

Recommendations for a Clean Industrial Deal

IOGP Europe welcomes the European Commission's commitment to deliver a Clean Industrial Deal in its first 100 days, to champion competitiveness as a strategic priority and create the conditions for a stronger business case for clean and traditional industries in Europe. To support this objective, we offer recommendations to help attract the investments needed to restore industrial competitiveness in the EU while achieving climate neutrality by 2050.

On 18 July 2024 Ursula von der Leyen presented the Political Guidelines for the next European Commission mandate (2024-2029). As part of a new plan for Europe's sustainable prosperity and competitiveness, the new Commission will "build a Clean Industrial Deal to decarbonise and bring down energy prices." This proposal, supported by almost 1,300 organizations, including IOGP Europe, echoed the Antwerp Declaration calling for a European Industrial Deal that would "elevate competitiveness as a strategic priority and create the conditions for a stronger business case in Europe."

Europe's declining competitiveness due to slow productivity growth, rising energy costs, and regulatory burden, risks shifting investment and production outside the region, leading to job losses and weakening economic resilience, will persist unless decisive actions are taken to reverse the course. IOGP Europe welcomes the European Commission's initiative to champion competitiveness as a strategic priority and create the conditions for a stronger business case for clean and traditional industries in Europe.

The Draghi report indicates that European economic growth is slowing due to weakening productivity, with the GDP gap between the EU and US widening from 15% in 2002 to 30% in 2023.¹ To address these challenges, the report calls for massive and unprecedented investments of €750-€800 billion annually until 2030² that will be essential to restore competitiveness and advance decarbonization efforts in the EU.

In recent years, the EU attempted to make progress toward climate neutrality primarily through regulation, namely the Fit for 55 Package. However, this legislative package also revealed significant limitations caused by weak impact assessments, over-optimistic forecasts for nascent technologies, technology-specific mandates disconnected from market realities, prescriptive requirements, numerous market interventions, and a lack of regard to the impact on European industry's international competitiveness.

In an era of heightened interregional competition and geopolitical instability, the impact from the EU's regulatory framework's administrative burden, coupled with high investment and compliance costs, as well as over-reliance on certain suppliers and technologies, has hindered the EU's ability to adapt to changing market dynamics while pursuing its ambitious decarbonization goals.

¹ The future of European competitiveness, Part A, September 2024, page 8

² The future of European competitiveness, Part B, September 2024, page 281-282

In this paper, we share recommendations which we believe would support the development of an EU Clean Industrial Deal while ensuring its successful implementation:

- 1) Making business easier by streamlining regulation and enhancing competitiveness.**
- 2) Ensuring secure, abundant and affordable energy by diversifying supply sources.**
- 3) Scaling up clean energy technologies and infrastructures by promoting innovation and using mainly market-driven solutions.**

Making business easier in Europe

Integrating competitiveness and the technology neutrality principle across policies

Integrating competitiveness assessments into energy, climate, and environmental policies is essential to applying the principle of technology neutrality consistently across all EU legislation. This will allow all decarbonization technologies to compete on their merits, ensuring cost-effectiveness, fostering innovation, improving sustainability, and enhancing system-wide efficiency without regulatory bias.

The competitiveness check should be embedded in the Better Regulation Guidance to prevent the introduction of new legislation that is detrimental to Europe's competitiveness.

The implementation of the technology neutrality principle across all policies and legislative files will foster innovation and encourage the adoption of the most efficient and effective solutions, regardless of the technology used. This approach allows for flexibility, encourages competition and therefore reduces costs, and drives progress towards sustainable and cost-effective outcomes through market dynamics, rather than prescriptive technology choices.

Streamlining regulations through industry feedback loops

In coming years, Member States will need to implement, and industry will have to comply with, numerous complex pieces of legislation passed during the previous EU political cycle. This process may reveal difficult challenges along the way. "Reality Checks" that gather industry feedback on a prescribed timeframe and provide a path to revise policy frameworks in a manner that bolsters competitiveness and economic strength, will help regulators address practical challenges faced by businesses when preparing to comply with EU rules. This approach will help ensure that regulations are reviewed routinely and can be modified promptly to ensure compliance and reduce administrative burden, while achieving overall policy objectives. The European Court of Auditors also called for immediate reality check in its Special Report on "The EU's industrial policy on renewable hydrogen".³ This report, questions the European Commission's 'unrealistic' hydrogen production and import targets, and inefficient regulatory framework. This reality check and any resulting legislative review should begin now.

The "Reality Checks" to gather industry feedback and enable timely policy revisions should start now.

