



OPINION

European Economic and Social Committee

Resource and Energy-Intensive Industries and the EU Recovery Plan

How REIIs (Resources and Energy Intensive Industries) can take advantage of the EU Recovery Plan in their socially acceptable transition towards de-carbonisation and digitalisation
(own-initiative opinion)

CCMI/183

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1. **Conclusions and recommendations**

- 1.1 The EU recovery facility and the related National Recovery and Resilience Plans (NRRP) must contribute to a just transition for the EU resource and energy intensive industries. They must lead to the creation and maintenance of quality jobs in these industries, involve social partners in the implementation of the NRRPs and support labour transitions through reskilling and upskilling.
- 1.2 The EESC encourages the Commission and the other EU institutions to guarantee a level playing field within the single market, to avoid unbalanced advantages to industry depending on each Member State's approach.
- 1.3 The EESC believes that the industrial transition will not be achieved if the energy transition is not implemented. For that, the availability of sufficient, affordable low-carbon energy sources that make low-carbon industrial production possible will be key. The EU legislators and Member States should balance the availability of energetic vectors together with their cost, in order to allow REIIs to make the industrial transition and to compete in the international arena. Additionally, technological neutrality will be key for ensuring the proper implementation of National Recovery and Resilience Plans (NRRP) while complying with the EU's 2030 and 2050 climate objectives and the UN Sustainable Development Goals (SDGs).
- 1.4 Automatisation and digitalisation in the industrial transition are among the cross-cutting fundamentals of this transformation process. However, the role of digitalisation in the Resource and Energy Intensive Industries (REII) must not be misunderstood: it is a tool, not an end goal in itself.
- 1.5 The EESC welcomes the seven flagship areas defined by the Commission in its guidance to Member States on the NRRPs and the need to devote at least 37% of the total budget to actions in the field of climate investments and at least 20% in the field of digitalisation. It encourages the EU institutions to closely monitor the deployment of the allocated funds in order to fulfil those requirements.
- 1.6 The time needed for REII companies to make the industrial transition will extend beyond the duration of the Recovery and Resilience Facility (RRF). The EESC encourages the EU institutions to take that into account and to set up new and suitable financial instruments and regulations, in order to achieve the complete transition to a low-carbon industry, beyond 2026.
- 1.7 As REII companies need special attention with regard to R&D&I activities, the EESC urges the EU institutions to put in place specific measures to address the challenges REII companies face on their path to a carbon neutral industry.
- 1.8 Building renovation will ensure a substantial share of the energy efficiency needed to reach a carbon neutral society in 2050. The EESC supports works and projects devoted to improving energy efficiency in buildings through the renovation of their envelope and installations.

- 1.9 The EESC strongly defends the development of a proprietary EU cloud system that brings technological independence to the EU.
- 1.10 Management of the talent inside EU industry is key if successful industrial transformation is to be achieved. The Commission therefore needs to monitor whether the programmes and activities developed to improve new skills will contribute to a successful transformation in this respect.

2. **Background**

- 2.1 The COVID-19 pandemic has resulted not only in a worldwide health emergency, but also in an economic and social crisis. This severe situation has required European policymakers to implement major policy measures to stabilise the economies of all European Member States.
- 2.2 The European Union has set up several mechanisms under the NextGenerationEU programme (NGEU), with the aim of supporting Member States to emerge stronger from the crisis with the largest stimulus package ever seen. It will provide EUR 1.8 trillion in a long-term budget which will be deployed through different instruments focused on modernisation, research, climate transition and social protection.
- 2.3 One of the NextGenerationEU instruments is the RRF, which will focus on repairing the immediate economic and social damage caused by the COVID-19 pandemic and promoting the "twin transition" to a decarbonised and digital society.
- 2.4 The facility comprises a total sum of EUR 672.5 billion, which will be distributed as loans (EUR 360 billion) and grants (EUR 312.5 billion), available to support reforms and investments made by Member States with a view to sustainable recovery.
- 2.5 This funding will be allocated under the Member States' NRRPs, which will include the reforms and investments required as well as reflecting the relevant country-specific recommendations made by the Council as part of the European Semester governance framework, in order to contribute to the EU's 2021 Annual Sustainable Growth Strategy.
- 2.6 The European Commission has defined the main flagship areas where the specific lines of action need to be defined by each Member State:
1. POWER UP – clean technologies and renewables;
 2. RENOVATE – energy efficiency of buildings;
 3. RECHARGE and REFUEL – sustainable transport and charging stations;
 4. CONNECT – rollout of rapid broadband services;
 5. MODERNISE – digitalisation of public administration;
 6. SCALE UP – data cloud capacities and sustainable processors;
 7. RESKILL and UPSKILL – education and training to support digital skills.

