



Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery

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Industrial strategy was adopted on 10 March 2020 focusing on industrial transformation

Europe is embarking on a transition towards climate neutrality and digital leadership. The European industrial strategy aims to ensure that European industry can lead the way as we enter this new age.



GREEN TRANSITION

The European Green Deal is Europe's new growth strategy.

At the heart of it is the goal of becoming the world's **first climate-neutral continent** by 2050.



GLOBAL COMPETITIVENESS

The right conditions are needed for entrepreneurs to turn their ideas into products and services and for companies of all sizes to thrive and grow.

The EU must leverage the impact, the size and the integration of its single market to make its voice count in the world and **set global standards**.



DIGITAL TRANSITION

Digital technologies are changing the face of industry and the way we do business.

They allow **economic players** to be more proactive, provide workers with new skills and support the decarbonisation of our economy.

The COVID-19 crisis has strongly affected our EU economy

6.3%

decline of EU economy

60%

of SMEs reported a fall in turnover in 2020

24%

fall in intra-EU trade in Q2 & Q3 2020

1.7%

SME employment decrease in 2020 - 1.4 million jobs

45%

of firms expected to reduce investment in 2021

[Eurostat recovery dashboard:](https://ec.europa.eu/eurostat/cache/recovery-dashboard)
<https://ec.europa.eu/eurostat/cache/recovery-dashboard>

So we needed to update the industrial strategy

	REQUESTS
<u>President von der Leyen</u> – 2020 SOTEU	Update of the Industry Strategy and adapt the competition framework
<u>Council</u> (September 2020)	Single Market strategic report: <ul style="list-style-type: none">• 2020 Enforcement Action Plan• progress in addressing Single Market barriers
	Assess the Single Market resilience: <ul style="list-style-type: none">• lessons from the COVID-19 crisis• robustness of existing procedures• need for (non-)regulatory actions
<u>European Council</u> (Oct. 2020)	Identify strategic dependencies - in most sensitive industrial ecosystems -& propose measures to reduce them

