C/2025/2015

30.4.2025

Opinion of the European Economic and Social Committee

The future of EU industry in the face of high energy prices and transition costs

(exploratory opinion)

(C/2025/2015)

Rapporteur: **Andrea MONE**

Advisor	Benjamin DENIS (for the rapporteur)
Referral	Polish Presidency of the Council of the European Union, 6.9.2024
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	12.2.2025
Adopted at plenary session	26.2.2025
Plenary session No	594
Outcome of vote (for/against/abstentions)	123/0/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) calls for urgent initiatives aimed at delivering a comprehensive EU industrial strategy for competitive industries and quality jobs that complements the Green Deal objectives with close monitoring and targeted adjustment measures.

1.2. In particular, the EESC calls for:

(a) an improved general economic and regulatory environment addressing the serious and structural competitiveness problem that Europe is facing linked to high energy and raw material prices, high upfront investment and compliance costs linked to the green transition, insufficient infrastructure development, an endemic skills gap, lack of sufficient financing and internal demand, and an incomplete single market;

(b) a competitiveness policy based on investment and innovation that strives for social and territorial inclusiveness, while enhancing a participatory approach based on social dialogue and collective bargaining to manage structural change in a socially fair way;

(c) the transposition of the 'The future of European competitiveness' and 'Much more than a market' reports into policy proposals, delivering an industrial strategy that is fit for all sectors, i.e. one that ensures better policy coherence, optimises the use of existing resources, develops a dedicated European investment fund for well-targeted priority areas, and takes due account of the transnational dimension of crucial areas such as energy, R&I, and skills;

(d) an EU trade policy that ensures industrial resilience in a context of asymmetric decarbonisation objectives, global overcapacity, and intensifying trade tensions, including through greater autonomy with respect to critical raw materials.

1.3. The intersectoral recommendations of this opinion are complemented by a supplementary opinion from the Consultative Commission on Industrial Change of the EESC dealing with the specific challenges energy-intensive industries (EIIs) are struggling with.

2. **Background to the opinion**

2.1. The Polish Presidency of the Council of the EU has requested an exploratory opinion from the EESC on the future of EU industry amidst high energy prices and transition costs. Recent EU initiatives, including the Council's conclusions and the Political Guidelines for the next European Commission, place an emphasis on strengthening European industry. Key objectives include a new Clean Industrial Deal for competitive industries and quality jobs, alongside an Industrial Decarbonisation Accelerator Act. Building on prior EESC opinions ([1]), in light of the contribution of the reports by Enrico Letta and Mario Draghi ('Much more than a market' and 'The future of European competitiveness') as well as institutional developments, this opinion evaluates potential improvements that could be made to support industry during this challenging transition.

3. **General considerations**

3.1. Europe is facing a series of combined challenges, including the need to reach a sufficient level and appropriate mix of innovations to enable it to compete with the most dynamic areas of the world, the need to ensure that efforts to decarbonise the economy are capable of managing transitions in an environmentally, economically and socially sustainable way and avoiding deindustrialisation processes, and the need for strategic autonomy and economic security in a context of growing geopolitical and trade tensions. In light of these premises, an effective European industrial policy should be driven by a number of interconnected factors.

3.2. The development of an appropriate European industrial strategy is therefore one of the major existential and urgent tasks for the Union if it is to preserve and promote its prosperity and values; this requires the ability to express its full potential in a competitive and sustainable manner, preventing Europe from becoming marginalised, but also respecting planetary boundaries and the UN Sustainable Development Goals.

3.3. A new approach to competitiveness is needed, based on a better combination of industrial policy, climate ambition and geopolitical strategy, and focusing on investment, innovation and social cohesion.

3.4. One of the strategic priorities for this approach must be to maintain a strong industrial base, paying as much attention to innovative industries as to traditional ones due to their complementarity and relevance for the entire supply chain.

3.5. The implementation of a technology-neutral energy mix and policy that produces greater long-term stability, delivers globally competitive prices, and recognises the need for investment in stable, low-carbon sources during the transition is a further key aspect, which includes support schemes to help overcome the remaining barriers to clean power purchase agreements.

3.6. The EESC acknowledges the unprecedented need for additional investment identified in the Draghi report, as well as the need to reform European governance in order to make decision-making more effective.

3.7. These points must be seen in parallel with those in the Letta report on the need to complete the internal market, which means increasing European integration in some sectors, especially energy, and placing the social dimension and territorial cohesion at the heart of the EU's resilience.

([1]) Including OJ C, C/2024/875, 6.2.2024, ELI: http://data.europa.eu/eli/C/2024/875/oj, An EU investment fund for economic resilience and sustainable competitiveness, OJ C 105, 4.3.2022, p. 63. Other sectoral opinions include Industrial policy for resource and energy intensive industries and Industry 5.0 – how to make it happen.

