

The priorities of the Von der Leyen II European Commission for the Green Deal programme: to boost competitiveness, while keeping the Green Deal objectives on board

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1. The legacy of the Green Deal

In 2019, one of the first priorities of the Von Der Leyen I Commission was to make Europe the leader in the fight against global warming. As such, one of the main projects of the Commission, launched in December 2019, was the Green Deal programme, aiming to make Europe the first climate-neutral continent by 2050. Frans Timmermans, First Vice President, was the driving force behind the design and implementation of the Green Deal¹, as evidenced by his mission statement. He was tasked with the challenge of conciliating pursued economic growth and a drastic reduction of greenhouse gas emissions.

1.1 Key Legislative Milestones in Advancing the European Green Deal

During the tenure of the Von der Leyen I Commission, the European Union made significant legislative progress in implementing the European Green Deal, aiming to achieve climate neutrality by 2050². For an exhaustive list of the legislatives progress made during this first tenure, we invite you to refer to our previous article "The adoption of the Green Deal legislative program: mission largely accomplished!" published in the Eurofi Regulatory Update published in September 2024. A list of the main legislative initiatives is provided in Annex 1.

First, it is important to recall that, under the Juncker Commission, there was an initial focus on sustainable finance, beginning with the March 2018 presentation of the action plan on financing sustainable growth. This plan laid the foundation for a comprehensive strategy aimed at connecting finance with sustainability, marking the first step in aligning financial systems with sustainable goals. The financial focus continued with the November 2019 adoption of the Sustainable Finance Disclosure Regulation (SFDR), which sought to enhance

transparency and accountability in sustainable investments. Only later, in December 2019, was the broader European Green Deal introduced, outlining a framework for new legislation from the European Commission. This progression shows how the financial sector was prioritized first as a key driver in the shift towards sustainability.

The European Climate Law, adopted in 2021, made the EU's climate neutrality goal legally binding and set an interim target of reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. To further reinforce this commitment, the 2030 Climate Target Plan, introduced in December 2020, raised the EU's greenhouse gas reduction ambition from 40% to at least 55%. Alongside these legislative commitments, the European Climate Pact, launched in December 2020, encouraged citizens, businesses, and organizations to actively engage in climate action, fostering grassroots participation and knowledge-sharing to complement regulatory measures.

In the domain of energy transition and decarbonization, several key policies were introduced. The EU Strategies for Energy System Integration and Hydrogen, unveiled in July 2020, aimed to promote renewable energy sources and establish hydrogen as a fundamental component of Europe's decarbonization efforts. The Renewable Energy Directive (RED III), adopted in September 2023, reinforced the EU's commitment by setting a binding renewable energy target of at least 42.5% by 2030, with an additional aspirational goal of 45%. This directive also introduced sector-specific mandates for industry and transport, ensuring an annual increase in renewable energy use. The Energy Performance of Buildings Directive, adopted in April 2024, established new energy efficiency standards mandating that all new buildings be zero-emission by 2030 while setting a long-term goal of fully decarbonizing the building stock by 2050.

1. <https://server.www.robert-schuman.eu/storage/fr/doc/questions-d-europe/qe-771-fr.pdf>

2. https://alphalex-consult.eu/wp-content/uploads/2024/10/Green-Deal-legislation-eurofi-regulatory-update_september-2024.pdf

Carbon pricing and border mechanisms played a crucial role in supporting the EU's climate objectives. The **Fit for 55 Package**, introduced in **October 2023**, brought a comprehensive set of legislative reforms, including revisions to the Emissions Trading System (ETS) and the adoption of the **Carbon Border Adjustment Mechanism (CBAM) in April 2023**. CBAM introduced carbon tariffs on imports of high-emission products such as steel and cement, preventing carbon leakage and encouraging emission reductions beyond EU borders.