Package adopted on 5 May 2021

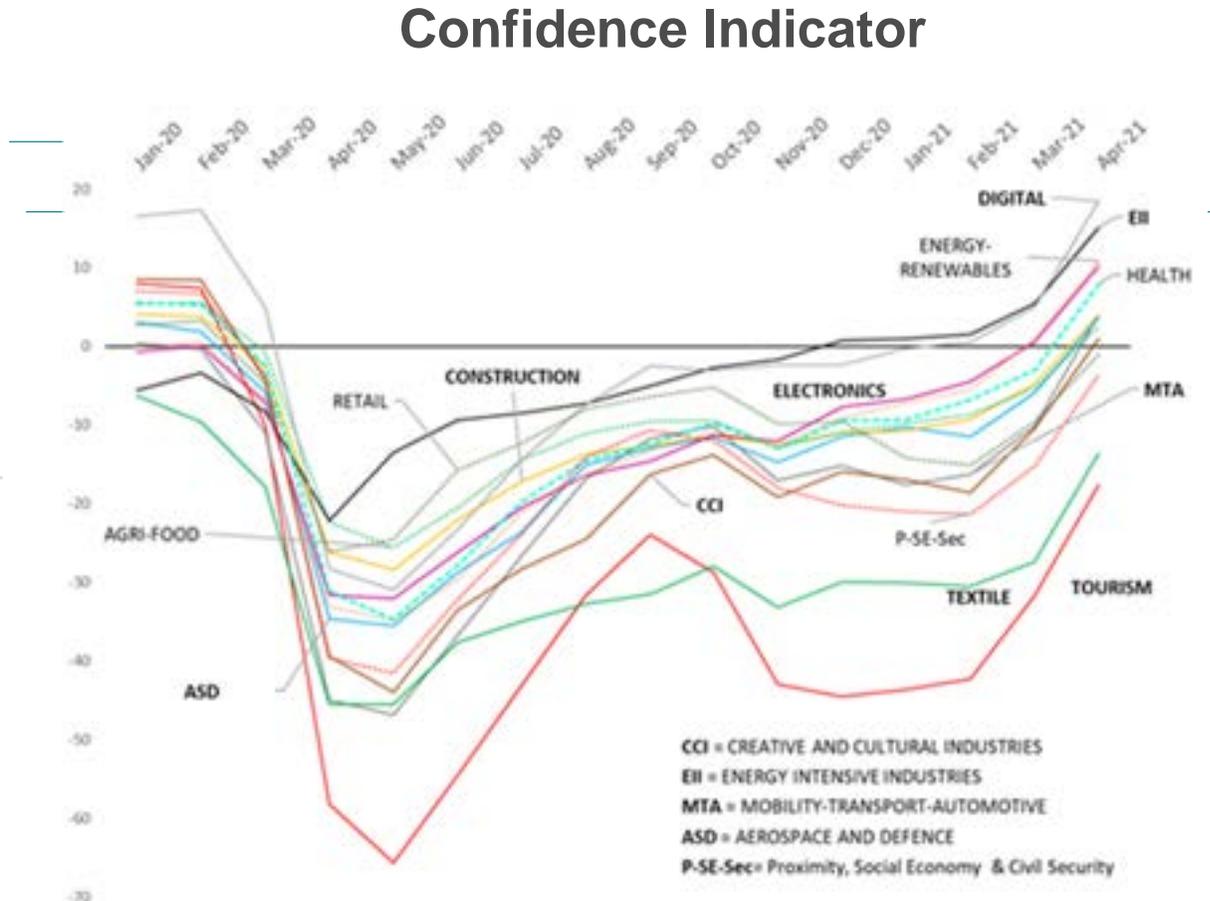
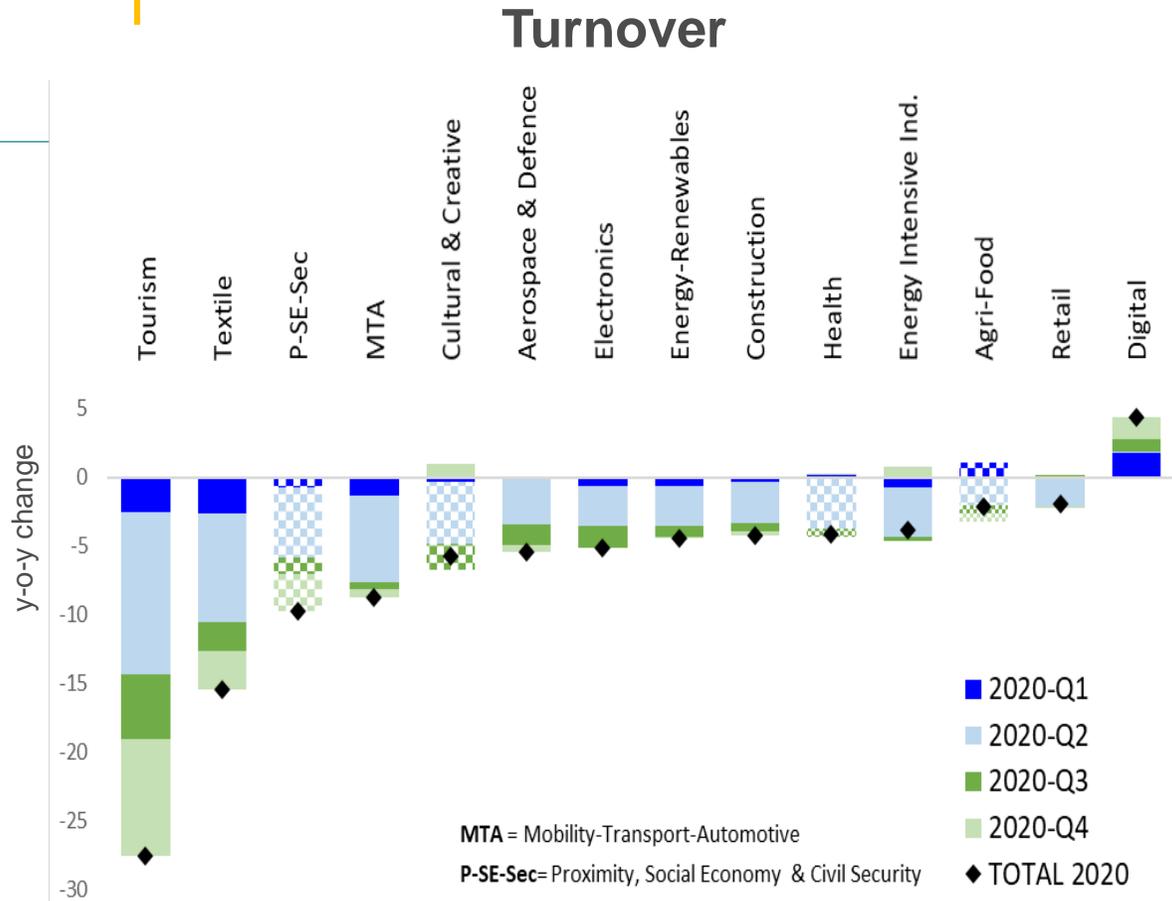
- **Chapeau Communication:** Strengthening our Single Market Economy for Europe's industry of tomorrow
- **Three Staff Working Documents:**
 - Annual Single Market Economy Report 2021
 - Strategic dependencies and capacities
 - Towards competitive and clean European steel

Chapeau Communication - structure

- State of the Single Market economy
- Lessons learnt from the crisis
- Strengthening Single Market resilience
- Tackling Europe's strategic dependencies
- Accelerating the twin green and digital transition



The impact of the crisis varies across different ecosystems and companies



Source: GROW calculations based on Eurostat and EC business and consumer surveys

Note: Data reported in this graph may underestimate the impact on Cultural and Creative industries and Proximity, Social Economy and Civil security

Measures needed to take into account the lessons learned from the crisis and sustain investment

Key issues:

- Borders restricting free movement of people, goods and services
- Interrupted global supply chains affecting availability of essential products
- Disruption of demand



Strengthening of the resilience of the Single Market



Supporting Europe's Open Strategic Autonomy through dealing with dependencies



Supporting the business case for the twin transitions

Lesson 1: Strengthen Single Market resilience

Resilience of the Single Market

The Single Market is the EU's most important asset, offering certainty, scale and a global springboard for European companies. However, the COVID-19 pandemic has affected the opportunities offered by the Single Market. Businesses and citizens suffered from border closures, supply was disrupted and predictability was often lacking.



