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## **COVER NOTE**

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# COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

**Delivering on the Clean Industrial Deal I** 

## Delivering on the Clean Industrial Deal I

#### 1. Introduction

In the Clean Industrial Deal<sup>1</sup>, the Commission presented concrete measures to further drive the decarbonisation and competitiveness of European industry. The measures respond to the call for a well-integrated approach across all EU policies in support of this dual objective. They also show the EU's commitment to addressing the challenges our industry faces, such as the gap in energy prices between the EU and its main competitors, sluggish demand or unfair global competition, while giving companies, large and small, as well as investors the certainty that Europe remains fully committed to become a climate-neutral economy by 2050, taking into account fairness, technological neutrality and cost-efficiency, ensuring a just transition and enhancing environmental sustainability. Investing in decarbonisation will boost the competitiveness of Europe's economy, strengthen its economic and energy resilience and security, and create stable and future-proof jobs.

In the midst of the global race to net zero, the Clean Industrial Deal will also enable the EU to lead in developing the clean technology markets of the future. According to the International Energy Agency, the global market for the top six mass-manufactured clean energy technologies<sup>2</sup> is set to rise to more than USD 2 trillion by 2035 – close to the average value of the world's crude oil market in recent years<sup>3</sup>. Meanwhile, clean technology trade is expected to reach USD 575 billion by 2035. As shown in the latest European Investment Bank investment report<sup>4</sup>, Europe's strong position in cleantech innovation and trade is paying off. European exports of low-carbon technologies, for instance, have risen 65% since 2017, compared with 79% for China and only 22% for the United States. The EU must ensure to retain and strengthen this competitive edge.

To maintain this strong position, industry needs predictability about Europe's direction of travel, a regulatory framework that minimises unnecessary red tape and a swift and effective implementation of all measures proposed. Decarbonisation and reindustrialisation are two sides of the same coin and there is no credible path to decarbonisation without a strong and resilient European industrial base. That's why, alongside the proposal to amend the European Climate Law setting a 2040 climate target, with the necessary flexibilities, this Communication shows that the delivery is already underway. Just a few months after the Clean Industrial Deal was presented, we are putting a first wave of actions in motion, actively supporting the industry through this crucial transition, to strengthen European industrial base, foster a global level playing field and unlock including in innovation.

Progress has been made in all six core business drivers identified in the Clean Industrial Deal. The measures strike a balance between supporting the ambitious goals of the Clean Industrial Deal and maintaining a level playing field in the Single Market, so that Member States can provide targeted financial support to decarbonisation efforts and for building sovereign value chains in clean tech where necessary without creating undue competitive distortions. They also empower Member States to leverage tax incentives as a catalyst for private investment in decarbonisation projects, ultimately facilitating a swift transition to a clean and affordable European energy system.

<sup>2</sup> Solar photovoltaic, wind turbines, electric cars, batteries, electrolysers and heat pumps.

<sup>&</sup>lt;sup>1</sup> COM(2025) 85 final

<sup>&</sup>lt;sup>3</sup> International Energy Agency: Energy Technology Perspectives 2024, October 2024

<sup>&</sup>lt;sup>4</sup> European Investment Bank, Investment Report 2024/2025: Innovation, integration and simplification in Europe, 2025

In parallel, the Commission has continued its engagement with stakeholders. Since the adoption of the Clean Industrial Deal, the Strategic Dialogues on the Future of the Automotive Industry and the Future of the European Steel Sector have led to dedicated Action Plans<sup>5</sup>, with concrete, sector-specific actions to maintain Europe's competitive edge. The Commission has also organised a Clean industrial Dialogue on Circular Economy to prepare the Circular Economy Act. Further measures will be presented based on the Dialogues with the Pharmaceutical and the Chemical Industries, addressing specific concerns of these sectors.

The work to reinforce the resilience and competitiveness of our industries goes beyond the Clean Industrial Deal. The Single Market Strategy, the Savings and Investments Union Strategy, the Water Resilience Strategy, the Communication on the Union of Skills accompanied by an Action Plan on Basic Skills and a STEM Education Strategic Plan, the EU Startup and Scaleup Strategy, among others, strengthen the Deal's objectives. These are further reinforced by four Simplification Omnibus packages aimed at easing the regulatory burden.

