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NOTE

From:	Presidency
To:	Delegations
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Subject:	Revised draft Council conclusions on "A recovery advancing the transition towards a more dynamic, resilient and competitive European industry"

Delegations will find attached a second Presidency proposal for draft Council conclusions on "A recovery advancing the transition towards a more dynamic, resilient and competitive European industry", with a view to the discussion by the Working Party on Competitiveness and Growth (Industry) at its meeting on 30 September 2020.

ANNEX

DRAFT COUNCIL CONCLUSIONS ON

"A recovery advancing the transition towards a more dynamic, resilient and competitive European industry"

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING the Joint statement¹ by Ministers in June 2020, the Council Conclusions of November 2018² and May 2019³ as well as the European Council conclusions of March 2019⁴ and October 2020⁵, which stressed the important role of industry in the green and digital transformation processes and its key importance for Europe's prosperity and competitiveness; and the Commission's Communications on:

- 'The European Green Deal'; 'A new Circular Economy Action Plan: For a cleaner and more competitive Europe'; the 'EU Biodiversity Strategy for 2030: Bringing nature back into our lives'; the updated Bioeconomy Strategy 'A sustainable Bioeconomy for Europe: strengthening the connection between economy, society and the environment'; 'A hydrogen strategy for a climate-neutral Europe'; 'Powering a climate-neutral economy: An EU Strategy for Energy System Integration';⁶
- 'The European Digital Strategy - Shaping Europe's Digital Future'; 'A European strategy for data'; 'White Paper on Artificial Intelligence: A European approach to excellence and trust'⁷;

¹ Press release 385/20

² 14832/18

³ 9743/19

⁴ EUCO 1/19

⁵ EUCO tbd

⁶ 15051/19, 6766/20, 8219/20, 13229/18, 9390/20 and 9389/20

⁷ 6237/20, 6250/20 and 6266/20

- 'A New Industrial Strategy for Europe'; 'An SME Strategy for a sustainable and digital Europe'; 'Identifying and addressing barriers to the Single Market'; the 'Long term action plan for better implementation and enforcement of single market rules'; 'White Paper on levelling the playing field as regards foreign subsidies'; 'Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability'⁸; and
- 'Europe's moment: Repair and Prepare for the Next Generation' and the Annual Sustainable Growth Strategy 2021 with its annexed Guidance to Member States on the Recovery and Resilience Plans⁹;

European industry: Together for Europe's recovery

1. RECOGNISES the unprecedented situation of the global COVID-19 pandemic impacting lives and livelihoods across the European continent and worldwide; ACKNOWLEDGES that part of the European industry, its entrepreneurs and workers and particularly its SMEs are facing economic difficulties, uncertainty and challenges in maintaining their businesses; STRESSES that European solidarity is needed to jointly master a swift, sustainable and inclusive economic recovery and a long-term sustainable future, especially within the industries most impacted by the COVID-19 pandemic;
2. UNDERLINES that that this challenge is also an opportunity for using the recovery efforts to make European industry and SMEs more competitive and resilient and thus contributing to the long-term competitiveness of the EU through embracing the green and digital transition, in line with the European Green Deal, the Paris Agreement¹⁰ and the Sustainable Development Goals of the Agenda 2030; HIGHLIGHTS that the EU economic recovery should be built around the principles of competitiveness, convergence, cohesion, resilience, inclusiveness, solidarity and subsidiarity; UNDERLINES in this regard the importance of policy coordination and a multi-level approach covering the EU, national and regional levels across all relevant areas to support industry and its workers in the best possible way;