Single Market Emergency Instrument: to provide a structural solution to ensure the availability and free movement of persons, goods and services in the context of possible future crises



Deepening the Single Market: explore harmonisation of standards for key business services; as well as strengthening the digitalisation of market surveillance and other targeted measures for SMEs



Monitoring the Single Market: an annual analysis of the state of the Single Market, including across 14 industrial ecosystems.

Key actions: Single Market Emergency Instrument

Disruptions in the Single Market

Disruptions in free movement of people, goods and services

Poor coordination and information sharing on restrictions

Disruptions in supply chains and lack of essential products

High volumes of non-compliant goods to be checked

Single Market Emergency Instrument

Structural solutions to facilitate circulation of goods and services (e.g. Green Lanes)

Improved transparency on export restrictions and services restrictions (e.g. notifications)

Faster product availability and enhanced market surveillance (e.g. standard setting and sharing, fast-track conformity assessment)

Strengthened public procurement cooperation

Deepening the Single Market



Services

- harmonised standards for business services
- Action on the declaration of the posting of workers



Faster and easier cross-border service provision



Goods

Strengthening Single Market surveillance



Better circulation of safe, compliant goods



Analysis

Annual Single Market report



Monitoring of the Single Market Economy

Lesson 2. Analyse and address strategic dependencies and capacities

Key actions

Lessons learnt

1

- Some strategic dependencies caught Europe by surprise and underprepared
- SMEs are particularly vulnerable

2

- Diversification of imports (where possible) can increase resilience
- New opportunities (e.g. Biden administration)

3

- In some areas, EU lacks domestic strategic capacity
- We have successful examples of building capacity in Europe (e.g. battery alliance)

Updated Industry Strategy

- Ensure periodic review of strategic dependencies and monitoring of risks associated with strategic dependencies
- Provide specific support to increase resilience of SMEs

- Explore stronger partnerships (e.g. with US to address common dependencies vis-à-vis China)

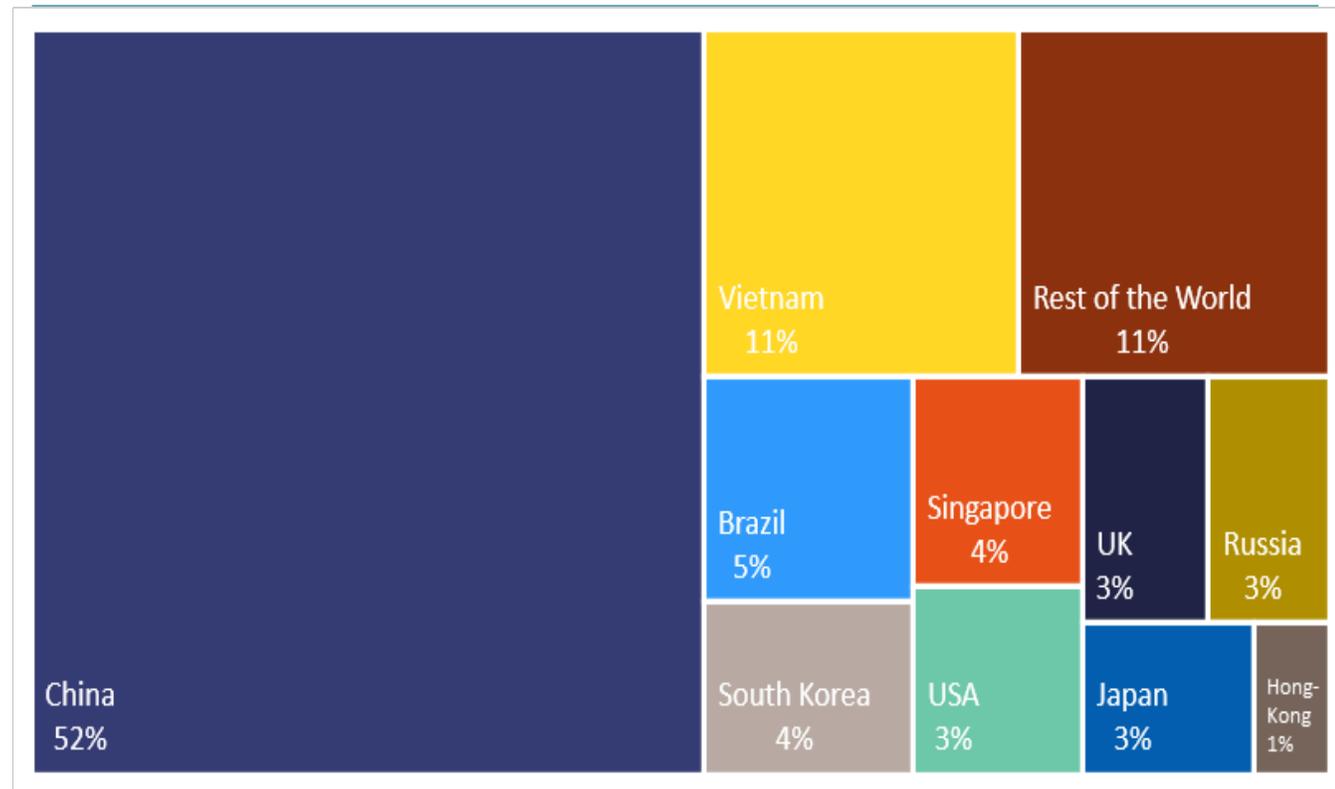
- Industrial alliances: launch alliances on processors & semiconductors, on industrial data, edge and cloud
- Support development of new IPCEIs
- Horizontal measures to support EU leadership (e.g. in standards,)