The decarbonization of transport and mobility was a major focus of EU legislation, given that the sector accounts for nearly a quarter of the EU's greenhouse gas emissions. The revision of CO₂ emission standards for cars and vans, adopted in **2023**, set the phase-out of new internal combustion engine vehicles by **2035**, requiring a 100% reduction in CO₂ emissions from new sales. In the aviation sector, the **ReFuelEU Aviation** initiative introduced mandates for fuel suppliers to blend a minimum percentage of sustainable aviation fuels (SAFs), starting at 2% in **2025** and increasing to 70% by **2050**. Similarly, the **FuelEU Maritime** regulation set greenhouse gas intensity reduction targets for ship fuels, promoting the use of biofuels, e-fuels, and hydrogen. To support the widespread adoption of low-emission transport solutions, the **Alternative Fuels Infrastructure Regulation (AFIR)** established binding targets for expanding electric vehicle charging points and hydrogen refueling stations along the Trans-European Transport Network (TEN-T) corridors.

In the realm of industrial strategy and green technologies, the **Net-Zero Industry Act** was introduced in **May 2024** to strengthen Europe's manufacturing capacity for green technologies. This legislation aimed to streamline permitting processes and support strategic investments in clean energy solutions, ensuring that the EU remained competitive in the global clean technology market.

As previously highlighted, sustainable finance and corporate responsibility were also central to the Green Deal's legislative agenda. The **EU Taxonomy for Sustainable Activities**, introduced in **July 2020**, provided a classification system to define what constitutes an environmentally sustainable economic activity, guiding investors and financial institutions in directing capital flows toward green investments while preventing greenwashing. The **Sustainable Finance Disclosure Regulation (SFDR)** mandated financial investors to disclose sustainability-related information, ensuring greater transparency. In the corporate sector, the **Corporate Sustainability Reporting**

Directive (CSRD) adopted in **November 2022**, expanded sustainability reporting requirements for companies, mandating detailed disclosures on environmental, social, and governance (ESG) impacts. The **Corporate Sustainability Due Diligence Directive (CS3D)**, adopted in **May 2024**, further required large companies to assess and address human rights and environmental risks throughout their supply chains. Financial actors must now engage in non-financial communication, while companies from traditionally non-financial sectors must develop sustainable reporting to attract green investments and demonstrate long-term value creation in alignment with sustainability goals.

As concluding remarks for the legislative efforts undertaken during Von der Leyen I, it can be observed that the green transition has followed two distinct phases, beginning with a planning phase that laid the groundwork through regulatory frameworks and financial mechanisms, ensuring that sustainability considerations were embedded into economic and investment decisions. This phase was characterized by the introduction of classifications such as the EU Taxonomy, as well as financial disclosure regulations aimed at increasing transparency and accountability.

This period was followed by a directive phase, in which financial communication and sectoral plans played a crucial role in shaping implementation strategies. Financial institutions and corporations were required to develop reporting standards and investment frameworks that aligned with sustainability goals. At the same time, sectoral plans were developed to provide industry-specific roadmaps for emission reductions, energy efficiency improvements, and circular economy practices. These plans targeted key industries such as energy, transport, construction, and heavy manufacturing, ensuring that sustainability objectives were tailored to the unique challenges and opportunities of each sector.

The introduction of competitiveness concerns can also be seen in the adoption of the **Carbon Border Adjustment Mechanism (CBAM)**, for industries with high carbon emissions, such as steel, cement, aluminum, and chemicals. As sustainability measures became more embedded in policy and business strategies, attention shifted toward the broader economic viability of the green transition. Competitiveness challenges emerged, particularly in energy-intensive sectors that faced rising costs due to stringent environmental regulations. The chemical industry, for instance, had to adapt to new standards while maintaining its position in the global market. Similarly, steel and other high-carbon industries had to navigate between sustainability commitments and the need to remain

competitive against international counterparts operating under different regulatory conditions.

1.2 EU Financing for the Green Transition

These legislative measures have been accompanied by a significant effort of public finance by the EU Budget³. In particular, the European Commission has established multiple funding instruments detailed in our Annex 2.

First, in order to bridge the annual investment gap for the 2030 target to be reached, estimated at €1,241 billion, the EU's **Multiannual Financial Framework (MFF)**⁴ for 2021–2027 has announced allocating 30% of his budget – around **€322 billion** – to climate-related actions. The LIFE Program, with a budget of €5.4 billion, focuses on environmental protection and climate action. Horizon Europe, the EU's main research and innovation program, allocates €95.5 billion for various initiatives, including green technologies.