In the coming weeks and months, the Commission will decisively advance the implementation of the remaining measures outlined in the Clean Industrial Deal.

### 2. First Package of Clean Industrial Deal Delivery

A crucial component in achieving the ambitions and objectives of the Clean Industrial Deal is the new Clean Industrial Deal State Aid Framework, adopted by the Commission on June 25. The approval of more than EUR 85 billion in aid by June 2025 under the 'transition' sections of the Temporary Crisis and Transition Framework demonstrates that simplified State aid rules can both increase the scale and willingness of Member States to utilise State aid for green transition objectives. Furthermore, the fact that a majority of Member States had already begun implementing the measures to accelerate the clean transition under the Temporary Crisis and Transition Framework underscores the practical experience gained and the need for a stable, long-term framework to replace the temporary one and continue supporting industrial decarbonisation.

The new State aid framework further simplifies and accelerates the process for Member States to grant aid by providing clearer and more flexible criteria for assessing State aid measures, offering a longer planning horizon, and increasing investment predictability and security for businesses. In line with the objectives of the Clean Industrial Deal, it targets all industrial undertakings, with a focus on energy-intensive industries and the clean-tech sector and introduces aid measures to accelerate the rollout of renewable energy, investments in industrial decarbonisation and in manufacturing capacity for clean tech. Member States will be able to help finance the expansion of clean technologies manufacturing in Europe, using both recycled and primary input, contributing to strengthening the resilience of European supply chains. It will also allow Member States to reduce the electricity cost of energy-intensive users operating in industries at risk of relocating outside the Union to countries where environmental regulations are absent or less ambitious, in return for decarbonisation investments. The new framework promotes the attraction of private funds by reducing investment risks in projects aligned with the objectives of the Clean Industrial Deal.

Furthermore, the new rules contribute to creating lead markets for clean products and facilitate the combination of funding from the Innovation Fund and national financing by facilitating State aid approval for Member States wanting to support projects with a Sovereignty seal under this fund. The

<sup>&</sup>lt;sup>5</sup> COM(2025) 96 final and COM(2025) 125 final

new State aid framework complements the State aid rules, which remain fully available and also cover other measures that will contribute to the Clean Industrial Deal. Member States can notify measures supporting producers of clean technology, such as batteries, to reach efficient scale under applicable State aid rules. Under normal market conditions, producers of clean technology should be able to cover their operating costs without any further public support. The Commission stands ready to assist Member States to identify the appropriate ways to design, under the State aid rules, public support that addresses market failures, is necessary, proportionate and does not unduly distort competition and trade in the single market or to design such public support free of State aid.

As announced in the Clean Industrial Deal, the Commission will also, as part of the on-going revision of the General Block Exemption Regulation, assess if and how State aid rules should be updated to provide better incentives for industry to invest in upskilling, reskilling, quality jobs and recruitment of workers for a just transition. The Commission will in particular look into the rules covering aid for social enterprises and recruitment of disadvantaged workers. In that context, the Commission will develop dedicated guidance to assist Member States when designing State aid measures for social support and social investment. Such support is in many cases either not considered as aid or block exempted under the General Block Exemption Regulation.

In parallel with the new State aid framework, the Commission Recommendation on Tax Incentives, adopted today, encourages investments in clean technologies and industrial decarbonisation, through measures like accelerated depreciation and tax credits. This will effectively lower the financial barriers for companies that invest in sustainability and boost lead markets for decarbonised products. By advocating for generous accelerated depreciation up to immediate expensing and flexible, refundable tax credits, the Commission aims to provide certainty and timely support to businesses.

Our energy system is key to providing the right conditions for the decarbonisation of our economy. All zero and low carbon energy solutions, including renewables, nuclear, energy efficiency, storage, CCUS, carbon removals, geothermal and hydro-energy, and all other current and future net-zero energy technologies, are necessary to decarbonise the energy system by 2040, as is the strengthening of the grid and storage capacity. To provide the basis for Member States and national regulatory authorities to accelerate the transition to a, affordable and more flexible energy system, with well-developed grids and storage, the Commission is adopting a package of guidance documents. These documents cover (i) innovative technologies and forms of renewable energy deployment, (ii) the designation of dedicated grid and storage infrastructure areas and (iii) network tariff methodologies. By supporting the deployment of additional clean energy and network projects, the implementation of this guidance package will also benefit EU domestic manufacturing of the respective clean technologies on which Europe has global leadership.