³ European Court of Auditors, Special Report, The EU's industrial policy on renewable hydrogen. Legal framework has been mostly adopted – time for a reality check. 2024

Enhancing partnerships with industry for smarter regulation

A closer partnership between regulators and industry, with co-developed regulations, will create rules that are practical and reflect the needs of businesses. This collaboration can ease conformance, streamline implementation, and address sector-specific concerns without increasing regulatory burden.

Industry-government task forces to play a pivotal role in ensuring that regulations remain proportionate, effective, and investment-friendly.

Reducing and simplifying corporate sustainability reporting

As highlighted in the Draghi report, the EU's Corporate Sustainability Reporting and Due Diligence frameworks are a major regulatory burden for all companies, across sectors, including companies with complex, global value chains. The extensive and overly complex reporting rules, third-party verification against standards that sometimes do not yet exist, and costly auditing requirements significantly raise the compliance load. This leads to significant compliance and administrative costs, diverting resources into compliance and creating red tape for productive investment. At a time of heightened international competition and low growth compared to other regions, this further increases Europe's disadvantage.

The European Commission should urgently propose an Omnibus Regulation to amend the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), and the Taxonomy Regulation. This should streamline sustainability reporting, simplify compliance requirements, and reduce the burden on companies. Additionally, in line with the Commission's intent to reduce regulatory burdens, a recast of the Methane Regulation calling for elimination of unfeasible obligations and simplification of requirements should also be included in the Omnibus proposal to ensure a comprehensive approach to simplifying the EU sustainability regulations while maintaining environmental integrity.

To ease this challenge, the European Commission should reduce, simplify and harmonize reporting and due diligence obligations, aligning them with global standards, such as ISSB and SASB, to reduce compliance costs and complexity. Moreover, testing sector-specific standards before adoption will ensure that they are practical and aligned with business realities and the needs of the financial institutions. Companies should be given realistic timelines for implementation to avoid rushed disclosures and costly revisions. A simplified reporting structure will help balance sustainability goals with maintaining competitiveness.

The European Commission urgently to propose an Omnibus Regulation to amend the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), Taxonomy Regulation, and Methane Regulation.

Faster permitting and simplified administrative processes

The European Commission and Member States should focus on simplifying, digitalizing and accelerating permitting, especially in key sectors like energy and related infrastructure. Long and complex industrial permitting hinders companies' green and digital transformation and the EU's global competitiveness, as concluded by a BusinessEurope survey of 240 companies across 21 European countries.⁴ A simplified and efficient permitting process will reduce delays, stimulate investment, and speed-up deployment of low carbon technologies to achieve the EU's sustainability objectives.

We call for a simplified and efficient permitting process to stimulate investment, and speed-up deployment of low carbon technologies.

⁴ Business Europe, License To Transform: SWOT Analysis of industrial permitting in Europe, 2024

Ensuring Secure, Abundant and Affordable Energy

Securing abundant energy supplies

The EU's industrial competitiveness relies on the availability of abundant, secure and affordable supplies of energy, including oil and natural gas which are essential to the production of strategic manufactured products in Europe. In recent years the EU has managed to meet its demand needs by substituting most of its Russian gas imports by drawing on the LNG spot market as well as other reliable energy suppliers, and the reality that there has been a loss in overall industrial demand. Although energy costs and volatility have seen degrees of stabilization as a result of these dynamics, demand reduction in the industrial sector carries significant adverse long-term consequences for governments, consumers, jobs, research, development and innovation and businesses throughout the region. As the Commission is well aware, supply shock and energy price disparity with other regions has led some manufacturers to reduce or cease operations permanently. These dynamics must be addressed if the EU seeks to regain a competitive edge. Moreover, to address the risk that Methane Regulation importer requirements may disrupt imports of natural gas and crude oil to the EU, we urge the Commission to establish regulatory equivalence for countries with robust and enforceable methane regulatory frameworks comparable to EU standards.

We urge the Commission to establish regulatory equivalence for countries with robust and enforceable methane regulatory frameworks comparable to EU standards to ensure security of supplies and energy affordability.

To restore competitiveness and attract investment, the EU must continue to diversify energy supplies, develop domestic energy resources (including oil and gas), and maintain critical energy infrastructure to support industrial growth. Developing and supplying European crude oil and natural gas resources are often more sustainable and compatible with climate neutrality than imports, as they adhere to the most stringent environmental standards and use most advanced technologies, and moreover can contribute significantly to government revenues. Beyond this, remaining European oil and gas reserves should be seen as important in a strategic autonomy perspective, serving as feedstock to important sectors such as fertilizer production and chemical industry, and necessary for steel production (key for defense sector) while fueling the armies in case of conflict. The Draghi report urges *'Member States to assess the role of domestic supply in ensuring EU energy security and price stabilization'*.⁵

We call for the European Commission and Member States to assess the role of European oil and gas production in ensuring EU energy security and price stabilization.