In addition, the **Next Generation EU (NGEU)** program provides a total of €750 billion. Included in this program is the Recovery and Resilience Facility (RRF) amounting for €672.5 billion in grants and loans, with at least 37% dedicated to climate action.

Aside, the **Just Transition Fund (JTF)** offers €19.7 billion to support regions most affected by the green transition. The **InvestEU** program, backed by a €26.2 billion EU budget guarantee, aims to mobilize €372 billion in investments for sustainability projects. **REPowerEU**, with €245 billion in funding, seeks to reduce dependency on Russian fossil fuels and accelerate clean energy adoption. The **Innovation Fund**, financed by the **EU Emissions Trading System (ETS)**, provides €10 billion for innovative low-carbon technologies. Additionally, the **Modernization Fund** allocates €57 billion to modernize energy systems in 13 lower-income Member States, and the **Connecting Europe Facility (CEF)** directs €31.7 billion toward infrastructure investments, including sustainable transport.

The **EIB** (European Investment Bank) also plays an important part in providing financing. In 2024, the EIB Group supported a record amount **€51 billion**⁵, or around 60% of the funding made available in 2024, to support the ecological transition, climate action and environmental sustainability.

1.2 Progress and Remaining Challenges in Achieving Climate Neutrality

Thanks to those measures, some positive results have been reached: EU greenhouse gas emissions are 8.3% lower in 2023 than in 2022⁶, according to the European Commission's latest progress report on climate action. Net greenhouse gas emissions are now 37% below 1990 levels⁷. Meanwhile, GHG emissions of electricity generation from 2018 to 2023 had a -5.5% yearly diminution, and the European Commission underlines that renewables have reached a record high in 2024, accounting for 50% of EU electricity power generation⁸.

However, efforts should be sustained and furthered. According to a report from the European Climate Neutrality Observatory assessing the state of EU's progress to climate neutrality⁹, while the transition to climate neutrality is on its way with notable progress in electricity, just transition, and industry, it still needs to pick up speed to reach the target by 2050 at the latest. GHG emissions of electricity generation should diminish 1.2 times faster in order to catch up with 2030's set expectations and the share of fossil fuel-fired power generation should diminish 1.8 times faster while the share of renewable electricity produced should increase 1.4 times faster. A key figure also concerns the battery storage capacity which must increase 2.5 times faster to meet 2030's expectations.

The growth of electric vehicles (EVs) is also a positive example, even if this growth has slowed in 2024. The EU has implemented stringent CO₂ emission standards, effectively encouraging automakers to increase their EV offerings. This regulatory environment has contributed to a significant rise in EV sales across Europe. However, the transition to EVs has also faced criticism and challenges. Automakers have struggled to meet increasingly strict regulations, which require significant investments in battery technology, charging infrastructure, and supply chain adaptations. Indeed, by 2025, automakers will have to reduce the CO₂ emissions of their new cars by 15%. Failure to do so could result in substantial penalties. This requirement is based primarily on increasing sales of electric cars. However, given the low sales of electric vehicles in 2024, manufacturers are finding it difficult to meet this target. While

3. For more detailed information, read our article "Financing the Green Deal: how are the EU and Member States contributing?" https://alphalex-consult.eu/wp-content/uploads/2024/09/Public-financing-Green-Deal-eurofi-regulatory-update_september-2024-1.pdf

4. There have been six multiannual financial frameworks (MFFs) to date, including 2021–2027. The Treaty of Lisbon transformed the MFF from an interinstitutional agreement into a regulation. Established for a period of at least five years, an MFF is there to ensure that the EU's expenditure develops in an orderly manner and within the limits of its own resources. It sets out provisions with which the annual budget of the EU must comply.

5. <https://www.eib.org/fr/press/all/2025-030-eib-group-achieves-record-results-in-2024-targets-eur95-billion-in-investments-for-2025>

6. https://commission.europa.eu/news/climate-report-shows-largest-annual-drop-eu-greenhouse-gas-emissions-decades-2024-11-05_en

7. <https://www.eea.europa.eu/en/analysis/indicators/total-greenhouse-gas-emission-trends>

8. <https://www.cleanenergywire.org/news/eu-surpasses-50-renewable-power-share-first-time-first-half-2024>

9. https://climateobservatory.eu/sites/default/files/2024-07/ECNO_Flagship_Report_2024_online.pdf

regulatory pressures play a role, the slowdown in EV adoption seems to stem more from declining public subsidies, persistent affordability concerns, and consumer hesitation linked to changes in driving habits and infrastructure readiness¹⁰. Additionally, some resistance to EVs may be fueled by perceptions of “punitive” environmental policies that alienate certain consumers rather than incentivizing a smooth transition.

