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Client Alert

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Europe's new Clean Industrial Deal to accelerate decarbonization, reindustrialization and innovation

On February 26, 2025, the European Commission ("**Commission**") published its new *Clean Industrial Deal*[i] - its "business plan" to accelerate the rollout of renewable energy, deploy industrial decarbonization and ensure sufficient manufacturing capacity of clean tech in the European Union ("**EU**"). The Commission has positioned this as the policy roadmap taking Europe to 2030, and aims to respond to challenges faced by European industry (particularly, "high energy costs, unfair global competition and complex regulations") while continuing to pursue ambitious environmental and climate policy objectives.

The *Clean Industrial Deal* is part of a broader agenda to streamline EU regulations, stimulated in part by a report, *The future of European competitiveness*, issued last September by former European Central Bank President Mario Draghi. In January 2025, the Commission presented a new framework – the *Competitiveness Compass*[ii] – building on that report. The *Competitiveness Compass* focuses on three core areas of action: (i) innovation, (ii) decarbonization and competitiveness, and (iii) security and resilience. In that vein, simultaneously with the publication of the *Clean Industrial Deal* and *Action Plan for Affordable Energy*, the Commission published its *Omnibus I simplification package*[iii] proposing revisions to key ESG reporting rules for the financial and corporate sectors. See our separate Client Alert on this Simplification Omnibus Package.

THE KEY POLICY THEMES FOR THE CLEAN INDUSTRIAL DEAL ERA

- Europe has not abandoned the environmental objectives of the European Green Deal, which targets a decarbonised economy by 2050 (including 90% emissions reductions by 2040) – climate change mitigation will therefore still be a core feature of European policy going forward.
- **Three policy pillars** will characterise this era: (i) a degree of regulatory simplification, (ii) more deployment of EU-level funding and simpler EU State aid mechanisms, focussing on clean technologies and energy intensive industries, and (iii) "made in EU" preferential treatment for European industry, supported by increasing use of trade remedies (anti-dumping, anti-subsidy and safeguard measures).
- For **energy**: the EU targets expansion of domestic renewable power generation capacity of 100GW/year in the period remaining to 2030 with a goal of reducing dependency on imported fossil energy, ultimately aimed at reducing energy costs for EU industry. This is also achieved through the *Action Plan on Affordable Energy*[iv] published together with the *Clean Industrial Deal*.
- For **EU industry**: the Commission plans to deploy instruments designed to reduce the cost of energy for EU industry and to increase demand for clean, "made in EU" industrial products.
- For **trade relations**: the EU plans to seek international trade partnerships with favoured countries with a focus on improving overseas investment opportunities for EU companies. The Commission proposes an initial simplification of the Carbon Border Adjustment Mechanism ("**CBAM**")[v], but also a subsequent expansion of the sectors and emissions covered by the CBAM.
- For **EU funding** and **State aid**: more, and simpler, EU and Member State funding through both new central EU funding instruments and the Commission's proposed *Clean Industry State Aid Framework (CISAF)* to simplify the aid process.
- For **competition policy**: further to boosting government support to EU companies through a smoother and faster EU State aid review, the Commission intends to make more use of investigations under the *Foreign Subsidies Regulation* ("**FSR**") in strategic sectors and shift its focus of the EU merger control rules to ensure adequate emphasise on sustainability, innovation and "resilience" (a euphemism for "European interests") in strategic sectors.

OVERVIEW OF THE CLEAN INDUSTRIAL DEAL

The *Clean Industrial Deal* aims to address the needs of energy intensive industries and clean technologies. It is organised under six focus areas: (i) more affordable energy, (ii) creating demand for clean products through lead markets, (iii) enhancing access to financing, (iv) securing access to raw materials and improving the circular economy, (v) trade relationships, and (vi) fostering EU skills and jobs.