The main flagship areas have been defined to allow the actions undertaken to make a substantial contribution to an EU green and digital transition.

The RRF, through the development areas promoted by Member States, aligned with the specific country recommendations from the European Semester, will give the necessary breathing space to the organisations which have been hit by the economic situation caused by the pandemic. It will especially help the economic sectors, such as the REIIs, which were already in a tough situation (due to the high regulatory burden and the unfair competition from some third countries) and have been severely affected by the current circumstances.

2.7 The recovery strategy, building on the EU industrial strategy and its 2021 update, will serve to help to achieve the objective of the European Green Deal, the 2050 climate neutrality objective and the revised 2030 GHG emission reduction target. The RRF will play a key role in addressing the huge investments to be made by REIIs, in order to reach those goals. The efforts required to build a stronger single market for the EU's recovery must be supported by strong partnerships between the EU, Member States, social partners, industry and other relevant stakeholders. The recovery strategy will also strengthen the Just Transition Mechanism, which supports regions reliant on REIIs and undergoing structural change.

3. **General comments**

3.1 The EU Recovery Plan comprises a key aspect in the sustainable transition towards a decarbonised and digitalised economy and highlights the fact that the EU's twin transition aspiration requires political responsibility, in addition to political commitment and/or golden rules. The EESC agrees with the proposed main flagship areas, which will focus the investment on some of the most relevant areas for achieving the United Nations Sustainable Development Goals (SDG) while ensuring the achievement of the climate targets established by EU legislation for 2030 (greenhouse gas (GHG) emissions reduction of at least 55% compared to 1990) and 2050 (net-zero GHG emissions).

3.2 The pandemic has created the need to forge a common pathway where the rules are globally defined and homogeneously applied by all regions, thus addressing the potential fragmentation risk derived from the miscellaneous allocation of resources. The crisis arising from the pandemic and the need for a transition to a sustainable, resilient and flexible economy could provide a great opportunity to define the rules guaranteeing a level playing field in the EU.

3.3 To this end, the REIIs' current precarious situation needs to be properly assessed, along with the impact that the ongoing nature of these conditions could have on the European economy as a whole. The REIIs' contribution to the European Union's Gross Domestic Product (GDP) should be borne in mind, along with the fact that they are leaders in innovation, are responsible for the creation of high-quality employment and contribute to long-term wellbeing for society as a whole. A strong public service needs drive from the private sector. However, the EESC is concerned about the lack of precision that some already approved NRRPs show with regard to REIIs, as investments are sometimes diverted to other economic sectors.

3.4 In addition, the impetus that REIIs can provide in terms of R&D needs to be considered, as it constitutes a key area where innovation will be scaled up from laboratory to industrial scale.