1.4 Criticism and Challenges to the Green Deal's Implementation

During Ursula von der Leyen's tenure, the agricultural sector has voiced significant concerns, particularly regarding proposed environmental regulations such as carbon taxes, pesticide bans, and nitrogen emissions curbs. Farmers across Europe, especially in the Netherlands, Belgium, France, and Spain, have staged large-scale protests, arguing that these measures threaten their livelihoods. In Germany, opposition has centered on plans to abolish subsidies for agricultural diesel, with farmers warning of increased operational costs and economic instability. These demonstrations, often involving tractors blocking major roads, reflect broader discontent over regulatory pressures on the sector.

Criticism has also emerged from business and political groups regarding corporate sustainability regulations, particularly the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). Enterprise trade associations and political parties that gained traction in the 2024 European elections have condemned these directives for their complexity, administrative burden, and legal risks. Many businesses argue that the stringent reporting requirements stifle industrial growth and innovation, with German companies citing excessive bureaucracy as a barrier to modernization and investment¹¹. Concerns over heightened legal liabilities have been particularly pronounced in relation to the CSDDD, which obligates companies to identify and mitigate human rights and environmental abuses within their supply chains¹². The extraterritorial application of these rules has also alarmed U.S. multinational corporations¹³, wary of potential operational disruptions and legal exposure. Meanwhile, a large number of member states have yet to transpose the CSRD into national law, despite a July 6, 2024, deadline¹⁴.

Efforts have also been made to equip the financial sector with tools to assess and mitigate climate risks. Financial institutions have integrated climate-related risk assessment frameworks, while regulatory initiatives have sought to enhance transparency in sustainable finance. A climate stress test aligned with the “Fit for 55” package has moderated concerns over transition risks, shaping a more measured perception of the economic impact of climate policies.

The Letta and Draghi reports have been particularly vocal about the EU's sluggish growth and declining competitiveness, attributing these issues to fragmented financial markets, high energy costs, and insufficient integration in electronic communications. They also highlight an €800 billion annual investment gap, particularly in energy, digitalization, and defense. And the Draghi report considered that the EU regulatory framework was too heavy and complex and was detrimental to the EU's competitiveness.

While the European Green Deal has driven legislative progress, its implementation has faced substantial hurdles. Sustainability reporting obligations, particularly under the CSRD and CSDDD, have placed a heavy administrative burden on businesses, meanwhile practical support from EU institutions has remained inconsistent. Budgetary constraints have further complicated policy execution and external crises – including the Covid-19 pandemic, trade tensions, and the surge in energy prices following the war in Ukraine – have reshaped the economic landscape, often outpacing the EU's transition strategy. Although initial fears of financial instability linked to the green transition have subsided, as reflected in the Fit for 55 stress tests, frustration persists among businesses and industries struggling to keep pace with regulatory demands.

The election of Donald Trump in 2024 introduced a new challenge for Europe, threatening to slow down the momentum of the Green Deal. Even before his return to the presidency, many American businesses had contested the growing sustainability reporting requirements, citing violations of *fiduciary duty* and filing numerous lawsuits against what they perceived as overly burdensome regulations. Under Trump, this trend was amplified with a significant rollback of financial obligations related to the green transition and a resurgence of fossil fuels, exemplified by his *Drill, baby, drill* policy. The massive revival of oil and gas exploration in the United States reduced the pressure on the industry

10. <https://www.ft.com/content/ae4b5261-91ff-4b41-aa27-0ae4b9791b5a>

11. <https://www.reuters.com/world/europe/forms-inspections-reports-german-businesses-beg-bureaucracy-relief-2025-03-10/>

12. <https://bhrj.blog/2024/12/20/leveling-or-lowering-french-businesses-and-the-corporate-sustainability-due-diligence-directive/>

13. <https://www.ft.com/content/287c09c1-0d81-4ee3-9cc6-01fece626a7c?>

14. <https://accountancyeurope.eu/publications/csrd-transposition-tracker/>

to invest in renewable energy, directly impacting the strategies of multinational corporations and exacerbating trade tensions with the EU. Trump's influence also extended globally, encouraging other economies to scale back their climate ambitions, which weakened the global impact of the Green Deal.

