



Brussels, 7 March 2025
(OR. en)

6893/25

COMPET 135
IND 67

NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	AOB for the meeting of the Competitiveness Council of 12 March 2025: Revitalising Europe's industrial future: strengthening competitiveness and resilience - Information from Portugal, Spain, Slovakia and Slovenia

Background Note for the AOB point on: “Revitalizing Europe's Industrial Future: strengthening competitiveness and resilience” (by PT, ES, SK and SI)

Context and Rationale

The European Union faces growing challenges in maintaining its industrial competitiveness and resilience amid global competition, technological disruption, and geopolitical shifts. The Budapest Declaration on a New European Competitiveness Deal, alongside recent reports by Enrico Letta, Mario Draghi, and Sauli Niinistö, underscores the urgent need for structural reforms to reinforce the Single Market and the EU's industrial base.

To address these challenges, the EU must ensure sufficient financial resources in its next Multiannual Financial Framework (MFF) to support industrial resilience, competitiveness, and technological leadership. The future European Competitiveness Fund should incorporate a robust industrial pillar to enhance Europe's productive capacity, building on the successes of NextGenerationEU while aligning with the Green Deal and digital transition.

Key Objectives of the Industrial Pillar

The industrial pillar within the European Competitiveness Fund aims to:

- Strengthen the EU's industrial base by integrating decarbonization, innovation, and competitiveness strategies.
- Secure supply chains and strategic autonomy to reduce dependencies on third countries.
- Establish a stable and predictable financial framework for strategic industrial investments.
- Foster inclusive and balanced territorial development, supporting SMEs and less industrialized regions.

Strategic Priorities and Actions

1. A Balanced Approach to Decarbonization, Innovation, and Competitiveness

Europe's climate and industrial policies must work together to prevent over-reliance on foreign technologies. Key actions include:

- **Scaling Clean Technologies:** Investing in hydrogen infrastructure, clean energy systems, electric vehicles, and battery production.
- **Supporting Hard-to-Abate Industries:** Providing targeted financial and technical support for energy-intensive industries (steel, cement, chemicals, etc.).
- **Promoting 'Made in Europe' Products:** Incentives such as public procurement preferences, carbon footprint-based auctions, and state aid mechanisms.
- **Advancing Circular Economy Innovation:** Enhancing critical material recovery and reuse to improve sustainability.

2. Securing Supply Chains and Strategic Autonomy

To ensure industrial resilience, the EU must:

- Conduct resilience mapping to identify vulnerabilities in supply chains.

- Develop EU-wide strategic reserves of critical raw materials.
- Incentivize reshoring of key industries, including semiconductors and pharmaceuticals.
- Diversify and simplify supply chains through industrial partnerships and trade agreements.
- Invest in industrial R&D and workforce development to strengthen European expertise.

3. Financial and Governance Structure

The European Competitiveness Fund should provide predictable and sustainable financing through:

- Support for Important Projects of Common European Interest (IPCEIs), streamlining funding and simplifying procedures.
- Blended financing models, combining public and private investment to maximize impact.
- Dedicated SME financing tools to support innovation and digital/green transitions.
- A transparent governance mechanism, ensuring alignment with national and regional priorities and reinforcing the role of the COMPET Council.

Conclusion

Revitalizing Europe's industrial base is a strategic imperative for maintaining global competitiveness, economic security, and sustainability. The industrial pillar within the future European Competitiveness Fund will play a crucial role in fostering technological leadership, securing supply chains, and ensuring that the EU remains a key global industrial player.

Non-paper of ES, PT, SI and SK on Revitalizing Europe's Industrial Future: strengthening competitiveness and resilience

Proposals for a Strategic Framework and the establishment of a robust industrial pillar within the future European Competitiveness Fund

In alignment with the Council Conclusions of April 17 and 18 2024, inspired by the Budapest Declaration on a New European Competitiveness Deal, and coherently with the Political Guidelines for the new Commission and the Competitiveness Compass, there is an urgent need to enhance the EU's industrial base to ensure long-term competitiveness and resilience. The European Union's economic and geopolitical standing, as well as its social model, hinge on its capacity to sustain these foundational elements.

Intensified global competition and technological disruption pose serious challenges to Europe's economic and social model and, therefore, to the European project itself. Recent reports by Enrico Letta, Mario Draghi, and Sauli Niinistö have outlined the risks, challenges, and opportunities Europe faces in the Single Market, competitiveness, and resilience. These analyses provide a clear understanding of the current landscape, emphasizing the urgent need for swift and tangible measures to reinforce Europe's industrial and economic foundation.