The guidance on innovative forms technologies and forms of renewable energy deployment supports the expansion of renewable energy sources, helping to lower the costs of our energy supply. Europe's reliance on imported fossil fuels significantly contributes to volatile and high supply costs. By expanding innovative renewable energy sources and reaching untapped potential (e.g. agrisolar, floating renewables, ocean energy), the EU can mitigate these costs. Between 2021 and 2023

EU electricity consumers already saved EUR 100 billion thanks to electricity generation from newly installed solar PV and wind capacity.<sup>6</sup>

The guidance on the designation of grid and storage areas is designed to reinforce and accelerate the expansion of our grids, as well as accelerate the deployment of storage solutions. This is crucial in light of the expected growth in decentralised renewable generation, increasing electricity demand, and existing constraints on the electricity grid, such as the need to connect recharging infrastructure for electric vehicles, with its benefits for storage and for the energy system overall, as well as the need to modernise 40% of existing grids. Moreover, renewable electricity capacity is growing rapidly, with around 78 GW added in 2024 alone. Given that annual expansion of renewable electricity capacity should reach around 100 GW on average up to 2030, permit-granting procedures for renewable energy storage projects and the networks that integrate renewable energy must be significantly accelerated.

The third guidance document, on network tariff methodologies promotes a network tariff design aimed at lowering overall system costs by enhancing flexibility and locational incentives as well as boosting the efficiency of grid usage and management. This shift to drive behavioural change is essential to effectively manage peak consumption periods in a cost-efficient way. Network tariffs can play an essential role by encouraging all system users to optimise their usage patterns. A coordinated approach offers significant benefits, including reducing grid management expenses and costly congestion, improving the grid's capacity to absorb renewable generation, and limiting the need for extensive grid reinforcements to what is necessary. This will reduce the overall network costs paid for by consumers on their energy bills and directly benefit users contributing to energy system integration.

Other challenges faced by industry include **exposure to unfair international competition** and regulatory burden. Since the launch of the EU Emission Trading System (EU ETS), the risk of carbon leakage has been effectively addressed by granting free allowances for sectors exposed to this risk. Free allowances for EU ETS installations producing CBAM goods will be phased out from 2026 to 2034, in parallel with the gradual phase-in of the CBAM's financial obligations for imported goods. While CBAM addresses the risk of carbon leakage for the production of CBAM goods for the EU, the risk of carbon leakage for the production of CBAM goods for export markets might increase with the phase-out of free allocation, as long as certain third countries do not introduce equivalent carbon pricing. Various CBAM sectors have called for urgent **action to address export carbon leakage**.

As announced in the Steel and Metals Action Plan, the Commission has therefore considered options on how to address this risk. Any solution should fully align with the CBAM's environmental objectives, while respecting the relevant WTO rules. In addition, it should be implemented quickly to provide legal certainty and avoid undue administrative burden. Therefore, the Commission intends to make a dedicated proposal using the revenues generated by CBAM – which will be extended - to support production at risk of carbon leakage. This would allow the affected producers to be compensated proportionally to the phasing out of the free allowances subject to deliverables on long-term decarbonisation. The scope will need to be established based on objective criteria. This scheme would be in place for an initially defined period with a review in 2027. The proposal would be put forward by the end of 2025, together with the proposal extending CBAM to downstream goods and introducing anti-circumvention measures, and it will be without prejudice to the Commission's existing proposals regarding new Own Resources for the EU budget. This solution aims to ensure

<sup>&</sup>lt;sup>6</sup> IEA (2023), Renewable Energy Market Update - June 2023, IEA, Paris https://www.iea.org/reports/renewable-energy-market-update-june-2023, Licence: CC BY 4.0

equal treatment for CBAM goods - whether produced and sold in the EU, exported from the EU to third countries or imported into the EU - to maintain WTO-compatibility. The Commission will provide further analysis of the risk of carbon leakage for the production of CBAM goods for exports in order to adequately design the measure and consult the CBAM sectors on these plans in advance of the proposal, also taking into account specific national circumstances. A high-level dialogue will be organised to this effect.