Finally, it is essential to keep critical oil and gas infrastructure and assets such as LNG terminals, storage and dispatchable gas-fired power plants functioning, for they provide the large-scale flexibility needed to accommodate seasonal demand variations, and stabilize an energy system with an increasing share of intermittent renewables. Investing in gas-fired generation capacity enable energy transition is needed to deal with renewables intermittence and all the shortcomings coming from their integration into the electricity grid. S&P Global highlights ongoing investments in gas-fired generation, with nearly 10 GW of new capacity under construction in Europe.⁶ This development underscores the necessity of dispatchable, flexible power sources to support a renewable-heavy grid. These gas plants may also be adapted for low-carbon fuels like hydrogen in the longer term or equipped with Carbon Capture and Storage (CCS) technologies to align with climate goals.

We call for attention to investment needs in critical oil and gas infrastructure and assets such as LNG terminals, storage and dispatchable gas-fired power plants that deal with intermittent renewable power.

⁵ The future of European competitiveness, Part B, September 2024, page 26

⁶ S&P Global, Europe undergoes modest revival in gas plant construction as further coal closures loom, March 2023, under this link: <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/032123-europe-undergoes-modest-revival-in-gas-plant-construction-as-further-coal-closures-loom>

Balancing energy affordability and long-term stability

In recent years, energy policy has relied on over-ambitious projections vulnerable to structural changes. In the current shifting geopolitical and economic landscape, the EU needs to base its decisions on realistic, and adaptable forecasts. Forecasts should avoid overestimating the deployment of new energy technologies, which can create artificial shortages of traditional energy sources, and hurt competitiveness and purchasing power. Furthermore, we encourage the Commission that these forecasts take a realistic assessment of the economic challenges associated with the deployment of new and nascent lower carbon technologies. Developing and relying on realistic assumptions is paramount as the EU begins to develop its energy and climate roadmap to 2040. Unrealistic policy projections can mislead market players and undermine confidence in their reliability. Overly ambitious targets paralyze investment rather than incentivize. There needs to be a fact-based, economically grounded approach when setting 2040 GHG targets, carefully evaluating impacts on energy security, competitiveness, and the European socioeconomic model.

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Long-term projections are highly challenging, as volatility is an inherent aspect of the energy transition; with shifting demand patterns and the uncertain impact of evolving regulatory frameworks, many factors are in flux. We must recognize that volatility is driven by significant structural changes in the energy system that do not always align smoothly. Price fluctuations and volatility serve as crucial market signals, indicating where investment is needed. Europe, for instance, lacks sufficient energy storage and system flexibility, which exacerbates volatility when prices spike without mechanisms to stabilize them. However, this volatility can spur investments in infrastructure that enhances storage and flexibility, as market players seek opportunities to profit from these price dynamics.

To reduce this volatility in energy markets, it is imperative that EU recognizes the long-term need for natural gas and delivers consistent and coherent signals regarding the need to maintain natural gas as part of the diversifying supply portfolio. Such clarity is vital to bridging the widening gap between projected demand and the volumes currently secured under long-term contracts, as underscored by the Draghi report. Long-term LNG contracts until 2049 are needed to ensure more favourable gas prices by stabilizing supply and demand and reducing the volatility of spot market fluctuations. The longer Europe hesitates, the more exposed it will be to volatility and the behaviour of Asian buyers who are not averse to signing long-term contracts.

We call to encourage long-term LNG contracts to ensure more favourable gas prices by stabilizing supply and demand and reducing the volatility of spot market fluctuations.

High energy costs are creating pressure on both consumers and businesses, driving inflation and slowing economic activity. While short-term fixes such as price caps might seem attractive, they can have unintended consequences, such as discouraging LNG imports and undermining long-term contracts that stabilize the market and give industrial users predictability. Instead, the EU *needs to prioritize a well-functioning, competitive energy market with diversified sourcing to ensure affordable energy and reduced volatility. This approach will provide the stability needed to balance immediate relief measures with sustainable, long-term energy solutions.*

We call for the European Commission to prioritize a well-functioning, competitive energy market with diversified sourcing to ensure affordable energy and reduced volatility.

