to proceeding with simplifications of the CBAM rules (see [ERM's summary of the Omnibus package here](#)) and its expansion into more ETS sectors with the inclusion of indirect emissions from electricity use.
- The International Carbon Markets and Carbon Pricing Diplomacy Task Force will help partner countries develop carbon pricing policies and approaches to international carbon markets.
- Foreign Subsidies Regulation (FSR) guidelines on assessing foreign subsidies and mergers that may distort competition will be adopted in January 2026 to protect industry from unfair competition.

6. SKILLS AND QUALITY JOBS

Objective	Implementing a strategy to develop skills and quality jobs for social fairness and enabling a just transition to a clean industry.
KPIs	<ul style="list-style-type: none"> • Reducing the number of green transition occupations that are in shortage in five or more Member States (currently 27).

- The Commission will devise a skills strategy called Union of Skills in Q1 2025 to provide training and education to upskill people in industries linked to the CID.
- A skills portability initiative (2026) will implement a process whereby skills acquired are transferable across countries.
- A Quality Jobs Roadmap will be developed to assist workers in a fair transition into a greener economy in Q4 2025.
- The Commission will review State Aid rules to leverage public funding to incentivize the private sector to invest in industrial upskilling and workforce training.



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