

BEE Statement

on “*A New Industrial Strategy for Europe*” by the European Commission

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Conclusions

The German Renewable Energy Federation (BEE) welcomes the European Commission’s proposal for a European industrial strategy to rebalance the economy towards future challenges, especially in the area of emissions reduction, sustainability, and global competitiveness.

As one of the biggest emitters of Greenhouse Gases (GHG), the EU and its economy plays a key role in achieving the goals of the Paris Agreement. Considering the *European Green Deal*, the targeted decarbonization of the European continent by 2050 requires an appropriate framework for innovation and implementation towards climate protection and resource efficiency. The *European Green Deal* offers tremendous opportunities for Europe’s economy through sustainable economic growth, more and better jobs and greater social cohesion.

The industrial strategy must create the right framework to take advantage of these opportunities. In 2017, the most recent year for which estimates are available, the total number of renewable energy jobs in member countries of the European Union reached 1.2 million¹. Latest analyses show that ambitious investments in energy transition would stimulate considerable job growth, most of this directly in renewables. Employment in the renewable energy sector has the potential to rise to 42 million jobs by 2050² worldwide. Therefore, the Commission’s proposal underlines correctly that the next five years will be crucial for important decisions on maintaining and expanding value chains as well as jobs and innovation potential in Europe.

These decisions will already unfold their effects by 2030. Ambitious measures aiming at a transformation towards a climate-neutral economy will significantly strengthen the global competitiveness of the European Union and ensure it in the long term.

In this context further development and strengthening of the European renewable energy industry is of key importance. Increasing the use of renewable energies in all sectors is necessary for establishing a competitive green economy. Moreover, it leads to growth of employment and development of innovative technologies. Viable European markets for renewable energy will significantly boost export opportunities for European manufacturers and other renewable energy related industries across the value chain.

Fast-track action in the context of this industrial strategy is necessary to enable both large companies as well as small and medium-sized enterprises to contribute to green economic growth and sustainable value creation. Therefore, the strategy identifies correctly that the industrial sector, small and medium-sized enterprises and enabling market conditions, especially within the European single market, are the most important areas of activity.

Despite this focussed analysis of key challenges and activities, the strategy still underestimates the important role of the renewable energy industry it falls short of sufficiently emphasising it’s for future proof growth and value creation for a sustainable European economy against the background of the Paris Agreement.

¹ IRENA Annual Jobs Review 2019: <https://www.irena.org/publications/2019/Jun/Renewable-Energy-and-Jobs-Annual-Review-2019>

² IRENA Global Renewables Outlook 2020: <https://www.irena.org/publications/2020/Apr/Global-Renewables-Outlook-2020>

Industrial policies

The strategy aims at reducing the carbon footprint of the entire industrial value chain and all sectors. Focusing on the energy-intensive sectors, for example by promoting CO₂-free steel production, is a useful approach. However, it should not be forgotten that the decarbonization of all other sectors is equally relevant for the goal of climate neutrality and should therefore be addressed and implemented with the same attention and speed.

Moreover, the European Union should strive for a proactive and leading role in developing climate-friendly technologies and should therefore develop lead markets together with all relevant stakeholders. Unfortunately, the strategy as it stands remains too unspecific, because it doesn't clearly aim at developing and strengthening the renewable energy industry. This focus could be a key component, not only for a sustainable energy supply, but also for successfully establishing a green industrial policy. In the context of economic transformation strengthening the renewable energy industry stands for creating sustainable value, securing jobs long-term, and an innovation potential which the EU and its member states should not leave to global competitors. European companies of the renewable energy industry have a high level of competence not only in the field of construction, but also regarding the energy grid and the overall control of the energy system. A European industrial strategy must focus on this potential to be at the forefront of dynamic growth in world markets for renewable energies.

Support for structural change particularly in regions with heavy industry and coal mining and use is necessary for social and political support for the transformation towards a climate-neutral economy. We therefore welcome that the Commission plans to use the Just Transition Mechanism to establish a financial plan that will serve this purpose. However, it must be ensured that financial support clearly aims at sustainably effective investments in line with the EU's ambition of carbon neutrality. Also, reallocation of financial funds that already serve a climate-friendly economy elsewhere instead of growing new budget lines should be avoided. The reduction of emissions in industry according to the "Efficiency First" principle is important. But efficiency increases must not replace ambitious expansion and use of renewable energies. A clear understanding is needed that sustainable energy supply for the industrial sector can be achieved most efficiently and cost-effectively with renewable energies. Fossil gas could in some case be a temporary solution that must, however, be replaced by renewable energy sources as soon as possible. Moreover, hoped for technologies for separation, storage or processing and use of carbon, e.g. by means of CCS, CCU or comparable concepts, should only be considered for unavoidable emissions. Removal concepts cannot be an alternative to carbon free technologies but should only be considered as a supplement to the accelerated expansion of renewable energies towards a 100% renewable energy system. The future availability of technologies that may or may not become available in the future must not lead to slowing down the further development of proven and mature renewable energy and efficiency-based technologies.