Simplification is another key pillar of the Clean Industrial Deal. Progress was made in a number of legislative areas aiming to reduce regulatory burden and enable industry to embrace the transition to a sustainable economy in a more effective and pragmatic way. The Carbon Border Adjustment Mechanism (CBAM) simplification proposal, which was adopted as part of the Omnibus I package, in February 2025, aims to reduce red tape and ensure a smooth implementation of CBAM when it becomes fully operative in January 2026. Notably, the proposal introduces an annual mass-based threshold of 50 tonnes that excludes approximately 90% of importers from any CBAM obligations, while ensuring that 99% of emissions are covered under CBAM's scope. Earlier this month, colegislators reached an agreement on the amended Regulation, which adheres to the main parameters of the Commission's proposal.

# 3. Work ongoing in other areas of Clean Industrial Deal

In addition to the first set of concrete actions under the Clean Industrial Deal, notable progress has been made across several areas related to this strategy. The implementation of the Affordable Energy Action Plan has advanced since its adoption in February 2025. On 16 June, the European Commission and the Polish Presidency of the Council of the European Union jointly launched the **Energy Union Task Force**. The Task Force will address technical and regulatory barriers hindering the completion of a genuine Energy Union, by enhancing the use and development of well interconnected infrastructures, addressing national permitting barriers, increasing the deployment of storage and utilisation of flexibility services, improving coordination of regional, national and EU actions, and supporting key actions for the implementation of the Affordable Energy Action Plan, for example on permitting, taxation and system flexibility.

Finance is key. The Commission and the European Investment Bank have collaborated closely to develop new financial products - eligible under the InvestEU Programme - designed to reduce risks for private sector investments. On 19 June, the European Investment Bank (EIB) launched new schemes to offer counter-guarantees to power purchase agreements (PPAs) between clean energy developers and industry, with EUR 500 million capability. This initiative seeks to facilitate access for the industry to more stable energy prices and drive investment in new generation projects. Furthermore, the EIB launched a second counter-guarantee scheme to mitigate risks associated with manufacturing new grid components (applying the model it already uses for the wind sector) with EUR 1.5 billion, which is crucial for the expanding network needs across Europe, as well as the TechEU programme to help bridge the financing gap to support disruptive innovation, strengthen Europe's industrial capacity and scale-up companies. It is also expanding the financing capability of the Wind Package from EUR 5 billion to EUR 6.5 billion, and established a new guarantee product for emerging clean tech with an EIB lending envelope of EUR 250 million to be supported by InvestEU.

The Commission is also on track to launch a pilot for the upcoming Industrial Decarbonisation Bank, by the end of 2025. With a budget of EUR 1 billion, this pilot will be an auction aimed at decarbonising industrial process heat through electrification and direct renewable heat (such as solar

thermal or geothermal). It will benefit companies across various industrial sectors including mediumsized enterprises. It serves as a pilot for the Industrial Decarbonisation Bank by supporting projects with carbon emission reduction as a metric. In April, a major stakeholder consultation demonstrated robust industry support for this initiative. Following this, the Commission has since published the draft auction terms and conditions for consultation.

The Commission has also adopted the first two lists of Strategic Projects to be supported under the Critical Raw Material Act, covering projects both within the EU and in third countries. The selected projects cover a wide range of strategic materials and value chain stages and will contribute to the EU's secure supply of strategic raw materials. To ensure their timely delivery, the projects will receive support to facilitate public and private investments as well as accelerated permitting for projects in the EU.

Further **developing lead markets** is a key priority of the Clean Industrial Deal. On 6 April, the Commission adopted the **2025-2030 working plan for the Ecodesign for Sustainable Products Regulation and Energy Labelling Regulation**. The plan provides a list of products that should be prioritised, such as steel and aluminium, to introduce ecodesign requirements and energy labelling over the next five years. This should promote the uptake of sustainable, repairable, circular and energy efficient products across Europe. Once properly designed, harmonised product sustainability requirements at EU level will reinforce the single market, prevent barriers to trade, improve the level playing field and information to consumers as well as reduce the administrative burden.