The *Clean Industrial Deal* is wide-ranging, and this Client Alert only focusses on key themes. The *Clean Industrial Deal* complements the *Action Plan on Affordable Energy*, published simultaneously, which outlines in more detail some of the policies on reduction of European energy costs.

The *Clean Industrial Deal* is not a total departure from the policies that have come before. The Commission emphasises that the EU will stand by the commitments made in the legislation adopted during the Green Deal era. That said, despite the Commission insisting that "simplification" is not "de-regulation", it seems that there is, at least in some areas, a desire to moderate the economically uncompetitive effects of the EU's stringent environmental and sustainability legislation with the goal of preventing de-industrialisation.

HIGHLIGHTS FOR EU ENERGY POLICY AND EU INDUSTRY

The Commission has announced (amongst others) the follow key actions that we expect will be of interest to our clients:

For energy –

- The European Investment Bank ("**EIB**") is launching a c.€500 million guarantee programme to incentivise hydrogen producers and energy intensive industry to contract for new-build renewables.
- On energy, there will be structural reforms aiming to reduce time and bureaucracy of permitting for projects to decarbonise industry, as well as a push for more transparency (and reduction of costs) in gas markets.
- Nuclear receives a passing nod, via a commitment to support the deployment of small modular reactors (SMRs), although with no further detail.

For hydrogen –

- The EU will adopt its long-awaited "low-carbon hydrogen" rules in Q1 2025. The Commission states these rules will be "pragmatic" (without providing more on how so). See our earlier Client Alert on the consultation draft of the "low-carbon hydrogen" rules for further background.
- In Q3 2025 there will be a third auction under the European Hydrogen Bank for up to €1 billion to support domestic EU hydrogen production.
- The EU will commence a study on the RFNBO delegated act (the EU's definition of green hydrogen and derivatives) to prepare for a review of those rules, although the Commission does not commit to actually revise the RFNBO rules or give any timeline. In recent months, there has been significant industry pressure to revise the RFNBO rules, which many in the hydrogen industry perceive as too strict and holding back the ramp-up of the renewable hydrogen market.

For EU industry –

- The EU will adopt an "Industrial Decarbonisation Accelerator Act" (in Q4 2025) to enshrine "made in EU" requirements for clean products in both public and private procurement for certain strategic sectors, as well as measures to accelerate permitting and reduce administrative burdens. This will be the precursor to a full revision of the Public Procurement Directive to embed EU preferential requirements in public procurement rules for all sectors.
- There will be an expansion of access to EU-level funding for strategic industries. A European Competitiveness Fund will be established in the next EU budget proposal due in July 2025. Once operational (which may not be until 2028), this would be an EU-funded investment platform for clean-tech and industrial decarbonisation projects. In the meantime, during 2026 the Commission will establish a €100 billion "Industrial Decarbonisation Bank".
- A pilot auction for industrial decarbonization of €1 billion will be launched later in 2025 under the Innovation Fund.
- The EU will increase emphasis on carbon, capture and storage ("**CCS**") and implement the Commission's Industrial Carbon Management Strategy[vi], which aims to create business cases for all aspects of the CCS value chain, including industrial carbon capture, CO2 transport and permanent storage.

- There will be meaningful simplification of the CBAM, by exempting around 90% of importers from the scope of the CBAM and simplifying the process for calculation of emissions. The Commission also proposes postponing the first financial liabilities applicable under CBAM to 2028 (rather than 2027) in relation to relevant goods imported in 2026.
- This will be followed by a later expansion of the CBAM (following a legislative proposal in early 2026) to include more sectors (including more highly processed goods) as well as including indirect emissions (i.e. emissions associated with electricity consumed in producing imported industrial goods).

For other specific sectors –

The *Clean Industrial Deal* also promises further policy frameworks for specific strategic sectors through future "Action Plans". These strategic plans are proposed for: the automotive sector (March 2025), steel and metals (industry strategic dialogue set to start in March 2025, action plan to follow), chemicals industry (end-2025) and sustainable transport (unclear).