3.8. As stressed in the supplementary opinion ([2]), the EU has to prioritise policies that transfer the cost benefits of renewable and low-carbon electricity to EIIs. This also includes electricity market reforms, reducing regulatory costs, and expanding instruments such as contracts for difference (CfDs) and power purchase agreements (PPAs), but also introducing strong anti-circumvention measures and reassessing the EU's policy framework to tackle carbon leakage in the event that Carbon Border Adjustment Mechanism (CBAM) measures prove insufficient. Adopting a more assertive trade policy and investing in energy grid modernisation, renewable energy integration, and the development of secondary raw material markets is critical in order to achieve the net-zero goals.

4. **Specific comments – The main pillars of future EU industrial competitiveness**

4.1. ***Ensuring and promoting a participatory approach – a new social contract to accompany the transition***

4.1.1. The development and implementation of competitive industrial policies that promote social and territorial cohesion requires workers' involvement and collective bargaining at all levels and ensuring the full involvement of the social partners, the institutions and all economic and social actors, each in their own field, following a participatory approach.

4.1.2. The EESC sees a need to strengthen the governance of the EU industrial strategy by bringing together the relevant Commissioners, ministers, and cross-industry and sectoral social partners.

4.1.3. Concerted efforts to promote social dialogue at all levels are needed, including the implementation of the new Social Dialogue Pact by the beginning of 2025, confirming its strategic economic and social role in anticipating and managing change.

4.2. ***Promoting sustainable competitiveness***

4.2.1. Taking into account the points made in the Draghi report, the EESC stresses the importance of the need to promote competitiveness without using 'wage repression to lower relative costs'; to combine productivity growth and social inclusion, even in a context of demographic decline; to preserve the European welfare state, while adapting to changes, avoiding the potential inequalities of technological changes. A focus on the territorial impact of policies is crucial to ensure a just transition that does not exclude any territory, company or worker from development. The enlargement process should also be duly taken into account to make the EU's industrial policies more inclusive.

4.2.2. A new approach to education, training and skills is needed. In supporting Letta's proposal for a 'fifth freedom' to allow the free movement of research, innovation, knowledge and education, alongside strengthening the education system and aligning it better with the world of work, the EESC considers it important for the EU strategy to include the internal knowledge of our universities and the recruitment of complementary external talent that makes it possible to speed up development and innovation in the EU, and to create the appropriate regulatory environment that will enable us to drastically step up the re-skilling of the workforce, match the educational programmes to the development of the market, look for automated processes, and allow for better and fair mobility in the EU and abroad. An automatic EU mechanism for the recognition of qualifications and a goal of 3 % spending on R&I should be also developed.

4.2.3. The Green Deal instruments need to be adapted on the basis of evidence-based assessments, including through data harmonisation processes while pursuing its main objectives, also taking into account the actions promoted in the EESC opinion on *Recalibrating the EU Green Deal* ([3]).

([2]) See Annex.

([3]) OJ C, C/2024/6877, 28.11.2024, ELI: http://data.europa.eu/eli/C/2024/6877/oj.

4.2.4. These assessments should verify the existence of and quantify the key enablers for achieving the targets (raw materials, water, skills, decarbonised energy, infrastructure, funding, and market incentives) ([4]). Labour dimensions need to be assessed, including skills needs, and the impact on jobs and working conditions, with a view to proposing corrective measures where necessary, including by promoting agreements negotiated with trade unions, in order to anticipate change.

4.3. ***Meeting the challenge of energy prices for a real EU energy strategy***

4.3.1. Competitive European industry, based on a European Industrial Deal, is one of a number of prerequisites for the successful implementation of the EU's Green Deal, which enhances quality jobs and restores confidence and support to European industries. To be an industrial power, Europe needs access to large amounts of energy at a competitive price. As an energy-dependent union facing high prices, the EU is at risk of deindustrialisation if it does not respond rapidly and robustly to the energy challenge.

4.3.2. The EU is highly dependent on energy imports, with energy dependence reaching 64,4 % in 2022 ([5]). Energy import dependence is particularly high for oil and gas and, to some extent, for solid fuels; these three energy products still account for 58 % of the EU's primary energy consumption. This makes the EU highly vulnerable to global energy market developments. Changes in the price of imported energy products have a direct impact on the EU's trade balance, but also on the competitiveness of industry, especially in energy-intensive sectors exposed to global competition.

4.3.3. EU industry also faces higher final energy costs than many of its competitors. Gas prices in the EU are currently three to five times higher than in the US, while electricity prices for industrial sectors are two to three times higher than in the US and China. Due to the EU's current marginal pricing system in the wholesale electricity market, gas influences the electricity price far beyond its share in energy production ([6]).