6% of the value of all EU product imports are highly dependent on foreign suppliers

Main messages

1. **Dependency:** high concentration of imports and limited production in the EU
2. **“Bottom-up” screening:** 137 out of 5200 products analysed show high EU dependency.
3. **34 products are more vulnerable:** with low potential for diversification and substitution (various raw materials and chemicals used in energy intensive industries and health)
4. **Origin of dependencies:** More than **50%** originates in **China**

Identified 137 dependencies by origin (% imports)



6 strategic areas where the EU has dependencies: raw materials, batteries, active pharmaceutical ingredients, hydrogen, semiconductors, cloud and edge technologies

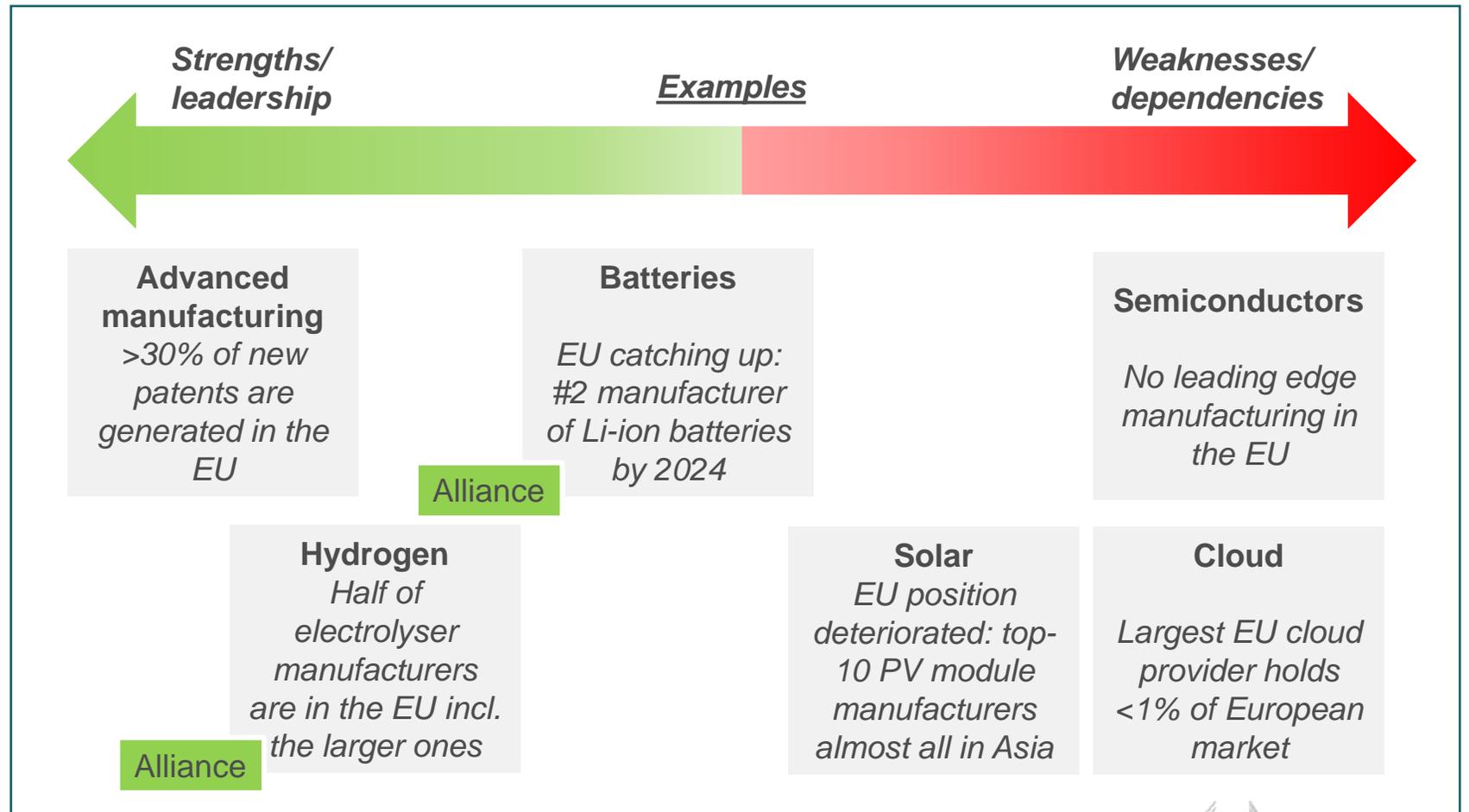
Others are also dependent on the EU & we share dependencies with our partners