Scaling up clean energy technology and infrastructure

Accelerating the deployment of clean and low-carbon technologies

In a technology neutral way, the EU needs the framework seeking to accelerate deployment of clean and low carbon technologies to meet climate goals without compromising industrial output or competitiveness. To avoid emission reductions through de-industrialization or energy poverty, the EU should give users a broader choice of decarbonization solutions by leveraging and scaling up all available clean and low-carbon technologies in different sectors of the economy. To meet the 2030 targets, the regulatory framework must be made more flexible, allowing technology-neutral solutions that enable cost-efficient decarbonization across sectors. Moreover, policies should be designed to stimulate markets (demand) for low-carbon products, which is essential for establishing a viable business case for the EU industry.

We call for a regulatory framework to be made more flexible, allowing technology-neutral solutions that enable cost-efficient decarbonization across sectors.

ETS as the climate policy driver

The Emissions Trading System (EU ETS) should remain central to the EU's climate strategy, promoting the most cost-effective technologies for reducing emissions. Prioritizing solutions with the greatest impact per ton of CO₂ abated will drive innovation while maintaining economic viability.

We call the European Commission to task the Joint Research Centre (JRC) to develop a tool to compare decarbonization costs, ensuring evidence-based decision-making under ETS and CBAM.

Carbon removals are essential for the EU's climate goals, helping to offset emissions from sectors that are difficult to fully decarbonize. By capturing and storing CO₂, they play a vital role in achieving net-zero emissions by 2050 and offer a necessary buffer to balance unavoidable emissions during the energy transition.

Let the market lead decarbonization

The EU must avoid picking winners and targets, but rather focus on delivering decarbonization through a balanced market-driven approach, including maintaining policy coherence between the RED III, with its provisions on RFNBO's, and the ETS. Governments should facilitate, not intervene in, commercial agreements, preserving the competitive advantages of a market-driven approach. Overlapping policies that are not consistent with each other and not mutually reinforcing could reduce the clarity and the impact of the ETS, while adding unnecessary costs and risking suboptimal investments.

We call for the EU to focus on delivering decarbonization through a balanced market-driven approach, instead of picking winners and technology specific targets.

Prevent carbon leakage

Without robust support mechanisms like CBAM and free allowances, rapid decarbonization could lead to offshoring of energy-intensive industries, harming Europe's economy and increasing global emissions.

The EU should utilize instruments such as the ETS Innovation Fund, Competitiveness Fund, and Carbon Contracts for Difference (CCFDs) to finance most cost-effective technologies for reducing emissions.

Unlock the potential of CCS and low-carbon hydrogen

Carbon capture and storage (CCS) is key to decarbonizing energy-intensive industries, but challenges remain in scaling it to commercial levels. A supportive legislative framework, coupled with funding and de-risking measures, is needed to achieve the planned CCS objectives.⁷ Until CCS is not developed at commercial level, funding and de-risking mechanisms dedicated to CCUS development will be needed. In the long term, we believe should be part of a future European Competitiveness Fund which can mobilize funding from the next EU multiannual financial framework (MFF) for industrial decarbonization also through CCS and low-carbon hydrogen.

We call for integrating a market-based auctioning scheme into Innovation Fund – a European CCS Bank – similar to the existing Hydrogen Bank, to scale up CCS deployment.⁸

Low-carbon hydrogen offers a cost-effective solution to reduce emissions in sectors that cannot be readily electrified, like maritime transport and energy-intensive industry. By adopting a technology-neutral approach to hydrogen, including both low-carbon and renewable options, the EU can save over a trillion euros in the coming decades.⁹ This should be reflected in the EU legislative framework and de-risking measures, and therefore, the EU Hydrogen Strategy should be updated to reflect the definition that clean hydrogen consists of green and low carbon hydrogen with both receiving equal recognition. Whereas the Hydrogen Bank should support investment in clean and low carbon hydrogen to scale-up hydrogen production and deployment. Similarly, we need a European CCS Bank. Moreover, stimulating the demand for low-carbon products, produced for example, in industrial installations using CCS and low-carbon hydrogen, should also be a priority under the Clean Industrial Deal.

We call for a technology neutral approach towards hydrogen that should be reflected in the Hydrogen Strategy and across all relevant EU legislation and mechanisms.

Developing CO₂ infrastructure

Timely and adequate investment in CO₂ infrastructure is essential for effective decarbonization. The absence of a carbon capture and storage (CCS) network for energy-intensive industries, along with congestion in the electricity grid, poses significant challenges. Establishing an Important Project of Common European Interest (IPCEI) for CCS, supported by government guarantees and funding, could advance the buildout of CCS infrastructure at scale, supporting competitive, technology-neutral decarbonization. We welcome the Commission's upcoming regulatory framework for CO₂ transport as the first legislative act deriving from the Industrial Carbon Management Communication. We believe this should be based on requirements of the CO₂ Storage Directive of transparent and non-discriminatory access, where possible, but also allow negotiated solutions where they are needed for incentivizing investment, subject to national regulatory authority approval, and should allow for flexibility based on assessment of different transport modes, their maturity and size.¹⁰

We call for establishment of an Important Project of Common European Interest (IPCEI) for CCS, supported by government guarantees and funding.