4.3.4. This competitive disadvantage with regard to energy is also influenced by the EU Emissions Trading System (ETS), which has no equivalent in other major economies. The higher carbon price has a direct impact on electricity costs, but also on the production costs of industries that generate process emissions, such as the steel and cement industries and all hard-to-abate industries. The impact of the ETS has been relatively light so far, but the new rules implemented in phase IV of the scheme will clearly change the situation, as will the progressive phasing out of free allowances.

4.3.5. As industrial electrification is the main route to decarbonising industry, addressing the energy price challenge first requires ensuring the provision of sufficient volumes of decarbonised electricity at a competitive price, while ensuring support for electrification on both the demand and the supply side and strengthening energy efficiency. In this regard:

(a) taking stock of the measures indicated in opinion on *Electricity market reform* ([7]) and the Draghi Report, it is important to decouple gas and electricity prices, without jeopardising the functioning of the EU energy system;

(b) industry should be protected from price volatility through long-term contracts for industrial consumers;

(c) it should be made easier to authorise new decarbonised power generation capacity and related grid and storage development;

(d) cross-border interconnections should be improved to facilitate cross-border transmission of energy, including renewable energy;

(e) the Energy Taxation Directive needs to be reformed to bring energy taxation more into line with the EU's climate change agenda, in a general framework that preserves competitiveness and a fair international level playing-field.

([4]) OJ C, C/2024/6871, 28.11.2024, ELI: http://data.europa.eu/eli/C/2024/6871/oj.
([5]) European Commission, *EU Energy in Figures – Statistical pocketbook 2024*, Publications Office of the European Union, 2024.
([6]) OJ C 293, 18.8.2023, p. 112.
([7]) OJ C 293, 18.8.2023, p. 112.

4.4. ***Creating a framework to bridge the industrial investment gap***

4.4.1. In light of the new European economic governance system, the EESC reiterates the need to broaden the definition of public investment, to establish the EU's fiscal capacity by 2026, and to strengthen the involvement of the social partners and civil society, in order to improve democratic accountability ([8]).

4.4.2. With regard to State aid, the EESC calls on the EU institutions to heed the messages of the Letta and Draghi reports in order to avoid distortions. In particular, the EESC is interested in the Letta report's suggestion relating to a 'State aid contribution mechanism' whereby Member States would allocate funding 'to financing pan-European initiatives and investments'. The EESC agrees with Mr Draghi's proposal that both State aid and public subsidies should be linked to the promotion of training, but believes that this conditionality should be extended to social dialogue and respect for collective agreements and for workers' and trade union rights.

4.4.3. The EESC agrees with the point made in the Draghi report regarding the need for an investment instrument based on European public debt, in line with the points set out in the EESC opinion on *An EU investment fund for economic resilience and sustainable competitiveness* ([9]).

4.5. ***Circular economy and raw materials***

4.5.1. According to the International Energy Agency, demand for clean energy technologies will multiply between two and three times by 2030. This will entail a growth in the total demand for selected critical minerals from 25 % to over 300 % (according to the Draghi report).

4.5.2. Rapid implementation of the EU Critical Raw Materials Act will be instrumental in managing the industrial transition without exacerbating existing dependencies. Insourcing, re-shoring, stockpiling, supply diversification and anticipation of shortages must be part of companies' strategies and must be supported by consistent EU and industrial policies.

4.5.3. To reduce its primary material consumption and footprint, the EU should also promote an economic model based on the principles of 'reduce, reuse, repair and recycle'.

4.6. ***Improving the Net-Zero Industry Act (NZIA) approach by increasing European production capacity***

4.6.1. While the EESC supports the NZIA objectives, it deplores the weak solutions to fix the problem of lengthy permitting procedures. The Commission must propose additional measures to accelerate permitting. Strengthening those public authorities entrusted with delivering permits and carrying out related assessments is fundamental. Furthermore, there should be a reflection on the possibility of implementing, in specific circumstances, tacit consent procedures in the event of delays in dealing with applications, without undermining the rights of impacted communities.

4.6.2. The policy coherence required for a sustainable decarbonisation process calls for measures to strengthen local production, especially of clean technologies, in order to avoid over-dependent decarbonisation paths and the associated risk of deindustrialisation. This should be taken into account in the Commission's current assessment of the revision of the Public Procurement Directive, while ensuring compliance with social standards throughout the supply chain.

4.6.3. At the same time, there is a need to increase the capacity to finance transnational projects, in particular by improving the territorial and participatory involvement of SMEs in important projects of common European interest (IPCEIs), and by improving instruments such as the Strategic Technologies for Europe Platform (STEP), Public-private partnerships (PPP) and venture capital, in order to produce European technological assets and increase innovation, research and development activities, hence the need to strengthen the EU's capacity in strategic and critical technologies, and to address all the financial, regulatory and operational issues that currently hinder their proper development ([10]).