Ultimately, while the EU remains committed to its climate goals, the Green Deal's implementation has revealed tensions between ambition and economic reality. Moving forward, a more balanced approach – one that ensures regulatory feasibility, financial support, and economic competitiveness – will be crucial in sustaining Europe's leadership in the global climate transition.

2. New Priorities: Von der Leyen II Commission focuses on reconciling the Green Deal with competitiveness

Following these statements, the new European Commission, formed during the autumn 2024 after that Ursula von der Leyen was renewed as President by the Council and the European Parliament, has now set new objectives. Although the Green Deal was not forgotten, it is certain that priorities have evolved. Drawing on the Letta's and Draghi's reports, the European Commission, in his new agenda, has acknowledged the pressing need of fostering more competitive policies while staying on the course of decarbonation.

Ursula Von der Leyen has set the orientation for the next four years in her political guidelines and in the mission letters sent to the Commissioners, notably the mission letters to Teresa Ribera Rodríguez, Executive Vice-President-designate for a Clean, Just and Competitive Transition, and to Stéphane Séjourné, Executive Vice-President-designate for Prosperity and Industrial Strategy.

The political guidelines introduced by European Commission President Ursula von der Leyen signaled a major reorientation in the European Union's priorities.

Sovereignty, competitiveness and economic security now extend across key strategic sectors, including defense, energy, industry, food security, and economic policy. This expanded focus stems from the lessons learned during the Covid-19 pandemic and the war in Ukraine, both of which exposed vulnerabilities in the EU's supply chains and energy dependencies.

Another shift is the reorientation of climate and environmental action, which, unlike in the previous

institutional cycle, is no longer positioned as a headline priority. Instead, these issues are now framed within the broader context of competitiveness and investment, with the competitiveness of European industries placed in service of advancing the Green Deal. Nonetheless, the renewed emphasis on building a 'genuine energy union' highlights the EU's recognition of the need for greater energy security in response to ongoing geopolitical instabilities. While climate policy has been somewhat deprioritized, the guidelines still lay the groundwork for advancing the green transition. Von der Leyen reaffirms her commitment to the European Green Deal and the EU's 2030 climate targets, supporting a 90% emissions reduction goal for 2040. However, her openness to revising the 2035 ban on internal combustion engines raises regulatory uncertainty.

Nonetheless, the shift in messaging has sparked alarm in some quarters that enthusiasm for decarbonization is on the wane in Brussels, as her push for simplification and deregulation could create instability for investors and slow the transition toward climate neutrality. Despite these concerns, the EU's newfound emphasis on competitiveness could prove crucial if it is to play a leading role in the global green transition. Europe's economic growth has been underwhelming this century, and green investment has been equally sluggish. In his report, Draghi stressed the importance of pursuing decarbonization and economic competitiveness as a single, coherent strategy. He sees decarbonization as an opportunity for Europe to "take the lead in new clean technologies and circularity solutions" while shifting power generation toward secure, low-cost clean energy sources, an area where the EU has significant natural advantages.

In Ursula Von Der Leyen's political guidelines, the Clean Industrial Deal, one of the Commission's flagship initiatives, embodies strong ambitions. Planned for rollout within the Commission's first 100 days, more details were published on February 26, 2025. The initiative aims to decarbonize industry, create clean technology markets, and modernize procurement rules to encourage sustainable innovation.

In addition, supporting SMEs is another key priority, with proposals to simplify regulations, reducing reporting obligations by at least 25% – and for SMEs at least 35%, enhance access to finance, and introduce an SME passport to reduce administrative burdens. Strengthening the Single Market by removing barriers and improving enforcement mechanisms is also emphasized.

Sector-specific measures include initiatives to support industries like steel, biotechnology, and

chemicals, as well as efforts to secure access to critical raw materials through joint purchasing and stockpile management. Additionally, regulatory frameworks such as the Public Procurement Directives and Circular Economy Act are set to be revised to better support European businesses.