⁷ Net Zero Industry Act set a target of 50 million tonnes (Mt) of CO₂ per year by 2030. While based on the [impact assessment on the EU climate target for 2040](#), the European Commission estimates the need of 280 Mt of CO₂/y by 2040 and approximately to 450 Mt of CO₂/y.

⁸ More details about the functioning of the proposed CCS Bank can be found in the [IOGP Europe proposal for a competitive CCIDs auctioning mechanism – A European CCS Bank for Europe](#).

⁹ [Hydrogen4EU Study](#), 2022 Edition, page 11, "Cumulative investments in the European hydrogen value chain amount to several trillions of euros over the next thirty years.(...) Between €300 billion (in the Technology Diversification pathway) and €450 billion (in the Renewable Push pathway) need to be mobilized through the mid-2030s to finance the development of the European hydrogen supply chain."

¹⁰ For more details see IOGP Europe key principles for a future regulatory framework for CO₂ transport infrastructure [here](#).

Aligning carbon accounting with global standards

The EU must finalize its carbon removal certification framework to support CCS and ensure compatibility with international standards. Building on existing voluntary carbon markets and aligning with Article 6.4 of the Paris Agreement will help create an efficient international carbon market. This consistency will promote the integration of high-quality standards and allow the EU to lead in global carbon accounting efforts.

We call the European Commission to finalize its carbon removal certification framework to support CCS and ensure compatibility with international standards.

The EU's regional differences should be respected

European regions are faced with diverse circumstances and distinct challenges. The “lengths” of their journeys towards industrial and energy transition is not the same across Europe. Regions’ and Member States’ income levels, their energy mix, their ratio of energy intensive industries to GDP, their sensitivity to energy prices and carbon costs, their potential for alternative energy sources, as well as the level of development of their energy infrastructure and so their capacity for decarbonization through electrification all differ significantly. As a result, their pathways and pace towards decarbonization will also be different and will require different levels of investment.

Without jeopardizing the internal market, EU policy needs to take these differences into account so that all regions / Member States can converge, and all can progress towards the common goals. Climate, energy and industrial regulations, along with supporting frameworks, should aim to bridge regional divides, fostering greater unity across Europe rather than further fragmentation.

A conscious approach in this respect is also critical to create and maintain societal support for the transition by avoiding disproportionate burden on society and industry where they are exceptionally fragile.

We call for the EU policies to address regional disparities across Member States to ensure a fair and united transition towards decarbonization.

Conclusions

IOGP Europe commends the European Commission’s focus on competitiveness and believes this topic should be elevated as a strategic priority.

The Clean Industrial Deal, if designed in a realistic manner is an opportunity to balance climate ambition with industrial competitiveness.

By creating a competitive and balanced framework that offers a wide range of competitive, reliable energy solutions, the EU can retain and expand its industrial base, attracting foreign investment and position itself as an appealing destination for new businesses solutions.

This requires a strategic shift toward a balanced framework and, innovative financing mechanisms, such as CCfDs and incentives for advanced technologies.

By effectively combining climate ambitions with competitiveness, Europe can maintain its leadership in the energy transition and restore its competitive edge.



About IOGP Europe

The International Association of Oil & Gas Producers Europe ([IOGP Europe](#)) is the Brussels-based advocacy arm of IOGP.

Our members account for 90% of Europe's oil and gas production, and over 40% globally.

We work with policymakers to enable the deployment of our industry's energy and carbon management solutions needed to deliver a just transition towards climate neutrality by 2050.

In response to Russia's invasion of Ukraine in 2022, IOGP Europe was the first organization to map out Europe's options for rebalancing its gas supplies in the medium-to long-term, providing a comprehensive set of recommendations for policymakers.¹¹

Additionally, IOGP Europe played a key part in supporting the shipment of critical specialized energy equipment to Ukraine, coordinating efforts alongside the Energy Community Secretariat to ensure timely and efficient delivery.

The oil and gas industry is also working to reduce operational emissions and deploying long-term decarbonization solutions to support Europe's goal to transition to climate neutrality.

¹¹ [Rebalancing Europe's Natural Gas Supply](#), Rystad Energy, IOGP Europe, API, December 2023 [2nd Edition].