([8]) OJ C, C/2023/880, 8.12.2023, ELI: http://data.europa.eu/eli/C/2023/880/oj.
([9]) OJ C, C/2024/6862, 28.11.2024, ELI: http://data.europa.eu/eli/C/2024/6862/oj.
([10]) OJ C, C/2024/2489, 23.4.2024, ELI: http://data.europa.eu/eli/C/2024/2489/oj; EESC supplementary opinion on Strategic technologies as a driver for European sovereignty and resilience.

4.7. ***Better aligning trade and competition policy with the EU's industrial decarbonisation agenda***

4.7.1. Alongside the measures underlined in the EESC opinion on CBAM ([11]), the EESC calls for the implementation and evaluation of the CBAM. To compensate the shortcomings of its current design, it will be essential to address the impact of both taxation and the EU carbon price on exports and avoid circumventions, as well as to extend its scope to downstream sectors of the supply chain, where necessary ([12]).

4.7.2. With strong global competition in almost all manufacturing sectors – from steel to cars, from batteries to chips – a new approach to EU trade is needed to level the global playing field, create sustainable value chains, respect the environment and promote decent work for workers along the supply chain.

4.7.3. Competition law must be aligned with the objectives of the EU's industrial strategy to successfully manage the double transition and make the EU more resilient, with open strategic autonomy as its compass. It must also respect and protect social, workers' and trade union rights and support the creation of quality jobs, equity, a fair transition and upward social convergence.

4.7.4. The EESC supports the objectives of a new EU approach to competition policy which is more focused on common objectives and more favourable to companies expanding in global markets, while ensuring a level playing field. The EESC sees the value of the parameters set out in the Draghi report for assessing mergers, relating to increased European innovation, security, risks of disruption, and resilience. It is also extremely important to examine mergers in terms of their impact on territorial cohesion, employment, and all companies along the supply chain.

4.7.5. Creating lead markets must also be part of the EU's industrial strategy. Net-zero technologies will make industrial output more costly than incumbent technologies (all things being equal). In addition, other market barriers can undermine their uptake, such as lack of confidence or familiarity from buyers, and lack of transparency and benchmarks to compare low-carbon products. Getting these products established on the market will require active intervention for a certain period, in the form of new regulatory tools to induce the necessary demand from end consumers and remove market entry barriers for new low-carbon and circular products. Public procurement, eco-design requirements, green quotas and contracts for difference are all examples of policy tools that can be used to create mass markets for those green products.

4.8. ***Convergence and administrative simplification***

4.8.1. The EESC agrees on the importance of addressing administrative incoherence and unnecessary complexity, which impact negatively on companies' ability to operate in the EU. European SMEs are having difficulty growing, as scaling up entails becoming subject to stricter requirements. It is urgently necessary to establish a more systematic approach to the regulatory framework by enhancing impact assessments, the competitiveness check ([13]) and the SME test, as well as better regulation tools aimed at simplifying the regulatory environment, ensuring much faster permitting times, and avoiding creating new administrative burden for companies, while preserving and promoting social and environmental standards as well as human rights.

Brussels, 27 February 2025.

The President
of the European Economic and Social Committee
Oliver RÖPKE

([11]) OJ C 152, 6.4.2022, p. 181.
([12]) OJ C 152, 6.4.2022, p. 181.
([13]) OJ C 100, 16.3.2023, p. 76.

ANNEX

The annex to this document (the Supplementary Opinion of the Consultative Commission on Industrial Change – CCMI/238 – The future of EU energy intensive industries (EIIs) in the face of high energy prices and transition costs – EESC-2024-03562-00-00-AS-TRA) can be found on the following pages.

Opinion of the Consultative Commission on Industrial Change (CCMI)

The future of EU energy-intensive industries (EIIs) in the face of high energy prices and transition costs

(supplementary opinion to INT/1074)

Rapporteur: **Anastasis YIAPANIS**

Co-rapporteur: **Michal PINTÉR**

Advisor	Mihai IVAŞCU (for the rapporteur, Group III) Bartosz NIENALTOWSKI (for the co-rapporteur, Group I)
Plenary assembly decision	19.9.2024
Legal basis	Rule 56(1) of the Rules of Procedure Supplementary opinion
Section responsible	Consultative Commission on Industrial Change (CCMI)
Adopted in section	16.1.2025
Outcome of vote (for/against/abstentions)	30/0/0

1. Conclusions and recommendations

1.1. The European Economic and Social Committee highlights the substantial competitiveness gap for energy-intensive industries (EIIs) in the EU vis- à-vis global competitors, mainly due to higher energy costs, stricter decarbonisation targets, and business regulations, but also weaker domestic market protection. The EESC considers that a competitive energy transition remains achievable and calls for targeted policy measures to address these challenges.