- 3.5 The REIIs are potentially one of the biggest contributors to the industrial transition that will ensure a low-carbon Europe. Industry should intensify its efforts to develop and roll out low-carbon production processes and promote them along the complex supply chains. Without this indoor and outdoor work, it will be hard to achieve the essential but ambitious goals defined in the Paris Agreement and the goals set by the EU.
- 3.6 Automatisation and digitalisation will play a key role in the achievement of this industrial transition. However, concepts should not be confused: transformation is the goal; digitalisation is the tool. Implementing digital solutions will streamline the way people think, make decisions and perform: while digitalisation needs to be a priority for the RRF, the focus should be on how these tools will enable a more efficient approach to the challenges we are facing.
- 3.7 Digital transformation will require the development of technologies proven at pilot or laboratory scale on an industrial scale. For that, public and private partnerships should focus on research, development and innovation. Investment should focus on technology which demonstrates early on the scalability, feasibility and reliability of the innovative solutions in the upper parts of the value chains, while being in line with sustainability goals. Additionally, it will be necessary to plan a conversion period where innovative solutions can be properly scaled up to industrial scale.
- 3.8 In order to be able to handle this situation effectively, the transition should be focused on the know-how acquired, the resources already available and the potential synergies that may arise. Transformation involves innovation, invention, design, construction and, in fact, development; but this should not mean new creations *per se*.
- 3.9 The EESC is aware of the investment this transition will require. The RRF and NGEU should not be seen as the panacea. The REIIs transformation to cope with the twin transition will require a massive investment plan, mobilising many additional sources of funding (e.g. state aid, important projects of common European interests, new own resources for the EU budget, future EU ETS revenues, private investments, etc.). To this end, it is essential to reconcile industrial and energy policies with climate policy, in order to mobilise all of the huge investments made necessary by the transition to a zero-carbon economic model.
- 3.10 The EESC believes that efforts should be made to coordinate the support given through the RRF to transform the REIIs with existing public-private funding programmes such as SPIRE or the Clean Steel Partnership. Industry Alliances should be used as platforms to foster long-term synergies between projects funded through the RRF and existing EU programmes, to catalyse the transformation of the REIIs.
- 3.11 The need to accompany the financial support provided through the RRF with an ambitious tax reform has been identified. This should be aligned with the OECD agreement to ensure that highly profitable corporations will be subject to an effective corporate tax rate of 15% as of 2023.

- 3.12 The main goal of the disbursement of grants to companies should be to keep the international competitiveness of EU industry while complying with the EU's social, economic and environmental standards, to ensure the twin transition will benefit European citizens.
- 3.13 As stated above, the EU Recovery Plan will be key for the transformation of the REIIs, while contributing to the metamorphosis of other economic sectors with regard to the twin transition. This broad conversion will require long-term adaptation and transition periods, especially in all matters related to human capital. The EESC strongly suggests that investment mechanisms be extended beyond 2026 and that tough and clear interlinks between each be well defined.

4. **Specific comments**

The EESC invites the Member States and industry to put forward investments and reforms with the biggest transformational impact, in terms of achieving the final goals set, in the main flagship areas defined by the Commission. It cannot be ignored, that the costs involved in achieving the goals associated with this twin transition must be affordable for society as a whole.

4.1 **POWER UP – clean technologies and renewables**

- 4.1.1 The industrial transition will not be achieved if the energy transition is not implemented. Industry decarbonisation will rely directly on the availability of sufficient, affordable low-carbon energy sources that make low-carbon industrial production possible. Securing sufficient generation of decarbonised energy in a reliable way will be crucial to reaching the climate and digital targets. Similarly, massive investment is needed to develop or create the infrastructure required to transport, store and distribute these unprecedented volumes of low-carbon energy. The implementation of the National Recovery Plans, and notably the proposed reforms, should focus on ensuring competitive, stable and predictable energy prices, limiting the impact high-energy prices will have on inflation, which may jeopardise the recovery of REIIs and society in general.
- 4.1.2 The EESC agrees that technological neutrality is a must while implementing the National Recovery Plans: all low-carbon technologies (renewable energy, green hydrogen, fusion reactor, etc...) must be included in this transition provided that they are in line with the 2030 and 2050 climate objectives as well as with the UN SDGs. No technologies should be pre-emptively or arbitrarily excluded. The resource allocation criteria should focus on ensuring competitive energy prices for end consumers regardless of the technology itself.
- 4.1.3 For that, it may be necessary to consider not only combining different competitive renewable energy sources, but also combining them with Carbon Capture Storage and Use Technologies, without forgetting the role the energy interconnection between different MS will hold. Sufficient, homogeneous regulation must be in place to create the business case for investments and enable these technologies to be implemented.
- 4.1.4 In addition to the availability of affordable energy and technological solutions, energy efficiency must be properly considered. All scenarios identified by the EU long-term emissions

reduction strategy for achieving the 2050 climate neutrality objectives ascribe an important role to energy savings¹. Shifting to a more circular economy also has a major role to play in reducing energy and resource consumption by REIIs.

4.1.5 Regarding the risk of unfair competition mentioned above, and with the aim of trying to prevent and mitigate the risks carbon leakage may involve, this must be properly handled under the RRF. It is important not to overlook the measures or systems which have worked in reducing emissions, but to reinforce them with additional or complementary (not alternative) mechanisms when necessary.