	Dependent Country	Source of dependency	# dependent products in sensitive ecosystems	% dependent products in import value	Potential for diversification (% of dependent products)
« Reverse dependencies »			~ 260 products	 3,1 %	 Low High
			~ 90 products	 0,6 %	
			~ 15 products	 0,1 %	
			~ 40 products	 2,9 %	
« Common dependencies »			~ 20 products	EU  2,8%	
				US  4,1%	

EU strategic capacity: strong in some technologies, highly dependent for others

Main messages

1. Dependencies are **not limited to products**
2. Strategic capacity in key technologies is essential to **deliver on green/digital ambitions**
3. EU has **strengths and weaknesses**: highly competitive in some areas, highly dependent in others
4. Can **build on successful examples** (e.g. alliances)



Lesson 3. Accelerating the green and digital transitions

Accelerating twin transitions



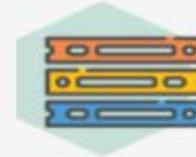
Transition pathways

Co-create jointly with industry and stakeholders, transition pathways to identify the actions needed to achieve the twin transitions, giving a better understanding of the scale, benefits and conditions required.



Multi-country projects

To support the recovery efforts and develop digital and green capacities, the Commission will support Member States in joint projects to maximise investments under the Recovery and Resilience Facility



Analysis of the steel sector

To ensure a clean and competitive steel industry, the Commission analyses and addresses challenges for this sector.

Accelerating twin transitions



Horizon Europe partnerships

Bringing together private and public funding to finance research and innovation on low-carbon technology and processes.



Abundant, accessible and affordable decarbonised energy

The Commission will work with Member States to accelerate investments into renewables, grids and address barriers.

Key actions

Lessons learnt

- Different **needs and challenges across ecosystems** for successful green and digital transformations
- **Acceleration** in digital and green transitions over last year; vulnerabilities, **investment gaps**
- To support **business case** for the transition and predictability, industry needs:
 - a coherent & stable **regulatory framework**;
 - access to **capacities** and infrastructure (including digital ones)
 - access to **finance**;
 - access to **raw materials** and **decarbonised energy**, and **the right skills**

Updated Industry Strategy

- **Ecosystem analysis** of challenges faced by 14 industrial ecosystems and of transformative initiatives for twin transitions and boosting resilience
- Co-creating **transition pathways**

We will be supporting the business case through a **combination of actions**, including:

- investments & capacities building: **Recovery and Resilience Facility, Multi country projects**
- innovation: **Horizon Programme**
- **regulatory framework**: 'fit for 55', Carbon Border Adjustment Mechanism, eco-design measures, sustainable products initiative; green investment and green finance;
- raw materials: European Raw Materials Alliance
- digital: data & data spaces
- access to abundant, affordable and **decarbonised electricity**
- **skills**