⁸ 6782/20, 6783/20, 6779/20, 6778/20, 8980/20 and 10435/20

⁹ 8136/20, 10887/20, 10889/20 and 10889/20 ADD1

¹⁰ 12256/16

3. STRESSES that the EU should pursue an ambitious European industrial policy that focuses on strengthening the Single Market and thereby creates an attractive business environment to foster an inclusive economic recovery; UNDERLINES that such policy needs to take into account the current effects of the pandemic on the European industry, particularly on SMEs, and should not bring about additional burdens; BELIEVES firmly that the answer to the economic effects of the COVID-19 crisis and the growing competition must be reinforced European cooperation and joint efforts as a driving force to achieve a higher level of "European value added", resource efficiency, circularity and competitiveness in order to build a more resilient stronghold against any potential future crisis; UNDERLINES that technological leadership, innovation, diversified specialisation, sustainability and smart complementarities in Europe are a prerequisite for an enhanced level of resilience and all contribute to reinforcing the Union's open strategic autonomy and future industrial competitiveness;
4. ACKNOWLEDGES the "European Green Deal", the "European Digital Strategy" and the "New Industrial Strategy for Europe" as clear policy directions that will guide European policies through the coming decades; HIGHLIGHTS that the "New Industrial Strategy for Europe" is the prospect for European industry with regard to long-term structural change ahead and will set the course for a greener, more digital and more resilient industry; UNDERLINES the importance of the Recovery and Resilience Plan for Europe and the new Multiannual Financial Framework to cushion the economic bust and social consequences of the COVID-19 pandemic by combining the short- and mid-term investments of exceptional dimensions with necessary reforms;

5. WELCOMES the industrial ecosystems focus of the "New Industrial Strategy for Europe" adopted in March 2020, which is an important element for facilitating more industrial cooperation across Member States and regions; UNDERLINES the importance of placing an additional horizontal emphasis on fostering also cross-sectoral collaboration and innovation in strategic value chains that cut across the industrial ecosystems; HIGHLIGHTS that this requires adequate coordination structures to encourage synergies and joint actions with and for industry, notably in the implementation of the national recovery and resilience plans towards fostering European collaborative approaches as well as with research and innovation policies and Horizon Europe; UNDERLINES the need for inclusiveness by involving all relevant stakeholders; LOOKS FORWARD to the set-up of joint cluster initiatives under the Single Market Programme for fostering industrial cooperation across the industrial ecosystems, notably through integrating and supporting SMEs in this process;
6. UNDERLINES the need for speed and agility in the implementation of the New Industrial Strategy, the Recovery Plan and the next Multiannual Financial Framework to facilitate the access of all enterprises, especially SMEs, to markets, value chains, strategic partners, knowledge, advanced technologies, innovation, finance and common projects; HIGHLIGHTS the potential role of industrial clusters to effectively reach out and channel funding to SMEs in order to foster knowledge and technology transfer and strengthen cross-border cooperation across strategic value chains and the industrial ecosystems;

European industry: Thriving through enabling framework conditions

7. UNDERLINES the high importance of rightly set business framework conditions including clear and consistent rules that need to be constantly improved at all levels;

8. EMPHASISES the need to deepen and strengthen the Single Market, to enable more pan-European economic activity as set out in its conclusions on "A deepened Single Market for a strong recovery and a competitive, sustainable Europe" from September 2020¹¹, including effective enforcement and the elimination of barriers; UNDERLINES that this can improve the confidence of European consumers that all goods and services accessing the Single Market comply with European values and standards, namely with regard to social and environmental protection;
9. STRESSES the importance of safeguarding a level playing field for European businesses to compete internationally in global value chains and to discuss proposals raised by the White Paper on foreign subsidies, and of a modern and up to date competition framework, clear state aid guidelines and a corresponding regulatory framework; further HIGHLIGHTS that this also requires a robust, rules-based and fair trade policy and its better enforcement as well as an ambitious, balanced and fair approach for an affordable pricing of energy and an Emissions Trading System with an effective carbon border adjustment mechanism supporting an increased EU climate ambition that is WTO compliant and coherent to existing instruments preventing carbon leakage;
10. POINTS TO the necessity of establishing a world-leading, safe, resilient and interoperable data infrastructure and communication networks incorporating European safety and data protection standards; WELCOMES the proposed creation of common European data spaces as presented in the European strategy for data; HIGHLIGHTS that clear rules and standards for the organisation of the industrial data exchange are crucial; UNDERLINES the industrial application possibilities of blockchain for supply chains, industry 4.0, data sharing and artificial intelligence in order to add value horizontally to all strategic value chains and industrial ecosystems;
11. UNDERLINES the importance of the up- and reskilling and employability of workers as an enabling framework condition for thriving industry in this regard; therefore ADVOCATES for investments in further training and qualification in order to remain competitive;

¹¹ 10698/20

12. STRESSES the need to develop the security of supply and markets for certified high quality secondary raw materials, particularly critical raw materials, by implementing the Action Plan for Critical Raw Materials; UNDERLINES that this must go together with providing clear EU standards, finding innovative alternatives to dependencies, and adequate investments in resource efficiency, thereby pushing forward circular technologies and approaches as a means to boost the industrial competitiveness and resilience of European industry;

