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The "A to Z of the NZIA"

What the EU Industrial Policy means for Business and Workers

Dylan Casey Marshall | June 2023

Key Take-Aways

- The proposed EU industrial policy is European-level, time-limited, and targeted action towards strategic economic sectors that are of importance in the digital and green economic transitions.
- The proposed policy has a strong focus on SMEs as well as peripheral and underdeveloped regions.
- The proposed policy outlines opportunities for accessing critical raw materials, EU and public funding for infrastructure and innovation, and securing supply chains.
- The legislative proposals (NZIA and CRMA) are currently under negotiation in the EU institutions and are projected to remain a key policy for Europe for some time to come.

Introduction

Three components of the European Commission’s proposed industrial policy (i.e., the Net-Zero Industry Act (NZIA), the Critical Raw Materials Act (CRMA), and the European Chips Act (ECA)) aim to keep the Union competitive on the global stage while ushering it into the digital and green eras. Industrial policy is defined as an “intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity towards sectors, technologies or tasks”.¹ This briefing proposes to analyse the impact of EU industrial policy on business and workers.

In the dying days of traditional industrial policy during the 1980s; economist, Paul Andrew Geroski expressed the view that “the desirability of industrial policy is conditioned at base on one’s evaluation of market processes”.² It is debatable as to whether the Union’s Single Market policies over the past decade have benefited every Member State equally – with a number of Member States experiencing lagging economic growth and stagnating living standards.³ Consequently, several Member States such as France, Germany, and a number of those in Southern Europe, which are experiencing prolonged sluggish economic growth have been quick to implement national industrial policies in the absence of a coordinated European one. However, if the Europe-wide debate on industrial policy is viewed through the prism outlined by Geroski above – it is possible to understand why several Member States have taken full advantage of the changing global geo-economic circumstance to advocate for and shape a European-level industrial policy.

Europe’s new industrial policy is no longer aimed at supporting “national champions” or “winning firms”, as was largely the case during the so-called *trente glorieuses*. Rather, the EU’s new industrial policy is targeted at government intervention in a time-limited manner to support specific sectors of importance that are deemed essential in realising the digital and green transitions of the European economy. What is particularly interesting for business is that these policies have a strong and specific focus on providing support to small-and-medium enterprises (SMEs) and the (re-)development of peripheral and underdeveloped regions.⁴

1 Eurofound. (2023). *Industrial Policy*. [online]. Available at: <https://www.eurofound.europa.eu/topic/industrial-policy.%20accessed%20> [Accessed 16 May 2023].

2 Geroski, P. A. (1989). ‘European Industrial Policy and Industrial Policy in Europe’, *Oxford Review of Economic Policy*, 5(2), pp. 20-36.

3 Eurostat. (2023). *GDP and main components (output, expenditure and income)*. [online] Available at: ec.europa.eu/eurostat/databrowser/view/namq_10_gdp/default/table?lang=en [Accessed on 16 May 2023]; Burke, H. (2023). *Living and working in Europe*. [online] Eurofound. Available at: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef23016en.pdf. pp. 28-58. [Accessed 16 May 2023].

4 COM(2023) 161 final 2023/0081 (COD), Art. 26; C(2023) 1712 final, p. 1; Communication from the Commission C/2023/1711 Temporary

Progress So Far

Of the three pieces of legislation, the ECA has already been adopted, the NZIA and the CRMA are under scrutiny by the European Parliament and the Council of the EU. This allows ministers from each Member State to assess, adopt positions, and amend the legislative proposals. Under the pro-active Swedish Presidency of the Council of the EU, a revised text of the CRMA was submitted on 12 June 2023 and hopes to propose a text to the ambassadors of the Member States at the end of June.

It is expected that the proposed legislative Acts will remain a key policy priority under the forthcoming Spanish Presidency, which is set to begin on 1 July 2023. Despite the snap general election that Prime Minister Pedro Sanchez called for 23 July this year, the Spanish government will continually act as an honest broker to guide discussions across policy fields and particularly in those of high importance, such as the proposed industrial policy.