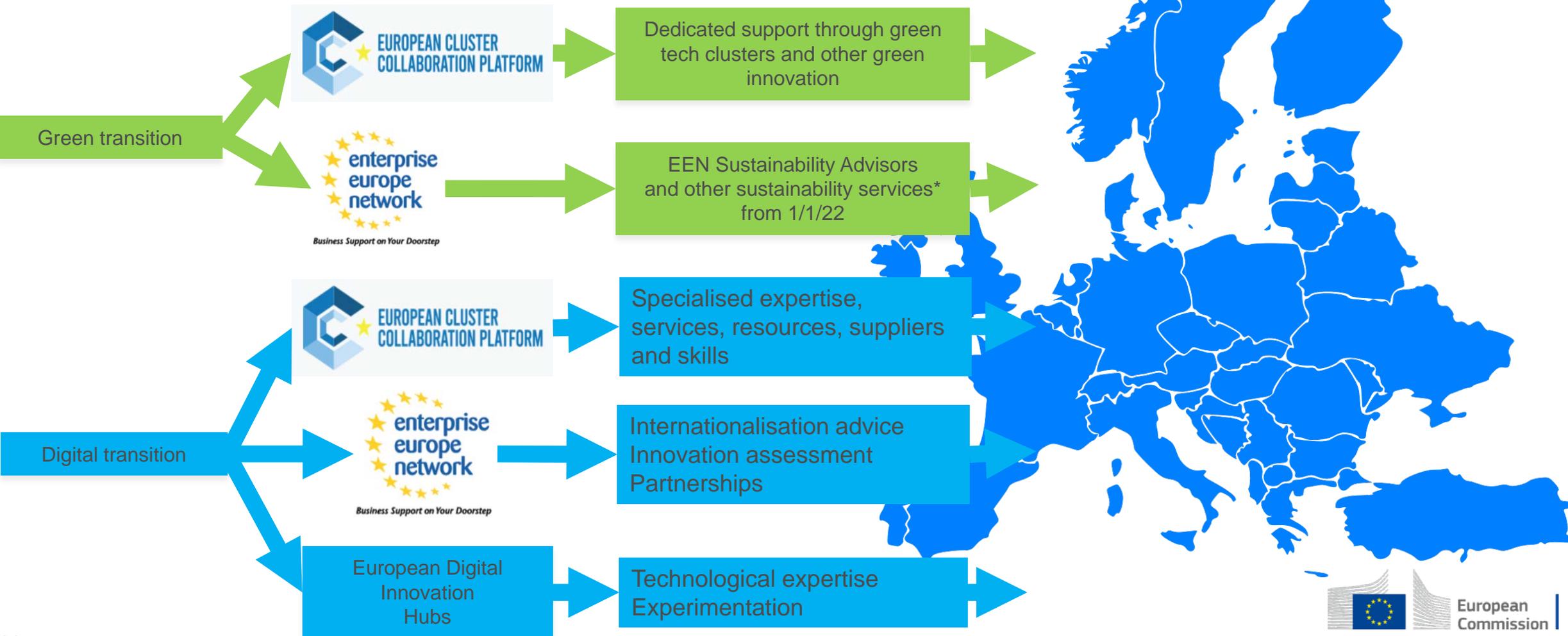
Putting SMEs at the core of the twin transitions

Channels for the next MFF (2021-2027):

Clusters: (JCI/ECCP around 1000 cluster organisations): 14 mn EUR per year

EEN: (around 500 members in EU): 47 mn EUR per year

EDIH: (200 EDIHs): 100 mn EUR per year



Industrial Alliances and the Industrial Forum

Industrial Alliances

- Industrial alliances can be an effective tool, in particular when:
 - there is an urgent rationale for changing business model (e.g. to deliver on the circular economy),
 - There is a risk of being squeezed out of markets that are key to the future of EU industry, economy or strategic autonomy (e.g. batteries, raw materials)
 - there is a chance to capture a promising future-proof market with significant spill over effects.
- The Commission will continue to support **industrial alliances** in strategic areas where:
 - They are the best tool to accelerate activities that would not develop otherwise,
 - They help to attract private investors to discuss new business partnerships and models in a transparent manner, fully compliant with competition rules and where they have a potential for high-value job creation.
- The Commission is preparing the launch of:
 - the **Alliance on processors and semiconductor technologies**
 - the **Alliance for Industrial Data, Edge and Cloud**
- The Commission is also considering the preparation of:
 - an **Alliance on Space Launchers**
 - an **Alliance on Zero Emission Aircraft**