IMPACT ON COMPETITION POLICY

The Commission wants to use the tools of EU competition policy, which include State aid review, FSR, merger control and antitrust, to also facilitate access to finance, ensuring effective use of public funds and encouraging private sector involvement.

In Q2 2025 the Commission will propose a revised State aid framework – the Clean Industry State Aid Framework ("**CISAF**") – that will apply until 2030. It is inspired by (and replaces) the Temporary Crisis and Transition Framework that was adopted in alignment with the twin objectives of energy security and decarbonisation following the REPowerEU's adoption in 2023.[vii] Although the CISAF has not (officially) been published, its outlines have been made clear in the *Clean Industrial Deal* (as well as through unofficially circulated drafts).

The main aim of the CISAF will be boost subsidy support to EU industry. Member States will be able to award aid without needing to notify the Commission (by pre-defining "off-the-shelf" options for Member States to easily demonstrate compatibility). These more flexible rules focus on renewable energy, industrial decarbonisation, CCS and clean technology or equipment manufacturing, amongst others.

The Commission has in turn signalled that it intends to increase scrutiny of foreign aid distorting European markets. In 2023, the FSR came into force, allowing the Commission to police distortive foreign subsidies. Under the FSR rules, the Commission can intervene foreign companies' dealmaking activities in the EU and their ability to bid for public contracts in the EU. The Commission seems to be positioning the FSR as a key tool in its arsenal for defending European commercial interests on the international stage. The EU has also announced that it will issue guidance on the use of the FSR, giving the Commission greater discretion to investigate activities (even where relevant thresholds are not met). The Commission will also make greater use of its power to launch investigations on an *ex officio* basis in strategic sectors.

The Commission also stands ready to provide informal guidance to companies on the compatibility of cooperation projects contributing to the achievement of EU priorities with antitrust rules in particular those related to innovation, decarbonization and economic security in the EU.

Finally, the Commission's plans to review its merger guidelines also suggest a similar trend. This implies that the Commission wants to better account for the impact of mergers on affordable sustainable products, clean innovation, and efficiency-driven sustainability benefits. The updated merger guidance will also consider innovation, market resilience, and investment intensity in strategic sectors as part of competition assessments. In addition, EU Member States will continue to use foreign investment review laws to scrutinise inbound investments in strategic sectors.

IMPACT ON TRADE POLICY

The Commission makes clear in the *Clean Industrial Deal* that it will deploy trade remedies (anti-dumping, anti-subsidy and safeguard measures) quickly and efficiently. Many EU industrials have made clear that they need the Commission to act more decisively to protect their interests from unfair global competition. The Commission seems to have heard this call.

The Commission also announces it proposes to pursue what it terms "Clean Trade and Investment Partnerships" as well as continuing to fully implement pending Free Trade Agreements. The aim of these Clean Trade and Investment Partnerships is to allow quicker and more flexible negotiation of international agreements, with the goal of enhancing European businesses' opportunities abroad and seeking to foster closer cooperation with partner countries in the areas covered by the Clean Deal.

How these Partnerships will evolve and the role they will play in helping facilitate cross-border low-carbon projects remains to be seen. They could provide an important inter-governmental framework to address some of the major challenges facing international investments and projects that hinge on the future direction of European regulations.

[i] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_550
[ii] https://commission.europa.eu/topics/eu-competitiveness_en
[iii] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_614
[iv] https://ec.europa.eu/commission/presscorner/detail/en/ip_25_570
[v] https://commission.europa.eu/document/download/606b4811-9842-40be-993e-179fc8ea657c_en?filename=COM_2025_87_1_EN_ACT_part1_v5.pdf
[vi] https://energy.ec.europa.eu/topics/carbon-management-and-fossil-fuels/industrial-carbon-management_en
[vii] https://competition-policy.ec.europa.eu/state-aid/temporary-crisis-and-transition-framework_en