In this context, structural reforms of the Single Market and the EU budget are critical to strengthening the EU's productive capacity in an increasingly competitive global environment. Letta and Draghi advocate for substantive changes in these areas, including facilitating necessary productive investments of up to €800 billion per year.

To address these challenges, the next EU budgetary cycle (from 2028 onwards) must ensure adequate resources to enhance industrial resilience, competitiveness, and technological leadership across all Member States, building on the Green Deal and the proven success of NextGenerationEU in driving decarbonization, economic growth and enhancing productivity.

The EU cannot lead the global drive for climate neutrality and digital innovation without revitalizing its industrial base. While global competitors are already investing heavily in their industrial ecosystems, Europe must take decisive action. Revitalizing the EU's industrial base is not merely an economic necessity; it is a strategic imperative.

This two-part framework proposes actionable strategies to enhance competitiveness and resilience while ensuring a robust industrial pillar within the future European Competitiveness Fund as a cornerstone of Europe's industrial revitalization.

Part I: A Strategic Framework for Industrial Competitiveness and Resilience

To sustain its global leadership and secure economic growth, the EU must prioritize strengthening its industrial base by integrating decarbonization goals with industrial competitiveness and employment, fostering innovation from the demand-side and ensuring supply chain resilience.

As the Draghi report highlights, there should be a comprehensive European industrial strategy based on a precise diagnosis and mapping. This strategy, the policy instruments, and the related funding, should be tailored to the needs of each industrial priority, for example:

1. Sectors crucial for competitiveness and/or our strategic autonomy and economic security, including energy intensive industries and automotive. The EU should guarantee that there is a minimum level of production capacity in industries that are fundamental for the normal functioning of society, the economy and our security, space and defence needs, such as energy intensive industries (i.e. steel, aluminum, chemicals, ceramics, paper, glass, cement), automotive and critical medicines and health industries, as well as dual-use technologies.
2. Emerging sectors that are drivers of economic and technological development, such as digital infrastructure, biotechnology, semiconductors, health, advanced and decarbonized mobility (including the railway, aeronautics and shipping sectors) and other net zero technologies, such as wind turbines, electrolyzers or batteries.
3. Job-creating sectors where the EU suffers heavy international competition (e.g., textile, footwear, agri-food), where the strategy should be diversification of imports and reinforcement of alliances, and for which fair level-playing field must be ensured.

This comprehensive industrial strategy should ensure a balanced territorial development and Just Transition. Furthermore, availability of key energy, raw-materials and data inputs should be guaranteed to ensure a stable functioning and synchronization of the industrial value chains, at the same time reducing EU dependencies from abroad.

1. A Balanced Approach to Decarbonization, Innovation and Competitiveness

The EU's climate ambitions must be pursued alongside preserving and enhancing industrial capabilities, avoiding over-reliance on third-country technologies. Decarbonization should serve as a driver for innovation and competitiveness, with strategies tailored to the needs of Member States and to the several industrial sectors, avoiding the one size-fit-all approach of the past European policy cycle.

Key Actions:

- Scaling Clean Technologies: Accelerate the development and manufacturing of technologies and solutions for climate-neutral energy systems to lower energy costs and enhance social and industrial resilience. Priorities include hydrogen infrastructure, advanced energy generation, flexibility and storage, clean tech industries, cross-border energy grids, energy efficiency technologies and heat pumps, and sustainable mobility systems, including batteries and electric vehicles. These investments are crucial for supporting Europe's energy transition and industrial productivity.
- Supporting Hard-to-Abate Industries: Target financial and technical support for sectors like steel, cement, ceramic, paper, glass and chemicals to ensure their competitiveness during the net-zero transition.
- Incentives to stimulate demand for “made in and by Europe” products: including mandates or preference in public procurement (i.e. quota of steel, aluminum, cement made in EU), auctions and incentives evaluating the carbon footprint of products, an adequate state aid framework or financial incentives, in full compliance with WTO rules.
- Circular Economy Innovation: Advance the recovery and reuse of critical materials to reduce dependencies, strengthen sustainability, and enhance resource efficiency.

2. Securing Supply Chains and Strategic Autonomy

Europe's resilience and competitiveness require reliable access to essential materials and critical technologies. A robust industrial strategy must focus on reducing external dependencies and strengthening supply chain robustness to safeguard strategic autonomy.