Industrial Forum

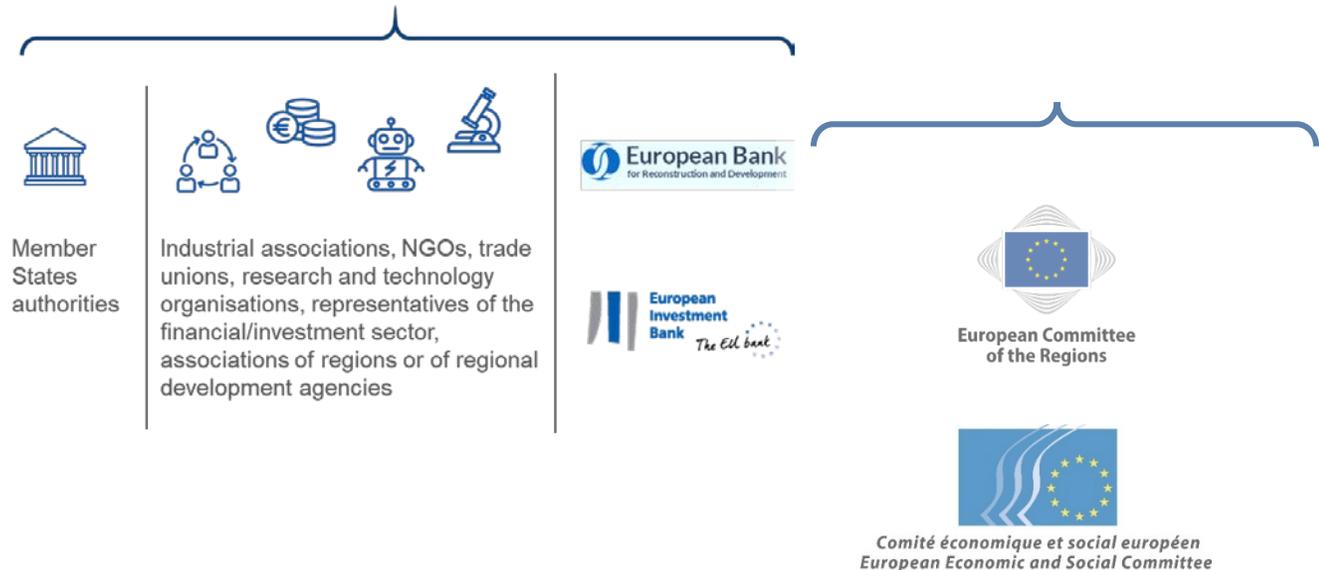
Tasks

1. Advise on the **implementation** of the **industrial strategy**
2. Contribute to the Commission's **analysis of industrial ecosystems**, monitor their progress and identify areas for **cross-border and cross-ecosystem collaboration**
3. Provide recommendations to foster the **green and digital transitions** of ecosystems and **facilitate coordination** among stakeholders, investments and support measures

Composition

55 members

2 observers



Dialogue with a wider range of stakeholders

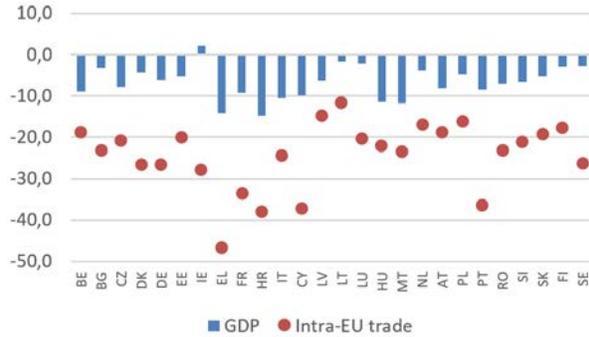
SWDs

SWD Single Market Economy Report 2021

Structure:

1. Why this report is needed
2. The impact of the crisis on the Single Market Economy
 - Impact of the COVID-19 crisis and restrictions to the Single Market
 - The impact of the crisis on the economy
 - The industrial ecosystems perspective
 - The impact of the crisis on SMEs
 - Progress on key Single Market obstacles
 - Lessons learnt to increase the resilience of the Single Market
3. Delivering on the ground: the implementation of the 2020 Single Market Enforcement Action Plan, Industrial and SME Strategies
 - A deeper Single Market
 - A global level playing field
 - Climate neutrality and a circular economy
 - Digital transition and innovation
 - Skilling and reskilling
 - Investment and financing
 - Reinforcing Europe's industrial and strategic autonomy
 - A new governance approach
4. Conclusions

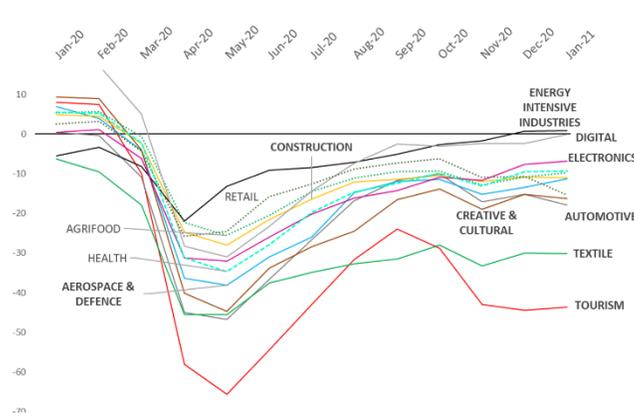
Annual Single Market Economy Report – key messages



1 GDP and intra-EU exports of goods and services - Q2, Q3 2020 compared with

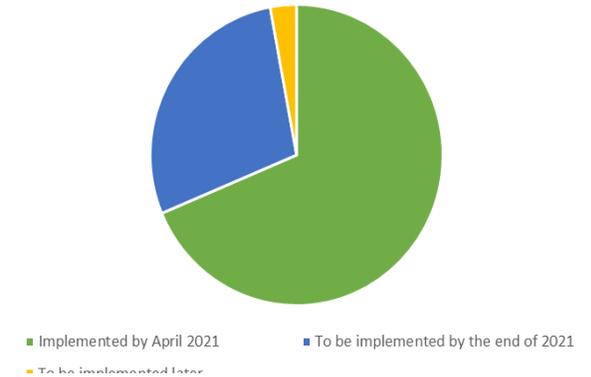
Significant impact on Intra-EU trade because of uncoordinated measures by MS hampering the Single Market

Chart 9: Evolution of the Confidence Indicator by Ecosystem – Monthly



Heterogeneous impact across ecosystems

State of implementation of the 2020 Industrial Policy Package



Significant progress in the implementation of the 2020 Industrial Policy Package (indicative)

Annexes

1. State of play of the implementation of the Single Market Enforcement Action Plan.
2. Overview of the implementation of the Industrial and SME Policy.
3. 14 Industrial ecosystems fiches.
4. Key Performance indicators – Methodology and Overview.