4.1.6 After assessing all the potential key factors that will need to be handled under the POWER UP flagship area, the main doubt that arises is how the EU is going to be able to supply the unprecedented amount of energy required by society.

4.2 **RENOVATE – energy efficiency of buildings**

4.2.1 Improving the energy efficiency of existing and new buildings will require smart materials and equipment, which will contribute to a sustainable transition. We understand smart materials to be green materials or sustainable production processes to achieve them.

4.2.2 The EESC trusts that, for the purpose of holistically contributing to the goals defined by the European Commission, smart materials (and their associated sustainable production processes) will be promoted beyond business as usual. Equipment shall not be forgotten: energy efficiency will not be achieved if we only focus on the building envelope; equipment and systems must be properly assessed, renewed and interconnected. This could lead to smart materials markets taking off, with public procurement processes as a possible practical starting point.

4.3 **RECHARGE and REFUEL – sustainable transport and charging stations**

4.3.1 The European strategy must make a great effort to define a clear roadmap for decarbonising sectors that are hard to electrify (long-distance and heavy road transport, aviation, maritime transport, etc.).

4.3.2 A renewable and low-carbon fuels strategy and a renewable and low-carbon fuels value chain alliance will help to decarbonise the aviation and maritime transport sectors, while complementing the efforts to decarbonise road transport through electrification, among other alternatives. In this way, access to affordable mobility for all will be guaranteed. The decarbonisation of transport will be done based on a life-cycle and cost-benefit assessment, replacing the most impactful ways of transport as a first approach, while ensuring sufficient transition periods for low-income users through low-carbon sustainable fuels.

¹ https://knowledge4policy.ec.europa.eu/publication/depth-analysis-support-com2018-773-clean-planet-all-european-strategic-long-term-vision_en.

4.4 **CONNECT – rollout of rapid broadband services**

4.4.1 The EESC is aware of the importance of automatisisation and digitalisation in the industrial transition we are facing, as they are among the crosscutting fundamentals of this transformation process.

4.4.2 Enough resources need to be available for the industry so that automatisisation of the systems is improved. Quality information can then be provided through digital tools to make decision-making processes more efficient.

4.4.3 This will require investment not only in technology, but also in training workers and society in general in digital skills, adoption of digital thinking and providing appropriate regulation and tools to guarantee cybersecurity, among other things.

4.5 **MODERNISE – Digitalisation of public administration**

4.5.1 The EESC understands the relevance of the fact that the digitalisation of the public administration may have to combat excessive administrative burdens that industry frequently suffers from. However, this digital transition needs to be based on a real cost-benefit analysis, where resources are properly assigned based on technical criteria (this analysis must be considered above the target itself).

4.6 **SCALE UP – Data cloud capacities and sustainable processors**

4.6.1 Proper data management will lead to a turning point in accurate decision-making, the development of business intelligence, efficient problem-solving and optimisation of resources, all of which are key to ensuring a successful transition. Enough resources need to be allocated to ensure the involvement of all types of organisations in the deployment of this initiative, guaranteeing equitable data resources that will lead to an equitable transition.

4.6.2 With regard to strategic independence, the EU should develop its own cloud capacities that allow technological sovereignty, avoiding technological dependence on third countries.

4.7 **RESKILL and UPSKILL – Education and training to support digital skills**

4.7.1 The transition we are facing will not be possible if it is not based on the needs and expectations of current and future society, and based on the concept of a just transition.

4.7.2 The main competitive advantage of the European Union is our human capital. Europe lacks raw materials, our living standards are the highest in the world and our regulatory framework is quite demanding: this means that our biggest advantage is high productivity, driven by our human capital and rich diversity.

4.7.3 Capability building and projects to define key skills will be essential in order to ensure an effective industrial transition that focuses on equality and does not leave anyone behind. To this

end, training in the new challenges that will arise needs to be promoted at all levels of society (from currently active to future employees).

4.7.4 Innovative thinking will be key for future decision-making processes. These capabilities must be part of the training programmes. In addition, there will be a huge demand for digital skills in the near future. Human resources need to focus on trying to fill these gaps, with the aim of ensuring competitive organisations staffed by people who are also fit for purpose.

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