While most European leaders and policymakers have a general aspiration for the EU to be seen as a competitive, credible, and influential geo-economic and geo-political actor in the wider global area, there is little agreement on what that really means. The divisions around these interpretations are in constant flux and imbricated. The inter-institutional tensions between the European Commission, the European Council, the Council of the EU, and the European Parliament as well as the divisions between Member States were explored in some detail in [the recent IIEA paper, Can the Leopard Change Its Spots? Competitiveness, Industrial Policy, and State Aid in the European Single Market](#). Thus, this briefing will look at the positions taken by business, industry, and workers in response to the Union’s new course.

Both business and organised labour have been following the development of Europe’s industrial policy closely. From a business perspective, the proposed Acts provide a policy framework for easier access to public investment, simpler and swifter bureaucratic processes, increased research and development, and more predictable avenues to secure materials critical for industrial processes. From the workers’ perspective, the proposed legislative documents shed light on EU policymaker’s strategy to retain quality jobs within the Single Market, to create new opportunities for employment and up-skilling, as well as regional development and regeneration (particularly important for those regions that historically had a high union density due to culture traditionally present in extractive and heavy industries).

To gain an insight into the priorities of European business and workers with regard to the proposed EU industrial policy, an overview of the responses from the leading business bodies and alliances is explored below. These include the European Confederation of Business (BusinessEurope), the European Round Table for Industry (ERT), SMEUnited, the European Trade Union Confederation (ETUC), and the European Federation for Industry and Manufacturing Workers (IndustriAll Europe).

Crisis and Transition Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia [2023] OJ C 101, paras. 30, 31, 70, 85, 86.

Overall Assessments

The NZIA has been labelled as “too modest to truly achieve the objective of accelerating the transformation to net-zero industry” by BusinessEurope.⁵ This alliance represents 40 industrial associations from 35 countries, including Ibec in Ireland. In their position paper, the confederation noted that the Commission’s proposed industrial policy takes a fragmented approach that lacks flexibility, and in doing so fails to recognise the interdependencies and synergies throughout the value chain as well as across industrial sectors.⁶

On the other hand, the ETUC as well as IndustriAll Europe have repeatedly emphasised that a more active and targeted industrial policy can assist in job creation as well as the realisation of a just and social transition towards a decarbonised economy. While the ETUC and IndustriAll Europe welcomed the European Commission’s proposals as a necessary and timely response to US’ Inflation Reduction Act (IRA) to keep jobs in Europe, they tempered their enthusiasm with a number of proposed alterations.⁷ The ETUC specifically called for the NZIA to include aspects of the US’ IRA, such as the bonuses in the form of tax credits for corporations which hire apprentices and pay decent wages as well as for corporations investing in regions previously reliant on extractive industries.⁸

An interesting proposal from these actors is the inclusion of social partners (i.e., employer and industry organisations and trade unions, as recognised in Articles 151-155 of the Treaty on the Functioning of the EU) in the governance and supervisory Platforms that will be created by the CRMA and the NZIA – currently envisioned to only include representatives from the European Commission and the authorities of Member State.⁹ Furthermore, SMEUnited has proposed the development of industrial clusters into “net-zero areas” to harness economies of scale and ensure that the proposed industrial policy does not only benefit large corporations that have greater administrative and financial capacities.¹⁰

On Matters of Regulation

Regulation is an important aspect of industrial policy and the overall competitiveness of the EU economy, as the form and volume of regulation have impacts on business and industrial activities. In its 2023 Reform Barometer, 90% of BusinessEurope members stated that the business environment in

5 BusinessEurope. (2023). *Comments and proposals for amendments to the Net-Zero Industry Act proposal*. [online]. Available at: https://www.businesseurope.eu/sites/buseur/files/media/position_papers/iaco/2023-05-12_businesseurope_comments_on_net-zero_industry_act.pdf. p. 1. [Accessed 15 May 2023].

