

## EIIs Resolution

- A. whereas energy-intensive industries (EIIs) are of critical importance as they account for a relevant share of the EU's industrial economy in terms of production and employment<sup>1</sup> and are the backbone of the European manufacturing system, vital for whole value chains, playing a key role in job creation, especially small-medium sized towns and rural areas where industry is dominant; whereas these industries need to be prioritised as they are crucial for our competitive fossil free industrial landscape of tomorrow, thus pivotal to maintaining EU's net zero goal for 2050 and strengthen EU strategic autonomy and competitiveness;
- B. whereas electrification is at the centre of their decarbonisation efforts, but part of the EIIs include hard-to-abate (HtA) activities such as cement, glass, steel, chemicals and plastics production, which use fossil resources to meet temperature and pressure requirements and for which greenhouse gas (GHG) emissions are comparatively difficult to reduce using current technologies;
- C. whereas elevated and volatile fossil fuel prices, heavily affect electricity prices where the affordable cost of renewable energy sources is not transferred to industry's energy bills; whereas the gas and electricity price gap undermines the competitiveness and long-term sustainability of the European Union's industries that pay gas retail and wholesale prices between three to five times the prices in the US and electricity retail prices two to three times those in the US and China;
- D. whereas an insufficiently integrated Energy Union, especially the lack of cross-border energy infrastructure, notably interconnections, and the limited availability of renewable energy sources due to long permitting procedures and high CAPEX and OPEX costs as well as grids congestion further exacerbates these challenges by limiting the effectiveness of coordinated responses and market stability and ultimately risks hindering EIIs' ability to decarbonize;
- E. whereas Emissions Trading System (ETS) has proven to be a successful tool to decarbonize the industry, incentivise long-term investments and helped bring down emissions by 47%; whereas, nonetheless, risks associated with financial speculation and its incidence in determining allowances' prices dynamic and volatility can further hamper industries' competitiveness; whereas ETS
- F. revenues are currently used unevenly across Member States and too often not earmarked to support investments in decarbonisation and emissions' reduction by companies, therefore contributing little to EIIs decarbonisation;<sup>2</sup>

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<sup>1</sup> DRAGHI report - The four most energy-intensive industries together – chemicals, metals, non-metallic minerals, and pulp and paper products – represented a relatively stable 16% share of total manufacturing gross value added (GVA), or about 2% of the EU GDP until 2021 [see Figure 1]. These four industries accounted for 13% of jobs in manufacturing, equal to 3% of employment in the entire EU market sector, in 2021.

<sup>2</sup> DRAGHI report - The stream of revenue from the auctioning of ETS allowances (around 0.3% of the EU's GDP in 2022) could be an appropriate source for CAPEX and OPEX support. Currently, around one quarter of ETS revenues remain at the EU level (of which approximately one third is directed to the Innovation Fund and two thirds to the Modernisation Fund), whereas three quarters are allocated to EU Member States. However, the funds are not earmarked to bolster the path towards decarbonisation and the

- G. whereas unnecessary burdens and long permitting procedures undermine the business case for investing across Europe; whereas the root cause of these long procedures is a complex and fragmented approach to permitting policy, especially at national level; whereas insufficient funding and the complexity and fragmentation of EU funding mechanisms impede timely investment and innovation in net-zero technologies such as green hydrogen, CCUS deployment as well as digitalisation of industrial processes, including the integration of AI;
- H. whereas the lack of necessary private investments and the lack of a capital union risks hindering the transition of EIIs; whereas the use of state aid and subsidies -although crucial for supporting this process- can create disparities across the Union if not closely monitored;
- I. whereas access to primary and secondary critical raw materials is essential for the functioning of EIIs; whereas EU's dependencies and limited access to these materials pose significant challenges, while excessive export of recyclable materials further aggravates the situation and hinders decarbonisation and the transition to a circular economy in the long-term;
- J. whereas unfair competition resulting from a global uneven playing field pose a great challenge for European companies; whereas high levels of subsidies in other parts of the world have contributed to building overcapacity in multiple sectors globally; whereas many other world regions do currently not have decarbonisation targets which are as ambitious as in the EU , thus increasing the risk of carbon leakage, especially for EIIs;
1. calls on Member States to simplify permitting processes for renewable projects, in line with Renewable Energy Directive's objectives, and grid connections to facilitate clean firm energy generation; stresses that the current and future growth of RES production as well as electrification of processes will require massive investments in grids;
  2. Is convinced that further action is needed to implement the Electricity Market Design, especially to promote Power Purchase Agreements (PPAs) and two-ways Contracts-for-Difference (CfDs) to lower and stabilize energy costs for EIIs; Calls on the Commission to scrutinise and assess any existing barriers to signing long-term agreements and, if any, explore additional ways to decouple fossil fuel prices from electricity prices, in the framework of EMD, including by bringing forward the analysis of the short-term markets by June 2026; suggests to improve the accessibility of PPAs using risk reduction instruments and guarantees, including public guarantee such as EIB;
  3. Calls on the Commission to urgently scale up best practices from Member States directed to EIIs; stresses the importance of mechanisms such as the *Energy release* employed in Italy that consists in earmarking renewable energy at a fixed cost for EIIs in exchange of investments in renewable plants to produce the same amount of energy (anticipation-restitution model) and to develop recommendations on reducing the exposure of industrial consumers to rising costs for energy infrastructures, for instance through reduction of network charges while committing in investing in grid's reinforcement;