European industry: Investments for recovery, investments for the future

13. STRESSES that private and public investments must match a scale appropriate to the active tackling of the current economic crisis due to COVID-19 and be done in a timely manner in order to attribute to European industry the power to be a major engine of economic recovery and sustainable growth; in this sense ACKNOWLEDGES the call by the Commission to deploy funds according to the rightfully set conditions for reform and coherence according to the upcoming regulation for the Recovery and Resilience Fund; HIGHLIGHTS that national specificities and industrial landscapes must be considered and the application of a one-size-fits-all approach avoided; WELCOMES the Commission's commitment to dedicate 37% of the Next Generation EU to the European Green Deal objectives and 20% to digital transformation;
14. RESTATES that European industrial policy has - considering the long term - the task of incentivising both private and public sector investment in industry allowing it to seize the opportunities from the twin green and digital transition foreseen along the guiding strategies of the European Green Deal and the Digital Strategy, addressing the investment needs of the industry in the implementation of these strategies, to reach a resilient, competitive and sustainable industry and climate neutral EU by 2050; INSISTS in particular on the importance of preparing the Union's future competitiveness and thereby economic sovereignty by investing in value chains, sectors and technologies key to the dual transition and the Union's open strategic autonomy;

European industry: Competitiveness and economic impact through technological leadership

15. STRESSES the need to raise investments, not least in key enabling technologies with cross-sectoral impact in order to boost innovation and strengthen the competitive advantage for European industry; RECOGNISES the work done by the Strategic Forum for Important Projects of Common European Interest (IPCEIs) in identifying strategic value chains to be followed as potential areas for pan-European cooperation; AWAITS with interest the launch of the new Industrial Forum as foreseen in the "New Industrial Strategy for Europe", STRESSES the need for Member States' participation and POINTS correspondingly to important initiatives in the areas of for example smart manufacturing or low-emission technologies;
16. HIGHLIGHTS the importance of strategic industrial areas and key technologies for European industry and securing the functioning of these also in times of crisis, among them digital technologies, health sector technologies including pharmaceuticals, critical raw materials, aeronautics, aerospace and defence, renewable energy technologies, for Europe's open but strategic autonomy; believes in particular that ecosystems should co-construct and implement with all relevant stakeholders the industrial and regulatory proposals needed for accelerating the dual transition of our industries and reinforcing our strategic autonomy in the medium term;
17. REITERATES the call of the European Council for stepping up the efforts on industrial alliances and IPCEIs to overcome market failures, enable breakthrough innovation and to further strengthen the synergies between the use of EU and national funds; STRESSES the importance of making the processes of setting up IPCEIs and industrial alliances fair, efficient, reliable, transparent and inclusive to all Member States and types of companies including SMEs; WELCOMES the Commission's initiative to set-up inclusive online platforms for the transparent provision of relevant information on current and future IPCEIs and industrial alliances as done, for example, with the European Hydrogen Alliance;

18. ENCOURAGES the formation of further industry alliances in strategic areas by the Commission, as they can be a tool to boost large-scale projects with positive spill over effects across Europe; WELCOMES in this respect the exploratory work in the field of batteries, clean hydrogen and critical raw materials; and LOOKS FORWARD to the launch of work, such as on low-greenhouse gas emissions and renewable energy industries, industrial data and clouds, telecommunications networks and micro-processors;
19. RECALLS that IPCEIs are one of the relevant tools for supporting innovative key technologies and strategic value chains; UNDERLINES the proven track record of the IPCEIs launched so far, such as the ones on microelectronics and batteries; ACKNOWLEDGES the potential contribution and positive spill-over effects that IPCEIs can bring to the growth and competitiveness of European industry, especially to make progress in the twin transition and to strengthen technological leadership and open strategic autonomy; STRESSES the need for thorough analyses in order to overcome important market or systemic failures and societal challenges which could not otherwise be addressed, before indicating the need to start an IPCEI pre-notification process; UNDERLINES the potential input of IPCEIs for achieving a higher EU economic growth rate and open strategic autonomy; ENCOURAGES the development of new IPCEIs especially in the field of low emission industries, cybersecurity, hydrogen technologies, raw materials, health, offshore wind, solar and other efficient renewable energy technologies, microelectronics and European data and cloud infrastructures and services, STRESSES the potential of IPCEIs for achieving a higher level of resilience of the EU;