1.2. Taking into consideration the current global energy security risks and volatile market prices, the EESC calls upon the EU institutions, particularly the European Commission, to implement policies that transfer the cost benefits of clean electricity to EIIs. Targeted measures are essential in order to ensure that the transition to renewable energy is reflected in electricity pricing across all sectors of the economy, with a particular focus on EIIs.

1.3. The EESC emphasises the importance of assessing the impact of the current electricity market design on energy affordability and industrial competitiveness, and advocates for the reduction of regulatory costs such as network tariffs, charges and levies. It recommends exploring all possible measures to lower energy costs for industrial consumers, including electricity price decoupling, while supporting investments in grid expansion, modernisation and security.

1.4. The EESC recommends expanding contracts for difference (CfDs) and integrating them with power purchase agreements (PPAs) in order to provide industrial consumers with access to low-cost fossil-free energy. This approach should ensure stable revenues for clean energy projects, while also preventing overcompensation, and should prioritise removing barriers to PPAs for energy-intensive industries. Such combined instruments can stabilise prices, promote investments in clean energy, and balance fair generator pricing with reduced costs for consumers under uncertain market conditions. However, the EESC warns that PPAs alone are insufficient for EIIs due to their direct link to wholesale prices and the high costs of back-up mechanisms for renewable energy.

1.5. The EESC recommends reducing regulatory constraints for hydrogen production and implementing measures to lower electricity prices in order to enable competitive hydrogen production. To bridge the cost gap between green hydrogen generated through electrolysis, which is expected to remain more expensive than grey and blue hydrogen, the EU should adopt a dual strategy that ensures investment certainty and foster industrial demand.

1.6. The EESC recommends implementing measures to safeguard EU exports under the Carbon Border Adjustment Mechanism (CBAM), as well as introducing robust anti-circumvention measures to address resource shuffling and other circumvention tactics. It stresses the importance of closely monitoring the implementation of the CBAM. If the mechanism proves ineffective, even partially, the EESC advises the Commission to reconsider the phase-out trajectory of free allowances under the EU Emissions Trading System (ETS).

1.7. The EESC also recommends that the EU adopt a more assertive and coordinated trade policy to counter unfair global competition, particularly in those sectors most vulnerable to the green transition. It calls for a comprehensive review of existing trade defence measures to protect EIIs and, where necessary, supports the introduction of new measures. The EESC urges the EU to enforce trade defence instruments promptly and effectively, including tariffs where necessary, in order to prevent deindustrialisation and the loss of domestic production capacity for EIIs' end products. Sector-specific measures, such as revising steel safeguard quotas and lifting the lesser-duty rule, as well as introducing a robust tariffication regime, should also be considered.

1.8. The EESC recommends balancing EIIs' competitiveness with decarbonisation goals, avoiding both protectionism and laissez-faire approaches, while ensuring actions are in line with WTO rules and do not provoke countermeasures that harm other industries, market access, or EU competitiveness.

1.9. The EESC welcomes the Commission's focus on creating 'lead markets' to drive demand for low-carbon products, and recommends the introduction of policies to bridge the cost gap between conventional and low-carbon products. This could include implementing local content requirements to enhance sustainability and resilience in transitioning industries.

1.10. The EESC calls for specific measures to increase the availability of secondary raw materials in order to meet environmental objectives, reduce dependence on primary raw materials, and lower CO_2 emissions. This effort requires diversifying supply chains through trade agreements and partnerships, promoting a circular economy with targeted incentives, and establishing a unified market for secondary raw materials.

1.11. Substantial investment in energy interconnection capacity is essential, along with the modernisation of energy grids, in order to support renewable integration and achieve net-zero targets. This includes expanding storage capacity, strengthening cross-border connections, and digitalising power grids in order to efficiently integrate decentralised renewable energy installations. In addition, more attention needs to be paid to the protection and security of energy networks and connections, especially in the case of underwater infrastructure.

1.12. The EESC calls for tailored and effective use of EU ETS revenues to support the decarbonisation of energy-intensive industries, such as by earmarking ETS allowances for carbon leakage sectors. It also recommends greater coherence in EU funding schemes and the expansion of mechanisms like the European Hydrogen Bank and CfDs in order to help de-risk investments. Increased financial support is needed for both capital and operational costs in order to accelerate the transition over the next decade.

2. General comments

2.1. The European Economic and Social Committee acknowledges the critical challenges facing EIIs in the European Union, including a significant competitiveness gap resulting from the substantially higher energy costs and increasing transition and regulatory expenses they face compared to their global competitors. This opinion analyses this gap and highlights the urgent need for policy interventions to ensure the sustainability and competitiveness of these vital sectors. It also aims to provide recommendations for the future initiatives announced in the 'Political Guidelines for the Next European Commission 2024-2029', such as the Clean Industrial Deal, the Industrial Decarbonisation Accelerator Act, and a new Circular Economy Act.