Key Actions:

- Resilience Mapping: Building on the Net Zero Industry Act and the Critical Raw Materials Act, conduct a targeted assessment of supply chain vulnerabilities and intra-EU collaboration opportunities. This exercise will align resilience strategies across Member States and optimize resource allocation.
- Strategic Reserves: Building on the Critical Raw Materials Act, develop EU-wide reserves of critical raw materials and resources to buffer against supply disruptions and ensure continuity in key sectors.
- Reshoring Manufacturing: Incentivize the return of production in key sectors, such as renewable energy, pharmaceuticals, and semiconductors. Advanced technologies like automation and AI can enhance efficiency and innovation, reducing carbon footprints and boosting Europe's economic base. Foreign investments should be steered towards not only assembling products to "jump the tariffs", but to maximize the European value added and to ensure knowledge and capabilities transfer.
- Diversifying and simplifying Supply Chains of strategic products, as a means to make our industry and economy more resilient. This requires enforcing new industrial partnerships and trade agreements, and fully exploring the potential of the new Clean Trade and Investment Partnerships to assure access to new markets and a higher variety of potential suppliers of critical materials.
- Investing in industrial R&D and Talent, in order to end up with dependencies and to develop our own know-how.
- Building a MFF inspired by a holistic approach, that would allocate a volume of financial resources adequate to these needs, with specific attention to SMEs.

By combining these strategies, Europe can align industrial resilience with sustainability and competitiveness, securing its economic future while leading the green and digital transitions.

Part II: A robust industrial pillar within the upcoming MFF and in the future European Competitiveness Fund

The European Competitiveness Fund in the next Multiannual Financial Framework (MFF) should encompass a robust industrial pillar, ensuring predictable and sustainable financing for Europe's strategic industrial projects and combining advanced technologies with transitioning traditional industrial sectors. The Competitiveness Fund could be used, together with resources of other EU programmes and policies, to achieve these goals. It should simplify, accelerate and optimize access to funding for companies and project promoters, standardizing rules and procedures.

In this perspective, it could support projects of European common interest (IPCEI), simplifying their financing and development and ensuring co-funding to IPCEIs with EU funds.

This will complement existing instruments, such as InvestEU and Horizon Europe, by addressing critical gaps in manufacturing capabilities, supply chain resilience, and industrial innovation including through the completion of the Capital Markets Union. By focusing on strategic projects with pan-European impact, it will catalyze private investment, strengthen industrial ecosystems, and ensure economic returns to contributors through enhanced competitiveness, manufacturing efficiency, and innovation-driven leadership.

To achieve these objectives, it should target key industrial ecosystems such as clean technologies, decarbonization projects, digital infrastructure and semiconductors, critical raw materials, production of energy infrastructure and equipment, critical medicines and health devices, dual use technologies and green mobility –automotive, railway, naval and aviation. It would foster industrial growth in less developed regions and contribute to the overall prosperity and performance of the Union, while helping ensure an internal level playing field.

Strengthening national and pan-European benefits. The Competitiveness Fund should support industrial projects across all regions to ensure that the benefits from Europe's clean and digital transitions are broadly shared and contribute to socio-economic cohesion. This approach would foster connections between emerging and established industrial hubs, enabling knowledge transfer, boosting productivity, and ensuring shared benefits across borders. By promoting industrial development beyond national borders, this strategy contributes to inclusive growth and enhances Europe's overall competitiveness.

Additionally, resources should be allocated to projects in Member States with lower levels of industrialization, fostering equitable participation. By combining advanced technologies with transitioning traditional industrial sectors, the Competitiveness Fund will support inclusive growth while enhancing productivity across the Union.

Public-private collaboration. A blended financing model, combining EU budget resources with private sector investment, could enhance capacity and impact. Public funds would serve as a catalyst, reducing risks and attracting private capital to projects with high innovation potential, strengthening manufacturing capabilities, and driving economic growth and competitiveness. Inspired by models like InvestEU, it would leverage public-private partnerships to maximize resource efficiency while aligning investments with EU priorities, ensuring a balanced and transformative approach to Europe's industrial revitalization, while taking into account the potential of SMEs.

It should be useful to create a dedicated financing tool for SMEs to support their initiatives relating to the implementation of the twin transitions (green and digital) and incremental innovation, not only disruptive innovation.

Transparent and accountable governance. To ensure effective implementation, continued active participation from Member States to reflect national and regional industrial priorities should be foreseen. Governance mechanisms should also emphasize accountability, ensuring measurable economic outcomes. A strengthened role of the COMPET Council should be foreseen in the Competitiveness Compass Tool.

High-quality employment and skills development. The Competitiveness Fund should also prioritize the creation of high-quality jobs, innovative SMEs and vocational training programs, directly benefiting Europe's workforce. Projects must emphasize the development of skills and the creation of sustainable employment opportunities, reinforcing the social dimension of industrial policy. This alignment of economic growth with social and economic resilience will strengthen public support for the EU's industrial transformation efforts.