6 Ibid.

7 European Trade Union Confederation. (2023). *EU Council: No industry subsidies without social conditions*. [online] Available at: <https://www.etuc.org/en/pressrelease/eu-council-no-industry-subsidies-without-social-conditions> [Accessed 10 May 2023].

8 Ibid.

9 Consolidated version of the Treaty on the Functioning of the European Union OJ C 115/47, Arts. 151-155; COM(2023) 161 final 2023/0081 (COD), Arts. 28-30; BusinessEurope. (2023). *Comments and proposals for amendments to the Net-Zero Industry Act proposal*. [online]. Available at: https://www.businesseurope.eu/sites/buseur/files/media/position_papers/iaco/2023-05-12_businesseurope_comments_on_net-zero_industry_act.pdf p2 [Accessed 15 May 2023]; Brieger, A. (2023). *SMEUnited’s views on the Net-Zero Industry Act*. [online] SMEUnited. Available at: <https://www.smeunited.eu/admin/storage/smeunited/smeunited-position-nzia.pdf> pp4-5 [Accessed 16 June 2023].

10 Brieger, A. (2023). *SMEUnited’s views on the Net-Zero Industry Act*. [online] SMEUnited. Available at: <https://www.smeunited.eu/admin/storage/smeunited/smeunited-position-nzia.pdf> p.3 [Accessed 16 June 2023].

Europe today is a less attractive investment location than it was 3 years ago due to factors such as energy prices, an inflation rate, and regulatory costs higher than other developed economies.¹¹ While this may have been tenable prior to the introduction of the IRA, with increased competition and potential benefits luring economic activity across the Atlantic, there is increasing pressure on regulatory authorities to simplify procedures and reduce costs. This is recognised in the text of the NZIA, where the proposals for stream-lined administrative and permit granting processes as well as the introduction of regulatory sandboxes seek to facilitate economic activity.¹²

To ease regulatory costs for business, BusinessEurope has proposed the introduction of mandatory competitiveness tests at a technical level.¹³ Furthermore, the importance of “simple and predictable rules” for SMEs with relatively small administrative capacities, as well as the proper implementation and enhanced enforcement of existing common rules, has been highlighted by SMEUnited.¹⁴ The ERT’s call to “rethink regulation” in the EU echoes the findings of BusinessEurope. It has called for the inclusion of quantifiable targets and clear key performance indicators to be contained in legislation and regulation in order to measure, adjust and tackle opportunities to strengthen the EU’s industrial competitiveness.¹⁵ In addition to its proposals on the EU industrial policy, the ERT has stressed that a fully completed Single Market is essential for a globally attractive and competitive European economy. Specifically, it has highlighted that the benefits of removing barriers to freedom of movement – particularly in sectors such as banking, digital, energy, health, and insurance – “could amount to €713 billion by the end of 2029”.¹⁶ To realise this, the ERT has called for a “less politicised approach” to policymaking, regulation, and standardisation.¹⁷ Others, however, have noted that de-politicisation and the exclusion of democratic input into EU-level policymaking have led to a significant number of Member States finding “themselves increasingly enmeshed in a highly toxic mixture of [supranational] market-oriented technocracy and [national] extreme populism”.¹⁸

The ETUC, in turn, has voiced its strong opposition to reducing the so-called “regulatory burden” within Single Market, noting that quality regulation is a “prerequisite for a more sustainable and social

11 BusinessEurope. (2023). *BUSINESSEUROPE Reform Barometer 2023 - The EU’s global competitiveness under threat*. [online] Available at: https://www.businessseurope.eu/sites/buseur/files/media/reports_and_studies/reform_barometer_2023/2023-05-10_final_10_05_23_reform_barometer_march_2023.pdf p.16 [Accessed 12 May 2023].

