

Net-Zero Industry Act: Council and Parliament strike a deal to boost EU's green industry

The Council and the European Parliament today reached a provisional deal on the regulation establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem, better known as the 'net-zero industry act' (NZIA). The regulation aims at boosting the industrial deployment of net-zero technologies needed to achieve EU's climate goals, using the strength of the single market to reinforce Europe's leadership in industrial green technologies.

Under today's agreement, there will be a single list of net-zero technologies, with criteria for selecting strategic projects in those technologies that will contribute better to decarbonisation.

With the Net-Zero Industry Act we want to support our industry in its transition. The NZIA is an important step in creating the necessary ecosystem to boost the manufacturing of clean technologies. Europe launched a pathway towards a cleaner and sustainable future for the European industry. Now the time is ripe for Europe to take back the lead on the global scene for clean technologies and to build a competitive, green, and job-creating industrial sector.

Jo Brouns, Flemish Minister for Economy, Innovation, Work, Social Economy and Agriculture

The industrial contribution towards climate neutrality

The net-zero industry act aims to ease conditions for investing in green technologies, by simplifying permit-granting procedures and supporting strategic projects. It also proposes to ease market access for strategic technology products, enhance the skills of the European workforce in these sectors (notably through the launching of net-zero industry academies) and create a platform to coordinate EU action in this area.

To foster innovation, the net-zero industry act proposes favourable regulatory frameworks to be created for developing, testing and validating innovative technologies (known as regulatory sandboxes).

Progress towards the objectives of the net-zero industry act will be measured by two indicative benchmarks: reaching 40% of the production required to cover EU's needs in strategic technology products, and their evolution in comparison to world production for products such as solar photovoltaic panels, wind turbines, batteries and heat pumps. The proposal also sets a specific target for CO2 carbon capture and storage, with an annual injection capacity of at least 50 million tonnes to be achieved by 2030.

Main elements of the agreement

The provisional agreement supports the main objectives of the net-zero industry act that were proposed by the Commission less than a year ago, while introducing several improvements, such as streamlined rules on construction permit procedures, creation of net-zero industrial valleys, and more clarity on criteria for public procurement and auctioning.

Scope and list of technologies

The new regulation is intended to provide easier conditions and certainty to investors and promoters of net-zero technology manufacturing projects. The projects identified as having a greater potential for decarbonisation will benefit from fast-track permit procedures for construction or expansion and guidance in accessing finance.

Given that member states have the right to choose between different energy sources, they will not be obliged to recognise as strategic projects those related to a technology that is not accepted as part of their energy mix.

Fast permit-granting processes

The time limit for delivering a permit for constructing or expanding large net-zero technology manufacturing projects (more than 1 gigawatt), as well as those not measured in gigawatts, will be a maximum of 18 months. For smaller projects (less than 1 gigawatt), the time limit for delivering the permit will be 12 months. Shorter deadlines will be set for strategic projects. In addition, and independently of the time limits, the procedure will ensure that such projects are safe, secure and environmentally sustainable and that they comply with environmental, social and safety requirements.

Industrial valleys

The future regulation will promote the development of net-zero acceleration 'valleys' (territories that concentrate several companies involved with a certain technology). The objectives of those valleys are to create clusters of net-zero industrial activity so as to increase the attractiveness of the EU as a location for manufacturing activities and to further streamline the administrative procedures for setting up net-zero manufacturing capacity. They will contribute to the reindustrialisation of regions.

Public procurement

The rules governing the way public authorities will purchase goods, works and services related to strategic net-zero technologies are designed to better ensure that requirements are transparent, implementable, and harmonised and that the supply of those technologies to the EU is diversified, while safeguarding sufficient flexibility for contracting authorities.

The act agreed on today regulates the use of schemes incentivising the purchase of net-zero technology products and defines sustainability and resilience contributions in public procurement procedures. The environmental sustainability contribution will be a mandatory minimum requirement, while the resilience contribution will be applied if there is a third-country dependence of more than 50% for a specific strategic net-zero technology (or for its components). This criterion will only be considered if the Commission has first assessed the level of dependence of each technology from a particular third country.

If the application of the resilience and sustainability contribution results in a disproportionate cost difference or if no suitable tenders or requests have been submitted, contracting authorities may decide to not apply these criteria.

Auctions to deploy renewable energy sources

The provisional agreement establishes that when a member state designs an auction for the deployment of renewable energy technologies, they will be able to apply both pre-qualification and award criteria which are not price-related, such as environmental sustainability, contribution to innovation or integration of energy systems. These criteria will have to apply to at least 30% of the volume auctioned every year per member state.

The Commission will define the criteria for procurement and auctioning and will revise the volume auctioned in the light of an assessment of the functioning of the system.

Next steps

The provisional agreement reached with the European Parliament now needs to be endorsed and formally adopted by both institutions.

Background

The net-zero industry act is one of the three key legislative initiatives of the Green Deal Industrial Plan, together with the Critical Raw Materials Act and the electricity market design reform, to enhance the competitiveness of Europe's net-zero industry and support a rapid transition to climate neutrality.

In its conclusions of 26 and 27 October 2023, the heads of state or government called on the Council and the European Parliament to reach a prompt agreement on the net-zero industry act, with a view to finalising the new bill before the end of the current legislative cycle.

The Commission tabled its proposal on 16 March 2023. The European Parliament adopted its position on 21 November 2023 and the Council its general approach on 7 December 2023.

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