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20. ACKNOWLEDGES the importance of energy transition for economic recovery and STRESSES its key role and that of energy-intensive industries in Europe for achieving the 2050 target of climate neutrality; STRESSES the necessity to re-shore parts of the value chains for renewable energy technologies and components in Europe; UNDERLINES the importance of strategic access to raw materials and ensuring security of supply for energy resources, particularly for renewable energy production, within the context of the EU external trade strategies;
21. HIGHLIGHTS the need for a comprehensive strategy accompanying and supporting the transformation process that will turn the European energy-intensive industries into worldwide leaders in low carbon emission and on the global marketplace while maintaining equal conditions in respect of environmental protection, employment protection, social standards, protection of intellectual property rights, reciprocal market access to public procurement, safety of goods, competition (including subsidies) and fair taxation; in this sense ACKNOWLEDGES the Masterplan for a competitive transformation of EU Energy-intensive Industries enabling a climate neutral and circular economy by 2050;
22. ACKNOWLEDGES the importance of sustainable low-carbon and renewable technologies to achieve the transition and a reduction of CO2 emissions, taking full advantage of digitalisation and circular approaches to efficient material and natural resources management; HIGHLIGHTS that the just transition process includes the need for a reliable and strategic approach to a secure, affordable and climate neutral energy supply, which must be accompanied by a policy and regulatory framework that paves the way for an adequately increased supply of low emission energy at competitive prices and guarantee technological neutrality;

Joint action for a swift transition and recovery of European industry

23. CALLS on Member States to co-invest and fully unlock the potential of engaging in European cooperation along strategic value chains and innovative key technologies, whether it be through IPCEIs, industrial alliances, European partnerships or cluster collaboration, including through adequate consideration and active integration of the particularities of SMEs, start-ups and their innovativeness; and thus
24. INVITES Member States to envisage a dedicated component for promoting European industrial cooperation in their specific key industrial ecosystems within their recovery and resilience plans;
25. ENCOURAGES the Commission to facilitate regular updates to the Council on the progress of IPCEIs; and INVITES the Commission, as requested by the European Council, to identify strategic dependencies, particularly in the most sensitive industrial ecosystems such as for health, and to propose measures to reduce these dependencies, including by diversifying production and supply chains;
26. RECOMMENDS with regard to the launch of the new Industrial Forum to not only include the analysis of industrial ecosystems and value chains but to also work on commonly reviewing, developing more, accelerating and coordinating existing initiatives; SUGGESTS to take the lessons learned and best practises of the work of the Strategic Forum for IPCEIs into account; UNDERLINES that the setup and work of the Industrial Forum should be inclusive for all stakeholders and based on transparent processes;
27. SUGGESTS to set up a respective governance structure and clear information platforms to facilitate European cooperation, for example via the new Industrial Forum, and to establish strong links also with regard to research and innovation and industrial policy within the new European Research Area governance framework;

28. WELCOMES the Commission's intention to update its New Industrial Strategy, HIGHLIGHTS the importance of a swift implementation and deployment in the light of the changing global competitive landscape and ongoing preparation of recovery and resilience plans by Member States, and CALLS on the Commission to prioritise and accelerate initiatives that boost the green and circular economy and innovative activities to strengthen competitiveness; STRESSES that its implementation requires customised joint actions at all levels by the Commission, Member States, regions and all relevant stakeholders from a common industrial policy toolbox; and therefore ASKS the Commission to update its New Industrial Strategy by the end of March 2021;
29. CALLS on the Commission to define key performance indicators for monitoring the industrial strategy and industrial competitiveness by the end of March 2021, tapping for example on existing indicators such as the "Indicator Framework regarding Industrial Competitiveness"¹², and comparing those to other world regions; ASKS for a regular reporting on the key performance indicators in the form of a brief written report and a statement for discussion in the Competitiveness Council; CALLS in addition for objectives to be fixed for the EU's industrial policy based on these indicators, in particular concerning industrial competitiveness and industry's contribution to the dual transition and the Union's strategic autonomy; and
30. CALLS on the Commission and Member States to work closely together and to discuss how to foster more European industrial cooperation also in the context of the implementation of national recovery and resilience plans; and UNDERLINES the important role of the Competitiveness Council to discuss progress on fostering more European industrial cooperation for a more dynamic, resilient and competitive industry.

¹² 11244/18