



By: Tomorrow's Affairs Staff

European green industry deal - room for a new transatlantic partnership



The race between the Americans and Europeans as a way of encouraging the domestic green industry is a clash between two economic protectionisms, but its result will bring rapid progress towards slowing down climate change.

At the end of this week, the European Commission announced the Net-Zero Industry Act, whose aim is to provide at least 40% of the technology needed for the EU to achieve its climate and energy goals with domestic production by 2030.

This is the European response to a similar programme passed by the US last year: the Inflation Reduction Act, where the green industry programme for the next 10 years is worth 369 billion USD.

The new European programme, whose aim is to support the domestic green industry is slightly smaller, amounting to about 270 billion USD, but the essence is the same - to subsidise those industries that will directly reduce carbon dioxide emissions.

The US IRA programme should close two-thirds of the backlog from the current greenhouse gas emissions to those outlined as a goal for 2030.

The European response is the Net-Zero Industry Act, which lists the industries and technologies that will be directly supported by the joint programme, and are expected to contribute most effectively to decarbonisation. Amongst others, these are solar, wind, batteries and storage, as well as heat pumps and nuclear.

Nuclear programmes still accepted

It was the inclusion of nuclear capacities in the greenhouse emission reduction programme that was the subject of major changes in the European decision.

The European government finally reached a

compromise and decided to include "advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle, small modular reactors" in the technologies important for reducing carbon dioxide emissions.

France, as the European leader in the development and production of nuclear power plants, is partially satisfied with the final inclusion of this technology in the EU programme, but they are still dissatisfied because nuclear technology is still not on the list of technologies that will receive subsidies from the new EU law.

The Net-Zero Industry Act is expected to be modified procedurally in the European Parliament, possibly in a section that will satisfy advanced French nuclear projects.

Changing priorities

Proponents of a liberal, open market are not happy about the new European law, nor its American predecessor, because it stimulates domestic production with huge state subsidies, thereby closing options for players from third markets.

"While both subsidy schemes are powerful steps toward reducing greenhouse gases and accelerating climate action, they could escalate trade tensions and leave developing and emerging economies on the side-lines", analysts of the World Economic Forum concluded last week.

However, the adoption of the EU's response to the US green industry subsidy programme has shown that the two largest Western economic entities currently have different priorities over promoting global industrial ties.

"If we want to get to climate neutrality as we plan in 2050 and if you want to use all the opportunities this industrial revolution is throwing at us and ward off the challenges ... we will need a massive scale-up of clean tech manufacturing", Commission Vice President Frans Timmermans told reporters.

In other words, the European motive is primarily to take steps to meet the climate goals by 2030 and 2050, and immediately after that to stimulate the domestic (European) industry of new materials and clean technologies.

Only after that, there will be concern about the global balance in the fight for climate goals, if there is room for it.

Compatibility of European and American programmes

The motive for the adoption of the European programme to support the domestic green technology industries has been the crisis with the supply of fossil fuels, due to the Russian aggression against Ukraine, which brought the need urgently to increase the capacity of renewable energy sources, in order to reduce dependence on imported gas and oil.

Also, last year's coping with the reduction of energy imports from Russia, brought back some old and environmentally unacceptable energy sources, such as coal, across Europe, which also slowed down the decarbonisation of the industry.

On the political level, the European Net-Zero Industry Act, only at first glance, is an out of necessity response to a similar American programme contained in the Inflation Reduction Act.

However, these programmes are not competitive, or the result of action and reaction. They open the way for a new transatlantic partnership in a field where there has not been much synchronisation until now.

The great similarity of the motives for passing laws to support the domestic industry leading to decarbonisation, and even the similar amounts of money allocated to subsidise those industries, indicate that there is much more strategic overlap in the American and European programmes than tactical divergence.

Both economies are looking for a way to ensure the stability of their supply chains, which have been severely disrupted in recent years, primarily by the COVID-19 pandemic, the war in Ukraine, but also by constant tensions with China.

It is China's dominance in some vital markets for industries that reduce pollution, such as the production of batteries for electronic vehicles that both the US and the EU want to eliminate, or China's dominance in critical materials necessary for any eco-sustainable industry.

The compatibility of the European and American green industry support programme has been the main point at the recent meeting between US President Joe Biden and European Commission President Ursula von der Leyen in Washington.

Although, only in principle and in general, both indicated that this field could be at the top of the priorities of transatlantic cooperation.

“We’re driving new investments to create clean energy industries and jobs, and make sure we have supply chains available to both our continents. And under that idea is it underpins our Inflation Reduction Act, and it lies at the heart of your Green Deal Industrial Plan in the EU”, said President Biden at the meeting with the President of the EU Commission.