3. The “Competitiveness compass” and recent initiatives

3.1 The “Competitiveness compass”

President von der Leyen has declared the current administration as an “investment Commission”, emphasizing the need for stronger investment in green, digital, defense, and social transitions. The Commission intends to maximize public investment and leverage private capital by de-risking investments. This approach aims to enhance the EU's industrial competitiveness and drive innovation in key sectors (See *Annex 3 for a synthesis of the Competitiveness compass key actions*).

In line with its discourse, the Commission presented on January 29, 2025, its Competitiveness Compass, intending to conciliate economic growth in a unified single European market with a sustainable path for Europe.

The competitiveness compass' launch has been punctuated by Ursula Von Der Leyen strong words: “Europe is open for business”, intending at closing the innovation gap by investing in specific sectors like artificial intelligence, biotechnology and space technology. However, Europe is not open for any kind of business, as decarbonization remains one of the headwords of this project, trying to balance progress with climate neutrality. Furthermore, the European Commission envisions its competitiveness as being inextricable with its security and resilience.

In this fashion, Europe is now aiming to reduce its dependencies, especially in fossil fuel from Russia, to secure a supply of raw materials, clean energy, sustainable transport fuels and clean tech from across the world.

Transforming the recommendations of the Letta report and the Draghi into a roadmap, the competitiveness compass contains five horizontal enablers for competitiveness:

- **Simplification:** This enabler aims at reducing drastically the regulatory and administrative burden, with the upcoming Omnibus proposal intending at simplifying sustainability reporting;

- **Lowering barriers to the Single Market:** To improve its functioning across all industries, a Horizontal Single Market Strategy will modernize the governance framework, removing intra-EU barriers.
- **Financing competitiveness:** The EU lacks an efficient capital market that turns savings into investments. The Commission will present a European Savings and Investments Union to create new savings and investment products, provide incentives for risk capital, and ensure investments flow seamlessly across the EU.
- **Promoting skills and quality jobs:** To ensure a good match between skills and labor market demands, the Commission will present an initiative to build a Union of Skills.
- **Better coordination of policies at EU and national level:** The Commission will introduce a Competitiveness Coordination Tool, which will work with Member States to ensure implementation at EU and national level of shared EU policy objectives.

3.2. The “Omnibus” Directive

The sustainable reporting framework has been criticized as too complex, burdensome and costly by many enterprises, the business federations and political parties from the right and the extreme right, which gained in influence in the last European elections. Following the priorities decided by Ursula von der Leyen in her political guidelines, the Commission published on the 26th of February a package of simplification of this framework, more precisely on the Corporate Sustainability Reporting Directive (CSRD), on the 'green' taxonomy and on the Corporate Sustainability Due Diligence Directive (CSDDD).

3.2.1 The European Commission has proposed a significant reform of the Corporate Sustainability Reporting Directive (CSRD) with the objective of simplification.

The main elements of this proposal are:

- **Reduction of the scope of reporting companies** by 80% through a new definition of the large undertakings (from over 250 employees to over 1.000 employees). **For these companies which are not large undertakings**, the Commission will adopt by delegated act a voluntary reporting standard, based on the standard for SMEs (VSME) developed by EFRAG. That standard will act as a shield, by limiting the information that companies or banks falling into the scope of the CSRD can

request from companies in their value chains with fewer than 1,000 employees.

- **Revision of the delegated act establishing the ESRS**, with the aim of substantially reducing the number of data points, clarifying provisions deemed unclear, improving consistency with other pieces of legislation and reducing the number of data points.
- **Deletion of sector-specific standards requirement**, that the Commission was supposed to adopt later. The proposal will delete the empowerment for the Commission to adopt sector-specific standards.
- **Postponement of reporting requirements**: the Commission proposes postponing by two years the entry into application of the reporting requirements for large companies that have not yet started implementing the CSRD and for listed SMEs in order to give time to the co-legislators to agree to the Commission's proposed substantive changes.