2.2. EIIs are the foundation of many value chains and EU downstream sectors, and their success in undertaking the green transition is pivotal for the EU to meet its climate objectives, as well as to safeguard employment in downstream sectors. Europe's EIIs are facing mounting competitive pressure due to higher energy costs as well as the more stringent EU regulations on decarbonisation compared to those imposed on their international rivals, but also because of global overcapacities, coupled with unfair trade practices. This situation has already led to deindustrialisation in some sectors of the economy (fertilisers, aluminium, steel) and to the loss of more than 800 000 manufacturing jobs since the third quarter of 2019 ([1]), a trend that will likely accelerate and spread in the absence of targeted policy interventions. High energy prices also have a negative impact on CAPEX investment, as the decarbonisation of energy-intensive industries (EIIs) – e.g. cement, ceramics and refractories, chemicals, ferro-alloys and silicon, fertilisers, glass, lime, non-ferrous metals, pulp and paper, refining, and steel – relies heavily on electrification.

2.3. An expansion of renewable and low-carbon energy capacity should also be considered in order to close the energy price gap between the EU and other countries and to achieve climate neutrality, if accompanied by effective solutions for energy storage, increased interconnections, and demand-side flexibility. Despite the challenges, a competitive energy transition is possible with timely and effective policy decisions.

3. Energy pricing and security of supply for European EIIs

3.1. The wars in Ukraine and the Middle East highlight the ongoing global energy security risks, with the potential for disruptions and price shocks remaining very high. The current design of the EU electricity market, based on the marginal pricing system, has exacerbated this issue, as exposure to volatile and expensive LNG prices has driven up electricity costs. Currently, EU retail electricity prices – especially for industrial sectors – are two to three times higher than those in the US and China ([2]) and also vary significantly among EU Member States. In addition to elevated energy prices, energy-intensive industries face increased total energy costs, including, among other things, network costs. For instance, the energy expenditure of European steel producers is twice that of their US and Chinese counterparts, resulting in production costs that are up to 20 % higher.

3.2. In the light of the factors mentioned above, the EESC urges the European Commission to implement policy measures that transfer the cost benefits of clean electricity to energy-intensive industries and to help alleviate some of the investment burdens associated with grid expansion and innovation. These costs are rising dramatically and risk impacting EIIs disproportionately compared to less electricity-intensive sectors. The European Joint Research Centre predicts that, even with an increased share of renewable and low-carbon energy sources of up to 67 % in the European energy generation mix, fossil fuels will continue to set the electricity price in 2030 and beyond, for the majority of the time ([3]). Targeted actions are therefore necessary to ensure that the shift to clean electricity production is reflected in commodity prices. One possible measure could be to further explore the 'Green Pool' scheme proposed by the Greek government or similar solutions. The 'Green Pool' addresses the shaping costs arising from the need to align variable renewable energy source (RES) production with stable industrial consumption, currently the main barrier to signing RES PPAs for electro-intensive consumers.

([1]) ETUC, EU loses almost a million manufacturing jobs in just 4 years | ETUC.
([2]) The future of European competitiveness – In-depth analysis and recommendations, European Commission, 2024, p. 5.
([3]) JRC, 'The Merit Order and Price-Setting Dynamics in European Electricity Markets', JRC134300, 31 August 2023.

3.3. The intermittent nature of renewable energy requires flexibility in electricity supply and demand. While industrial demand-side response offers some potential, its effectiveness for EIIs is limited. EIIs' ability to modulate their electricity demand has already largely been tapped. Other technologies (smart charging, heat pumps, vehicle-to-grid (V2G) systems) hold more potential for increased flexibility. The EU's flexibility needs are projected to rise significantly by 2030, reaching 160 GW ([4]).

3.4. The EESC strongly emphasises the need to assess the impact of the current electricity market design on affordability and industrial competitiveness, and to reduce exposure of EIIs to the regulatory and market-related costs, such as network tariffs, charges, and levies, that are added to commodity prices. The EU institutions must explore and evaluate all options for lowering network costs for industrial consumers – an area that represents a significant portion of their total energy costs – while still encouraging investments in grid expansion and modernisation. The EESC recognises that such an expansion of the network will require substantial investment, inevitably leading to higher energy costs for consumers. While legislative reform in this area requires unanimity, cooperation among a subset of Member States or guidance on energy taxation should be explored.

3.5. CfDs should be expanded and applied jointly with PPAs, ensuring that industrial consumers have access to publicly subsidised, low-cost fossil-free energy. This approach would guarantee a minimum revenue for clean energy projects during low-price periods, while avoiding overcompensation by governments when prices are high. More targeted efforts should also focus on removing barriers to PPAs between energy-intensive consumers and producers. Such combined long-term instruments can stabilise prices for producers and investors and facilitate investments in clean energy. A balance is needed between establishing a 'fair' price for generators and ensuring lower long-term costs for consumers, especially amid uncertain future energy market conditions.