12 COM(2023) 161 final 2023/0081 (COD), Arts. 4-8, 10-15, 19-22, 28-30.

13 BusinessEurope. (2023). *BUSINESSEUROPE Reform Barometer 2023 - The EU’s global competitiveness under threat*. [online] Available at: https://www.businessseurope.eu/sites/buseur/files/media/reports_and_studies/reform_barometer_2023/2023-05-10_final_10_05_23_reform_barometer_march_2023.pdf p.17 [Accessed 12 May 2023].

14 SMEUnited. (2023). *Industrial Act and SME Relief Package must improve competitiveness of all companies*. [online] Available at: <https://www.smeunited.eu/news/industrial-act-and-sme-relief-package-must-improve-competitiveness-of-all-companies> [Accessed 15 May 2023].

15 European Round Table on Industry. (2023). *Innovation made in Europe: Setting the foundation for future competitiveness*. [online] Available at: <ERT-Report-Innovation-Made-in-Europe-Setting-the-foundation-for-future-competitiveness.pdf> [Accessed 07 May 2023].

16 European Round Table on Industry. (2023). *Renewing the dynamic of European integration: Single Market Stories by Business Leaders*. [online] Available at: https://ert.eu/wp-content/uploads/2021/12/ERT-Single-Market-Stories_WEB-low-res.pdf p. 22. [Accessed 16 May 2023].

17 Ibid.

18 Fossum, E. J. (2014). ‘The crisis, a challenge to representative democracy in the European Union?’ in Fossum, E. J. Menéndez, A. J. (eds). *The European Union in crises or the European Union as crises?*. Oslo: Arena Centre for European Studies, p 653.

Europe”.¹⁹ It views a deregulatory approach as the imposition of a *de facto* ceiling on labour and social protections in Europe,²⁰ pointing to the Commission’s own report which suggested that such an approach by EU institutions could see the Union undercut its long-term policy objectives.²¹

On Matters of Investment and Innovation

The need to “re-focus” on robust intellectual property rights and international standardisation to ensure that European actors have adequate protections for their business secrets and innovations were highlighted in the ERT’s report on the NZIA.²² It underlined that “Europe can only be a frontrunner in innovation if EU decision-makers put the business case for innovating and investing in Europe at the core of EU regulation”.²³ Linked to this is its call to “realise” the scale-up of investment-intensive innovation through a mixture of public funding and public-private partnerships.²⁴ De-risking technological research and development will be vital, according to the ERT, for achieving the marketability and scale-up of innovation essential for the digital and green transition.²⁵

On the other hand, the ETUC specifically called for the subsidies and other forms of state support under the Commission’s proposed industrial policy to include social conditionality such as a ban on dividend payments while a company is in receipt of public funding, the respect of information and consultation rights as well as collective agreements, and the creation of high-quality apprenticeships.²⁶

On Matters of Supply Chains

Thierry Breton, the European Commissioner for Internal Market, has outlined that the Commission’s proposed industrial policy will seek to provide “direct support for the manufacturing base in Europe across the whole supply chain”.²⁷ For Europe, a relatively resource-poor continent, secure and reliable supply chains are extremely important for Europe’s industrial base. BusinessEurope has called for the prompt adoption of the CRMA in order to ensure that its members have continued and enhanced access to key resources that are essential for Europe’s domestic production capacity and value chains.²⁸ Furthermore, the access to critical raw materials that the CRMA aims to secure will play an extremely important role in delivering on the goals of the ECA, which was adopted in April 2023, of developing production capacities for cutting-edge advanced nodes. Further, specifically in

19 European Trade Union Confederation. (2023). *Single market deregulation plan ‘betrayal of Delors’*. [online] Available at: <https://www.etuc.org/en/pressrelease/single-market-deregulation-plan-betrayal-delors> [Accessed 10 May 2023].

20 Ibid.

21 European Trade Union Confederation. (2021). *Commission ignores its own evidence against deregulatory policy*. [online] Available at: <https://www.etuc.org/en/pressrelease/commission-ignores-its-own-evidence-against-deregulatory-policy> [Accessed 10 May 2023].