We welcome the announcement of a strategic framework for renewable energy technologies such as offshore wind energy. Such an important strategic framework to renewable energy should, however, take into account the entire mix of renewable energies and should not be limited to single technologies. In the overall context of the European industrial strategy the renewable energy sector does not yet receive enough attention. Especially with regard to correctly assumed rising electricity demand, a European industrial strategy must identify clear measures for strengthening and maintaining the entire value chain of renewable energies in Europe. Especially in times of crisis, this also relates to supply chains in Europe. This is the only viably and

readily available way to achieve the necessary emissions reductions against the background of increasing electricity demands. Another important benefit of the transformation towards a renewable energies-based supply for the European economy will be significant reduction of import dependencies of fossil fuels. Decreasing dependence on energy supplies from other countries and regions opens a larger scope of political action for the European Commission. This would increase opportunities for Europe’s industry to develop viable and at the same time clean and sustainable production with domestic value and job creation.

Particularly for the use of gaseous and liquid energy sources in industrial processes, improving the overall conditions for the renewable energy industry is much needed, because only green gases are clean gases and only green hydrogen is clean hydrogen. Using hydrogen in industrial processes therefore only makes sense, if ambitious expansion of renewable energies is implemented simultaneously. Furthermore, the use of green hydrogen should complement and not compete with the direct use of green electricity or result in delaying the expansion of the power grids. Conversion losses during the electrolysis process should appropriately be taken into account when assessing process efficiencies. Green hydrogen should preferably be used where electrification alone is not (yet) possible. This includes, for example, the process heat required by energy-intensive industries such as aluminium, steel or chemical industries. Preferably cheap applications that are already available and can be stored and transported in the existing gas network, such as biogas, should be used. We welcome the creation of a European alliance for clean hydrogen to enable exchange between various actors. However, within such an alliance only green hydrogen should be considered as an acceptable technology option and investment opportunity.

Successful sector coupling can only be achieved by implementing measures that go beyond the usage of green hydrogen. Identifying sustainable mobility as an important area of action is highly appreciated. The industry strategy, however, does not outline concrete projects for the mobility sector. Furthermore, the strategy remains too general regarding necessary measures for the building sector. Although the strategy underlines the need for sustainable design of industrial and commercial building projects, it does not mention the necessity of increased use of renewable energies in the building sector together with increased energy efficiency gains through massive renovation. Furthermore, using all available rooftops for solar installations would create significant synergies with decarbonising mobility through renewable energy based electro-mobility.

As foreseen by the Commission a carbon border adjustment mechanism to avoid carbon leakage is a necessary and useful instrument for a climate neutral economy in Europe and beyond. Of course, the development of such a mechanism must be in line with the WTO trade rules. Life-cycle oriented approaches for the industry as well as the mentioned measures for training and development of employees are good impulses as well.

Small and medium-sized enterprises

BEE encourages the EU Commission to take a closer look at small and medium-sized enterprises (SME) as part of its industrial strategy, because decentralized energy generation in some cases may lead to increasing numbers of decentralized and small-scale enterprises. In this context it is important to note, that in the renewable energy sector there are a lot of companies



outside the traditional definition of SME, that should not be forgotten. This applies especially to bigger companies which already reached industrial scale.

Companies in the renewable energy sector have long since provided innovative and practical solutions and their relevance as key players in the energy sector is increasing very fast. Because of their role as an active pillar of the energy transition they will continue to drive the transformation towards a future proof industry. They not only guarantee secure and clean energy supply, but also offer a high potential for economic growth and employment along the entire value chain. They operate on their home markets but are also growing export strength and are decisive drivers for a sustainable and competitive European economy.

New funding mechanisms and a revision of the state aid guidelines for SMEs are important. The revision process of guidelines for *Projects of Common European Interest* (IPCEI) must result in more restrictions for fossil fuel projects and thus adapt to the technical innovations in the field of renewable energies and flexible networks. This is the only way to avoid lock-in effects for these projects and to ensure a successful transformation of the European economy.

Further development and implementation of the industrial strategy can only be guaranteed through the involvement of important actors. Therefore, we welcome the foreseen forum which is to involve relevant stakeholders in advising the Commission. Companies from all renewable energy sectors should be involved in this process. After all, they are the most important pillar regarding the transformation of the energy system and strengthening Europe’s attractiveness for business and investment.

Market conditions

A level playing field with a clear framework is very important for successfully generating technological innovations. Therefore, we support the Commission’s commitment to maintain fair economic conditions in order to incentivize innovations for the necessary transformation of the economy. Such a level playing field is not only important on a global level, but also within the European single market, to ensure that new players in the energy sector get fair market access. This in particular applies to new, decentrally organised actors of the energy industry, which need fair market access. Fair and open market conditions hold high potential for new actors, especially in the fields of digitization. Fluctuating and decentralized energy generation can only be brought together with fluctuating consumption through new concepts based on digitization and artificial intelligence.

We support the EU Commission in underlining social justice aspects while developing a strategy for transforming the European economy. Implementing social and economic change is only effective in terms of active support when citizens are actively involved. Renewable energies offer many opportunities for European citizens to be part of the energy transformation and to generate regional economic value and benefits for citizens and communities. This is another reason, why renewable energies should be prioritised for converting the energy supply for the European economy – and beyond.

As German umbrella association for the renewable energy sector, the German Renewable Energy Federation (BEE) bundles the interests of 55 specialised associations and companies. We connect the wind, bio, solar, geothermal and hydropower sector with each other. That way, we represent 30,000 individual members, among them more than 5,000 companies, 316,000 jobs and more than 3 million power plant operators.

Our goal: 100 percent renewable energy in electricity, heating and transportation.

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