In the context of the Strategic Dialogue on the Future of the Automotive Industry that took place in Q1 2025 and as announced in the Industrial Action Plan for the European automotive sector of 5 March 2025, the Commission proposed **flexibility to the automotive sector** to comply with the 2025 targets on fleet sales through a targeted change of the Regulation (EU) 2019/631, which has been adopted by co-legislators. This provides manufacturers with an additional flexibility as regards their compliance obligations, by allowing for a three-year compliance period for 2025, 2026 and 2027, instead of an annual period. The targeted amendment introduces such additional flexibility for manufacturers while maintaining the level of ambition of the emissions reduction target. This aims to support investment in the clean transition while preserving overall climate ambition. On 5 March, the Commission also updated the List of Waste to keep batteries and their critical raw materials in the economy for longer.

The Alternative Fuels Infrastructure Facility (AFIF) under the Connecting Europe Facility made €570 million available for deployment of charging infrastructure for 2025-2026, with the focus on heavy duty vehicles. The second cut-off date on 11 June 2025 saw 25 project proposals with total investment cost of €665 million. Overall, around €287 million of EU funding were requested for EV charging infrastructure projects; with €245 million for dedicated charging infrastructure for Heavy Duty Vehicle.

As regards the external dimension, the Commission has launched negotiations on a first Clean Trade and Investment Partnership with South Africa during the EU-South Africa Summit on 13 March 2025. The partnership is developed in collaboration with key strategic partners to effectively manage strategic dependencies and bolster the EU's role in crucial global value chains. The Commission and South Africa committed to pursue an agreement to support the development of strategic, cleaner value chains for raw materials. This includes focusing on local beneficiation, renewable and low-carbon energy (including safe and sustainable low carbon hydrogen) and clean technology by improving the conditions for mutually beneficial investments. Additionally, during the summit, the Commission announced a Global Gateway Investment Package of EUR 4.7 billion, EUR

4.4 billion of which will be invested in projects supporting a clean and just energy transition in the country. The Commission aims to show decisive progress on the CTIP with South Africa ahead of the G20 Johannesburg Summit, scheduled for 22-23 November 2025.

The Commission has also **tightened the steel safeguard measure** to shield the EU steel industry from surging imports, delivering on the EU's Steel and Metals Action Plan. While most adjustments entered into force on 1 April, the changes concerning a slower pace of liberalisation and the removal of the carry-over of unused volumes will enter into force on 1 July 2025. Given the safeguard measure will legally expire on 30 June 2026, the Commission will propose a long-term steel measure that will provide a highly effective level of protection to the EU's steel sector post June 2026 in September 2025. This is particularly important in light of increased US tariffs on aluminium in steel, aggravating the difficult situation of these industries.

Enhancing **circularity** is an important pathway for **the decarbonisation and competitiveness of metal industries.** However, the volume of scrap used for recycling in the EU is declining driven by a decreased demand from the EU industry and higher prices for scrap paid in third countries. As a first step to reverse this trend, the Commission has made relevant data from the Customs Surveillance database publicly accessible, similar to recent action taken in the chemicals sector. This initiative forms part of a broader monitoring mechanism for the imports and exports for aluminium, copper and steel that will improve the availability of market information, thereby promoting circular practices and facilitating the adoption of trade measures to ensure the sufficient availability of scrap in the EU, as necessary, starting with measures for aluminium. The Commission will also work on increasing demand for recycled products.

Both the Clean Industrial Deal and the Automotive Action Plan announced that the Commission would propose **conditions for foreign investments**, more specifically in the automotive sector, including components, with the battery supply chain as an immediate priority. The Commission will propose specific conditions on resilience and sustainability criteria in the Industrial Decarbonisation Accelerator Act and possibly other initiatives.

The Commission will propose, in close consultation with industry stakeholders and Member States, measures to ensure that foreign investments in the EU better contribute to the long-term competitiveness of EU industry, its technological edge and economic resilience, as well as the creation of quality jobs in the EU. For instance, for projects that involve foreign investment, especially when involving public financing, Member States could collectively consider conditions such as ownership of the equipment, EU sourced inputs, EU-based staff recruitment, the need for joint ventures or intellectual property transfers, starting with some strategic sectors, such as for example, the automotive or renewable manufacturing".