22 European Round Table on Industry. (2023). *Innovation made in Europe: Setting the foundation for future competitiveness*. [online] Available at: <ERT-Report-Innovation-Made-in-Europe-Setting-the-foundation-for-future-competitiveness.pdf> p.7 [Accessed 07 May 2023].

23 Ibid.

24 Ibid.

25 Ibid.

26 European Trade Union Confederation. (2023). *Green industry plan hands CEOs blank cheque*. [online] Available at: <https://www.etuc.org/en/pressrelease/green-industry-plan-hands-ceos-blank-cheque> [Accessed 29 May 2023].

27 Sterling, T. (2023). *EU must build cutting-edge computer chips - industry chief Breton*. [online] Reuters. Available at: <https://www.reuters.com/technology/eu-must-build-cutting-edge-computer-chips-industry-chief-breton-2023-05-16/> [Accessed 29 May 2023].

28 BusinessEurope. (2023). *BUSINESSEUROPE Reform Barometer 2023 - The EU’s global competitiveness under threat*. [online] Available at: https://www.bes-europe.eu/sites/buseur/files/media/reports_and_studies/reform_barometer_2023/2023-05-10_final_10_05_23_reform_barometer_march_2023.pdf p.17 [Accessed 12 May 2023].

reference to the CRMA, IndustriAll Europe has highlighted the need for alignment with parallel action being taken at OECD Forum on Responsible Mineral Supply Chains concerning human rights due diligence across supply and value chains.²⁹

On Matters of Skills

The EU designated 2023 as the European Year of Skills and has underlined the need to re- and up-skill Europe’s workforce in anticipation of the upcoming digital and green revolutions.³⁰ To fill these skills gaps and match needed skills to jobs, the NZIA provides for the establishment of European Net-Zero Industry Academies.³¹ SMEUnited highlighted the important role that re- and up-skilling in the NZIA can play in furthering the EU’s aims of increasing female and youth participation in the workforce, specifically in green jobs.³² Additionally, the revised General Block Exemption Regulation (GBER) permits state aid of up to €3 million that is targeted towards re- and up-skilling to be excluded from prior notification to DG COMP of the Commission, thus simplifying and accelerating the deployment of funds.³³

In the view of the unions, without a highly-skilled, well-trained, and productive workforce with high job quality and satisfaction to act as the labour input; the Commission’s proposed industrial policy will not get off the ground. Many have pointed out that Europe is facing widespread labour shortages across many economic sectors, with the EU’s job vacancy rate currently hovering at 2.8%.³⁴ At the same time, there is an unemployment rate of around 6% in the EU – equating to 12 million Europeans out of work.³⁵ The lack of skilled workers is compounded by issues with low pay, precarious living conditions, and subpar working conditions in many European cities and regions which are all contributing factors and, when taken together, are arguably a significant cause of the labour shortage.³⁶

On Important Projects of Common European Interest

Important Projects of Common European Interests (IPCEIs) are major multi-country projects for state of the art strategically important infrastructure and innovation. These projects provide a pan-European and transnational dimension to the Commission’s proposed industrial policy. Their importance has been reflected in the higher state aid intensity they may benefit from under the revised GBER.³⁷ This removes certain limitations for state aid, allowing Member States to provide capital and incentivise participation. Further, IPCEIs benefit from increased access to EU funding instruments, streamlined

29 IndustriAll European Trade Union. (2023). *Fighting for decent work in the global minerals industry*. [online] Available at: <https://news.industrial-all-europe.eu/Article/894> [Accessed 19 May 2023].

30 For example, see: European Commission. (2023). *Digital Skills*. [online] Available at: <https://digital-strategy.ec.europa.eu/en/policies/digital-skills> [Accessed 14 June 2023].