3.6. However, though often seen as a means of mitigating high energy prices and hedging against volatility risks, PPAs are insufficient for EIIs due to the inherent challenges. PPAs prices in Europe generally track wholesale electricity prices, offering limited benefits in terms of price relief. Additionally, the intermittent nature of renewable energy requires costly back-up mechanisms, such as grid power or energy storage, which offset potential cost savings and diminish the effectiveness of PPAs as a hedging tool for EIIs.

3.7. High electricity prices in the EU are hindering local hydrogen production, the off-take by industrial consumers, and, ultimately, and the transition to a hydrogen-based economy. Domestic renewable hydrogen production faces challenges such as high electricity costs, strict rules on renewable energy sourcing, limited demand-side support, and infrastructure delays. A 2024 report by the European Court of Auditors ([5]) estimates that, as a result, the EU is unlikely to meet its 2030 target of producing 10 million tonnes of hydrogen. To address these structural disadvantages, the EESC recommends revising existing hydrogen production regulations to reduce regulatory constraints and implementing measures to lower electricity prices for competitive hydrogen production, together with demand-side support measures. Clean hydrogen generated through electrolysis is expected to remain significantly more expensive than grey and blue hydrogen. The EU must therefore pursue a dual strategy that ensures investment certainty, while fostering industrial demand for clean hydrogen, particularly in sectors such as steel and fertiliser production.

4. **Maintaining and boosting the competitiveness of EU industry**

4.1. The Draghi report points to several risks for EIIs in the Carbon Border Adjustment Mechanism (CBAM): resource shuffling by third country exporters, diverting existing low-carbon production to the EU and more carbon intensive products to third countries; weak downstream product coverage; and potential negative impacts on EU CBAM products exported to third countries. The EESC considers it necessary to implement measures to preserve EU CBAM exports, to introduce robust anti-circumvention measures, and to closely monitor and prevent resource shuffling and the delocalisation of downstream sectors. The EESC recommends that the Commission act swiftly if the CBAM proves ineffective or only partially effective, for example by reconsidering the phase-out trajectory of free allowances under the EU emissions trading scheme (ETS).

([4]) SWD (2023)58 final, Reform of Electricity Market Design.
([5]) European Court of Auditors Special Report 11/2024.

4.2. The EESC stresses the need to counter the aggressive industrial policies of the EU's global competitors through a more assertive and coordinated EU trade policy that is aligned with the EU's industrial strategy. The Committee supports a broad assessment of additional and new trade defence measures to counteract unfair competition. Moreover, the EU's ambitious decarbonisation goals create a cost disadvantage for EIIs compared to their competitors in regions with weaker environmental regulations. Levelling the playing field in the sectors most exposed to unfair competition is crucial for EIIs in transition.

4.3. The EU must balance the competitiveness of EIIs with decarbonisation goals, avoiding both a protectionist and a laissez-faire approach in order to prevent economic harm and deindustrialisation. The EESC considers that the EU should swiftly modernise and enforce EU trade defence instruments (TDIs) to protect domestic industries from deindustrialisation effectively, including by applying tariffs where necessary. Sector-specific improvements, such as reviewing steel safeguard quotas, lifting the lesser-duty rule, expanding aggregate demand/aggregate supply (AD/AS) duties, and properly assessing large-scale subsidy cases, should also be explored. However, these actions must avoid provoking adverse countermeasures that could harm other industries, EU market access, and the overall competitiveness of EU industries.

4.4. The EESC supports the new Commission's focus on creating 'lead markets' to boost demand for low-carbon products. Bridging the cost gap between conventional and low-carbon solutions will require both demand- and supply-side measures, potentially including local content requirements to enhance resilience and sustainability.

4.5. The European Commission should develop and implement a new comprehensive strategy that provides immediate relief from high energy prices, with related implementation guidelines, and prioritises long-term investments in clean energy, energy efficiency, and technological innovation. This dual approach will enable the EU to alleviate the short-term economic pressures on its industries, while simultaneously establishing a robust framework for a sustainable and competitive industrial future.

4.6. A major challenge in the energy transition is the EU's reliance on critical raw materials (CRMs), particularly strategic raw materials as defined in the 2024 Critical Raw Materials Act. The list of critical materials has grown from 14 in 2011 to 34 in 2023, with 17 classified as strategic, including light and heavy rare earths, for which the EU is largely dependent on imports from China. The president of the European Commission, Ursula von der Leyen, has prioritised reliable and affordable access to CRMs, with initiatives such as an aggregate demand mechanism and 'clean trade and investment partnerships'. The EESC stresses the importance of increasing the availability of secondary raw materials to help meet environmental goals and reduce the use of primary materials, energy consumption, and CO_2 emissions.