Specifically as regards the automotive sector, the Commission plans to discuss with Member States and relevant stakeholders how to maximize the added value of inward investments and help prevent a race to the bottom and fragmentation of the internal market. Such conditions will provide the basis for engagement with key international partners with significant investments in the EU and especially in the renewable energy and automotive supply chain.

The Commission will shortly propose a **Chemicals Package**, including an **Action Plan for the EU chemicals industry and an Omnibus on chemicals**. The Action Plan will introduce concrete measures to enhance the global competitiveness of the European chemicals sector, including SMEs, and strengthen its production base through actions in key areas, such as critical production, energy price and supporting innovation and decarbonisation.

As announced in the Clean Industrial Deal, the Commission has set up the IPCEI support hub to accelerate the design of new IPCEIs. The Commission is currently offering support to several Member States to speed up the design of the new IPCEIs endorsed by the Joint European Forum on IPCEIs in November 2024 and March 2025. The work on the Circular Advanced Material IPCEI and on the innovative nuclear technologies IPCEIs will in particular contribute to accelerate the objectives of the Clean Industrial Deal.

The Commission has also adopted on 13 June 2025 the **Nuclear Illustrative Programme** (PINC). This provides an up-to-date overview of nuclear energy investments needs in the EU and best practices of financing models for efficient investment plans. Delivering Member States' plans regarding nuclear energy will require significant investments, of around EUR 241 billion until 2050, both for lifetime extensions of existing reactors and the construction of new large-scale reactors. Additional investments are needed for Small Modular Reactors (SMRs), Advanced Modular Reactors (AMRs) and microreactors and in fusion energy for the longer-term future.

Significant steps have also been taken to enhance **skills and job quality** in the EU, as part of the Clean Industrial Deal. On 5 March 2025, a Communication on the Union of Skills was adopted, introducing key initiatives such as the European Skills High-Level Board, a Skills Observatory, while reinforcing existing upskilling and reskilling initiatives. Furthermore, the Commission has launched consultations with social partners to prepare the Quality Jobs Roadmap, focusing on support for restructuring processes and just transitions, and has proposed targeted amendments to the European Globalisation Adjustment Fund and the European Social Fund Plus (ESF+) as part of the mid-term review of cohesion policy to accelerate and boost support to workers at risk of job loss due to restructuring linked to decarbonisation.

The mid-term review of cohesion policy, proposed by the Commission in April, will offer Member States and regions the possibility, through their programmes, to strengthen Europe's competitiveness and close the innovation gap. While the proposal is still under negotiation in the co-decision process, the Commission looks forward to an ambitious final outcome. In this context, support from the European Regional Development Fund would be enabled for large enterprises when they contribute to an Important Project of Common European Interest or when they operate in critical areas, such as defence, strategic technologies, and decarbonisation. Additionally, it will support the energy transition by promoting energy interconnectors (land and subsea cables that connect the electricity systems of neighbouring countries) and setting up recharging infrastructure. Investments in affordable energy-efficient housing, sustainable water management and innovation contributing to the STEP objectives will also strengthen the clean industrial base across regions. As a financial incentive to invest in strategic priorities, the Commission has proposed allowing Member States and regions to benefit from 30% of prefinancing in 2026 and higher co-financing rates for projects developed under the strategic priorities.

#### 3. Conclusion

The successful implementation of the Clean Industrial Deal relies on the commitment of Member States and their authorities to effectively put its actions into motion.

The Commission remains steadfast in its commitment to deliver on the Clean Industrial Deal and on making decarbonisation a driver of Europe's competitiveness and prosperity, including through proposing the intermediate 2040 target on the path to climate neutrality by 2050. It will deliver the rest

of Clean Industrial Deal actions through a series of packages, next ones planned for the second half of 2025. Each package will be tailored to address specific aspects of the Clean Industrial Deal objectives, thereby reinforcing collective efforts to enhance Europe's industrial competitiveness and progress towards the EU's decarbonisation goals.