31 COM(2023) 161 final 2023/0081 (COD), Arts 23-24.

32 Brieger, A. (2023). *SMEUnited’s views on the Net-Zero Industry Act*. [online] SMEUnited. Available at: <https://www.smeunited.eu/admin/storage/smeunited/smeunited-position-nzia.pdf>, p. 4. [Accessed 16 June 2023]

33 C(2023) 1712 final, p 1.

34 Eurostat. (2023). *First quarter of 2023: Euro area job vacancy rate at 3.0%, EU rate at 2.8%*. [online] Available at: <https://ec.europa.eu/eurostat/documents/2995521/16949237/3-15062023-BP-EN.pdf/0899def4-c259-d671-a452-064af7600ded?version=1.0&t=1686808079682> [Accessed 16 May 2023].

35 Eurostat. (2023). *April 2023: Euro area unemployment at 6.5%, EU at 6.0%*. [online] Available at: <https://ec.europa.eu/eurostat/documents/2995521/16863929/3-01062023-BP-EN.pdf/f94b2ddc-320b-7c79-5996-7ded045e327e> [Accessed 3 June 2023].

36 For example, see: Soler, P. (2023). *The EU ‘Year of Skills’ is only about skills — that’s a problem*. [online] EUObserver. Available at: <https://euobserver.com/health-and-society/156888> [Accessed 15 May 2023].

37 C(2023) 1712 final, p 1.

administrative procedures, and favourable regulatory treatment.³⁸ A number of these IPCEIs have already been initiated in sectors related to the new European industrial policy – such as in batteries and hydrogen. Simon Coveney, Minister for Enterprise, Trade and Employment, called attention to the fact that Ireland is currently a participant in the IPCEI on Microelectronics and Communication Technologies (FANFARE) which “will connect a thriving ecosystem of innovative start-ups, SMEs, large enterprises, and research organisations from across the EU”.³⁹ Further, Minister Coveney’s Department has also called for expressions of interest in preparation for participation in the IPCEI on Health, which may prove to be a fruitful opportunity for its sizable pharmaceutical sector.⁴⁰

Conclusion

While the newly proposed industrial policy seeks to keep Europe competitive on a global stage, it also attempts to balance the interests of the two sides of production, as well as those of the Member States. The ongoing negotiations offer interested actors to contribute to the shaping of this emerging policy.

From an Irish perspective, the new EU industrial policy has the potential to play an important role for both indigenous corporations and SMEs to scale up, as well as for multinationals to act as an incentive to retain economic activity on this side of the Atlantic and resist temptations to re-shore to the US under the IRA. The Irish Government’s White Paper on Enterprise stated that many of Ireland’s export-orientated companies are facing increasing challenges in a fracturing trading landscape⁴¹ – echoing those who have noted the slowdown that has occurred in global economic integration. This slowdown of global integration has been particularly marked in the digital sphere which potentially poses problems for the relatively large Irish digital, information, and medical technology sectors. The Irish government has stated that it will encourage businesses to leverage existing opportunities in the Single Market and network of EU free trade agreements as well as emerging opportunities that present themselves through the Global Gateway to access markets around the world.⁴²

38 Department of Enterprise, Trade and Employment. (2023). *Minister Coveney welcomes the European Commission’s approval of government supported semiconductor investment*. [online] Available at: <https://www.gov.ie/en/press-release/f0b8b-minister-coveney-welcomes-the-european-commissions-approval-of-government-supported-semiconductor-investment/> [Accessed 13 June 2023].

39 Ibid.

40 Ibid.

41 Government of Ireland. (2022). *White Paper on Enterprise 2022 - 2030*. [online] Available at <https://enterprise.gov.ie/en/publications/publication-files/white-paper-on-enterprise-2022-2030.pdf>. p. 8. [Accessed 22 May 2023].

42 Ibid p.8.

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The Institute of International and European Affairs,

8 North Great Georges Street, Dublin 1, Ireland

T: +353-1-8746756 F: +353-1-8786880

E: reception@iiea.com W: www.iiea.com