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competitiveness of these industries. There is a risk that rather than leading to the decarbonisation of production processes, the inclusion of EIIs under the ETS may contribute to the delocalisation of processes to outside of the EU

4. Calls on the Commission to develop measures for HtA sectors to bring down gas prices, such as proposing a renewal of the market correction mechanism (MCM) to ensure the continuity of protection against gas price surges and potential speculations; stresses that for these sectors it would be necessary to develop additional tools to ensure gas supply at a mitigated cost, especially EIIs exposed to international competition, for instance by enabling demand aggregation and joint gas purchasing by the public;
5. Stresses the need to enhance energy system integration, especially strengthening interconnections, to harness its full potential; notes that EIIs vary greatly from one another and no one-size-fits-all approach can be imposed, but highlights the need to increase awareness about flexibility in the form of storage, including pumped hydropower, or demand-side flexibility which can play a role, when feasible, to allow for costs savings and remuneration, ultimately helping optimizing grid stability and the cost-efficient integration of renewables in the system; recalls the importance of energy efficiency in reducing energy consumption and bringing costs down;
6. Stresses the need to strengthen funding mechanisms to support the decarbonisation of EIIs thus supporting the adoption of clean technologies (CCUS, green hydrogen, etc.) and energy-efficient production methods; calls, in this regard, on the Commission to ensure that ETS revenues are used effectively and in support of industry's decarbonisation efforts, especially EIIs, by Member States; calls for State Aid procedures that allow for agile and effective support of EIIs that invest in decarbonisation technologies, while both ensuring that the support is targeted and contributes to a wider EU industrial strategy and building the necessary safeguards to preserve a level playing field within the single market, taking into account Member States' different fiscal capacities;
7. highlights that, under the current MFF, a reprogramming of unspent Member States' NextGenerationEU funds could be used to secure investments in EU's strategic priorities, especially supporting EIIs' transition; considers, notably, that topping up InvestEU is necessary to mobilise private investments to this aim; notes that STEP already allows more flexibility of existing programmes but it is still insufficient and it is not a permanent solution; highlights that the upcoming Multiannual Financial Framework (MFF) and the Competitiveness Fund present a critical opportunity to increasing funding to support EIIs through already existing facilities (Innovation Fund, CEF-E);
8. Stresses that strengthening European competitiveness is urgent and will require significant private investment; highlights the need to enhance the attractiveness of these investments by creating a predictable and business-friendly environment, activating de-risking measures; underlines the need for a Capital markets union and a Savings and Investment Union; strongly believes that both InvestEU and the European Investment Bank (EIB) should play a key role in catalysing private funding;
9. emphasises the importance to secure access to critical raw materials and the need to promote the diversification of supply chains; stresses that the upcoming Circular Economy Act should be aimed at improving resource efficiency, through better waste management, increasing collection rates of end-of-life products containing CRMs; stresses that the use of secondary raw materials must be fostered by ensuring their availability, defining SRMs that are strategic and be subject to export monitoring such as steel scrap;

10. Stresses that instruments to foster decarbonisation of EIIs, such as the European Hydrogen Bank and Carbon Contracts for Difference (CCfDs) have been put in place, but need to be scaled up; Underlines that decarbonisation investment of EIIs also became part of NZIA, allowing for an harmonised regulatory framework to streamline permit-granting processes, and the possibility to be granted strategic project status; Suggests to explore ways to build up on these measures in the upcoming Decarbonisation Accelerator Act;
11. Recalls the need of mutually beneficial partnerships with likeminded partners to enhance diversification while promoting open rules-based global trade and avoid any escalation on tariffs; Stresses the importance of making full and efficient use of the trade defence toolbox to compete on a level playing field, reducing as far as possible the duration of the investigations; Calls on the Commission to reassess the existing steel safeguard mechanism and introduce a new safeguard mechanism post-2026 to address unfair competition and dumping practices;
12. Stresses the importance of an the effective implementation of the Carbon Border Adjustment Mechanism (CBAM) to levelling the playing field for EU industries and preventing carbon leakage, taking into account the impact on EIIs of the parallel ETS free allowances phase out; Calls on the Commission to thoroughly assess and address the risks of resource shuffling and other possible practices to circumvent it in the upcoming review; further calls on the Commission to prioritise the development of a WTO-compatible solution that avoids negative consequences on EU exporters and analyse the possible extension of its scope to further sectors and downstream products to prevent the risk of carbon leakage, which should foresee the same phase in period as applied for the first set of sectors in scope;
13. underlines the importance of creating green lead markets for European products, including by introducing sustainability, resilience and non-price criteria in EU public procurement, a key lever which represents 15% of EU GDP, and a European preference for strategic sectors and technologies and publicly funded projects, to stimulate and drive the demand for decarbonised products and clean technologies; urges to encourage the demand of EU quality net-zero products, including through the use of labelling schemes such as for green steel, to enhance the marketability of environmentally friendly goods across Europe and abroad;
14. highlights the importance of ensuring a Just Transition by keeping quality jobs in the EU through upskilling and reskilling programs for workers, and by the effective use of regional support mechanisms, such as the Just Transition and Cohesion Fund, to assist areas heavily reliant on EIIs; stresses that public support will be pivotal for the transition; calls on Member States and the Commission to include social conditionalities to be attached to all public funding and support to companies; welcomes the upcoming initiative by the Commission to build a Union of Skills that will be pivotal in embracing the digital and green transition by ensuring a good match between skills and labour market demands;
15. instructs its President to forward this resolution to the Commission, the Council and the governments and parliaments of the Member States.