4.7. Diversifying the supply of raw and processed materials through trade agreements and partnerships is essential. EU negotiators should set realistic expectations for free trade agreements with resource-rich third countries, make effective use of EU development aid, and respect prerogatives of developing countries, while adopting a more ambitious approach to the circular economy. Such an approach is indispensable for demonstrating that the EU is a more reliable and long-term partner, offering a values-driven and collaborative alternative to other global economic actors such as China. This includes providing incentives and establishing a genuine single market for secondary raw materials to achieve economies of scale, along with measures to prevent the leakage of strategic secondary raw materials, as the EESC has already recommended ([6]).

4.8. To prevent the relocation of European businesses to countries with more favourable energy conditions, it is crucial to implement supportive energy policies that enhance competitiveness and reduce operational costs. This will help retain skilled jobs, particularly in the industrial and manufacturing sectors, ensuring that these vital positions, skills and training pathways essential for reindustrialisation remain within Europe and contribute to the region's economic stability and growth.

([6]) OJ C 275, 18.7.2022, p. 95.

4.9. The EESC calls for a clear strategy to mitigate uncertainties for investors by incentivising innovative technologies that currently lack a positive business case and by simplifying state aid procedures. Addressing these complexities is essential in order to compete with effective incentive schemes in other parts of the world, such as the US Inflation Reduction Act (IRA).

4.10. The EU must enhance its global partnerships by leading coordinated global climate action and promoting fair trade competition within the WTO framework by prioritising secure and diverse supply chains.

5. **Investment and funding**

5.1. In addition to private financing, targeted public funding is essential in order to mitigate risks and stimulate the investment needed to significantly expand energy capacity and infrastructure. Enhancing the efficiency of the energy system will also require increased EU funding, either by boosting support for existing programmes, or by establishing new competitive initiatives. A new European Electrification Strategy has been recently announced by the European Commission.

5.2. The EESC recommends prioritising significant investment in interconnection capacity to support renewable integration and achieve the net-zero targets. Approximately 40 % of the EU's networks are over 40 years old and nearing the end of their typical lifespan, which impacts transmission grids, distribution grids, and the development of interconnectors between EU countries and third countries. The EU should prioritise the modernisation and expansion of its energy grids to enhance storage capacity, including cross-border connections, in order to improve energy distribution and balance supply and demand across Europe. It is also necessary to invest in the security of networks and connections and in the protection of infrastructure (including, in particular, underwater). Significant public investment in energy grids is essential to unlock renewable potential, particularly through the expansion of distribution networks needed to connect new renewable installations. Future power grids must be significantly digitalised to effectively integrate millions of decentralised renewable energy installations, heat pumps, electric vehicle charging points, and hydrogen electrolysers. Additionally, the implementation of smart grid technologies and demand-response programmes should be prioritised to optimise energy use, reduce peak demand, and lower costs for consumers.

5.3. Cooperation among a subset of Member States and guidance on energy taxation should be explored. It is essential to address permitting delays, streamline construction processes, and mitigate regulatory risks that currently create uncertainty around future interconnection projects. A more systemic approach is needed to simplify permitting procedures by ensuring stronger policy coherence between the various EU policies and existing legislation in Member States, including by setting limits and reviewing cost protection for the examination of environmental objections in courts. In addition, the EESC recommends investing in large-scale energy storage solutions, such as batteries, to store excess renewable energy and ensure a stable energy supply during periods of low production.

5.4. The EESC highlights that, despite EIIs' significant contributions to the ETS, only around 8 % of ETS revenues go to supporting their decarbonisation. More funding is needed for both capital and operational costs, such as for renewable hydrogen uptake or for investments in decarbonisation technologies, such as carbon capture, utilisation and storage (CCUS) and other direct and indirect electrification technologies. The EESC calls for greater coherence in EU funding schemes, increased use of ETS revenues, and innovative mechanisms like the European Hydrogen Bank and CfDs, in order to help de-risk investments.

5.5. The EESC demands targeted financial assistance to alleviate the burden of rising energy costs for SMEs, enabling them to allocate more capital toward innovation, technology upgrades, and expansion efforts, which are crucial in enabling them to maintain their competitiveness.

5.6. Increased funding for innovation is essential to unlock more affordable, secure, and low-carbon methods of energy production, transportation, and usage. Additionally, a stronger focus on comprehensive energy system planning and coordinated system operation is necessary to reduce network costs, especially as carriers of energy such as gas and electricity become increasingly interconnected. Furthermore, the EESC backs Letta's proposal for a 'fifth freedom' focused on enabling the free movement of research, innovation, knowledge, and education. Finally, the EESC recommends increasing funding for research and development in clean energy technologies, including advanced renewable energy, carbon capture, and energy storage.

Brussels, 16 January 2025.

The President
of the Consultative Commission
on Industrial Change
Pietro Francesco DE LOTTO