Construction ecosystem

24.9 million people employed
 9.6 % of EU value added
 5.3 million firms (>99% SMEs)

Current situation

Input challenges

- Faster uptake of new and digital technologies;
- Adopt life cycle and circularity approach;
- Upskilling/reskilling 3 to 4 million people;
- Better regulatory and administrative environment.

Competitiveness challenges

- Improve liquidity and profitability base of SMEs
- Level-playing field with Chinese State-Owned construction enterprises in public works.

Investment challenges

- Buildings decarbonisation (€275 bln/year);
- Digitalisation of the ecosystem and skills development (€30 bln/year)

How?

- Integration of sustainability criteria in the revision of the Construction Product Regulation
- Standards including information about climate resilience, circularity and environmental performance
- Affordable Housing Initiative
- Transition pathway and co-creation of a roadmap for a competitive green and digital ecosystem
- EU dataspace and digital innovation hubs for construction
- EU Late Payment Observatory

Covering investment needs

CRII+/ERDF/ESF/CEF	EU ETS Modernisation Fund	National RRFs (component 'Renovate')
Horizon Europe	Digital Europe (dataspaces; reskilling/upskilling)	InvestEU



Collaborative policy-making

High-Level Construction Forum; New European Bauhaus; Covenant of Mayors; European Cluster Collaboration Platform

Goals

- Cut buildings' greenhouse gas emissions by 60%
- 35 million building units to renovate by 2030 (20% of total number of units)
- Average deep energy renovation cost per m² of €310 in residential and €465 in public buildings



Mobility-Transport-Automotive Ecosystem

14.6 million jobs
7.5% of EU value added (€906 bln)
99% of SMEs

Current situation

Competitiveness/ Input challenges

- Reliance on Asia for batteries and semiconductors;
- Regulating automated vehicles
- Need to go circular
- 3-5x more clean electricity
- Up-skilling/Re-skilling

Investment challenges

- Huge investment needs (€50bln) per carmaker for green and digital

Inputs

Clean/automated technologies

Battery/Hydrogen/advanced automation

Raw materials *Lithium, Cobalt, Copper, Magnets, etc*

Critical Components

Semiconductors, Sensors, Lidars, battery materials, etc

Skills up to 700,000 workers reskilled each year *(automotive only)*

How?

Key Measures on the demand side

- CO2 standards
- Euro 7
- Clean Vehicles Directive
- Alternative Fuels & Infrastructure Directive
- Fleet Renewal Schemes
- Emission Trading System
- Automated vehicles rules
- End-Of Life vehicles Directive
- Consumer empowerment

Actions for a level playing field

- Integration of global dimension in EU Competition law
- Access to Third Countries Public Markets
- FDI screening
- Carbon Border Adjustment Mechanism

Goals

- **Green & Digital: Keeping EU as a production and innovation place**
- **Batteries: EU self-sufficient by 2025**
- **CO2 at least -37.5%**
- **Pollutant emissions reduced by up to 50% (NOx, Particles)**

Covering investment needs

RRF (Charging and refuelling infrastructure, Scale Up, Reskill)

Horizon Europe
InvestEU

IPCEI (state aid)

Just Transition Fund for regions in transition

EIB loans



Collaborative policy-making

Consolidating success of the Battery Alliance, with the Hydrogen and Raw Materials Alliances. **New alliances needed** to support connected and automated mobility (semiconductors).



SWD – Strategic dependencies and capacities

Structure:

1. Context and approach
2. Bottom-up mapping of product dependencies in sensitive ecosystems
3. EU performance in advanced technologies
4. Relevant policy measures to address strategic dependencies
5. Reviews of a selected number of strategic areas (raw materials, pharmaceutical ingredients, batteries, hydrogen, semiconductors, cloud)
6. Conclusions

Key messages:

- Bottom-up mapping identifies product dependencies (high concentration of imports and low potential for substitution with EU production) across sensitive ecosystems – about half of the identified dependencies originate in China
- The EU faces particular challenges and risks of dependencies for some key technologies in the digital ecosystem (such as cloud and semiconductors)
- Policy measures should build on a balanced mix of actions: multilateral solutions where possible and building own EU capacity where necessary

SWD – Towards competitive and clean European steel

Structure:

1. Introduction
2. The steel industry in Europe and globally
3. The green and digital transition challenge
4. The EU toolbox
 - 4.1 Funding and budget programmes
 - RRF, Horizon, JTF, Taxonomy, State Aid rules
 - 4.2 Supportive regulatory environment
 - ETS, CBAM, decarbonized energy, sustainable products initiative, standards, public procurement
 - 4.3 Global supply chains
5. The social dimension and skills
346. Conclusion

Key messages:

- Steel as a key industrial sector with hard-to-abate emissions, at the same time under pressure from global overcapacity and unfair trade practices
- Positive message: European steel producers can be ahead of the curve by investing into circularity and decarbonisation
- Need to look at and refine the toolbox of funding programme, regulation and trade instruments to provide a supportive regulatory environment and help the steel industry master its transition

Thank you



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