3.2.2 The Commission has also launched a deep reform of the green taxonomy

The Omnibus package includes, on the one hand, amendments to the CSRD regarding Taxonomy reporting as a derogation to Article 8 Taxonomy Regulation and, on the other hand, the Commission proposes draft amendments to the Taxonomy Disclosures, Climate and Environmental Delegated Acts.

For companies within the future CSRD scope (large companies that have more than 1,000 employees) with a net turnover up to 450 million, the Omnibus proposal **envisages voluntary Taxonomy reporting**. This will reduce the number of companies that are obliged to report their Taxonomy alignment.

Moreover, companies that have made progress towards sustainability targets, but only meet certain EU Taxonomy requirements, may choose to voluntarily report on their partial Taxonomy-alignment. This enables them to demonstrate their existing efforts and progress towards full alignment and receive recognition for their commitment to sustainability. The Omnibus proposal also mandates the Commission to develop delegated acts to ensure standardization in terms of the content and presentation of the respective reporting.

The Commission is also publishing for consultation **draft amendments** to the Taxonomy Disclosures Delegated Act and the Taxonomy Climate and environmental Delegated Acts which:

- **simplify the reporting templates, leading to a reduction of data points by almost 70%.**

- **exempt companies** from assessing Taxonomy-eligibility and alignment of their economic activities that are not financially material for their business (e.g. those not exceeding 10% of their total turnover, capital expenditure, or total assets).

Furthermore, the Commission has proposed **amendments** to the main key performance indicators of financial institutions, especially the **green asset ratio (GAR)**: banks will be able to exclude from the denominator of the GAR undertakings which are not under the future scope of the CSRD (i.e. companies that are not large undertakings with 1,000 or more employees).

The Commission is also asking for **feedback on two alternative options for simplifying the most complex "Do no Significant harm" criteria** for pollution prevention and control related to the use and presence of chemicals that apply horizontally to all economic sectors under the EU Taxonomy. In the public consultation, stakeholders are invited to provide feedback to both alternative options.

3.2.3. Significant amendments to the corporate sustainability due diligence directive (CSDDD): **Extended Deadlines, Simplified Due Diligence, and Reduced Business Obligations**

Finally, the Commission proposes significant amendments to the corporate sustainability due diligence directive (CSDDD):

- **to postpone the first phase of the application**, covering the largest companies, **by one year** (to 26 July 2028). In the meantime, the necessary guidelines by the Commission will be advanced to July 2026, allowing companies to build more on best practices and reduce their reliance on legal counselling and advisory services.
- **to relieve companies from the obligation to systematically conduct in-depth assessments of adverse impacts in their entire value chain**; the proposal requires full due diligence with respect to the value chain beyond direct business partner only in cases where the company has plausible information suggesting that adverse impacts have arisen or may arise there;
- **to simplify other aspects of sustainability due diligence requirements** so that large companies avoid unnecessary complexities and costs, including by prolonging the intervals between two regular periodic assessments and updates from one year to 5 years, while clarifying that a company needs to assess the implementation of its due diligence measures and update them whenever there are reasonable grounds to

believe that the measures are no longer adequate or effective; by streamlining the stakeholder engagement obligations; and by removing the obligation to terminate the business relationship as a last resort measure.

- **to reduce the trickle-down effect by limiting the information that companies within scope may request from their SME** and small midcap business partners (*i.e.* companies with not more than 500 employees) to the information specified in the CSRD voluntary sustainability reporting standards (VSME standard). This limitation applies unless they need additional information to carry out the mapping (for instance on impacts not covered by the standards) and they cannot obtain that information in any other reasonable way.
- **to defer to the various national civil liability regimes** by deleting the harmonized EU conditions for civil liability and revoking the obligation for Member States regarding representative actions by trade unions or NGOs.

The Omnibus package goes far in the simplification process. It deeply reduces the reporting requirements of undertakings, including the largest ones but especially for those which are not considered as large by the proposals. The main element of the sustainable reporting framework which remains untouched is the principle of double materiality. The Omnibus package has been welcome by many enterprises and their professional organisations but criticized by NGOs, climate advocates, experts and even some enterprises for going too far in the reduction of the scope of CSRD with the risk of too many empty spots on the map of sustainable data.

3.3 The Horizontal Single Market strategy

The horizontal Single market strategy is part of the scheme aiming at making the most of Europe's Single Market. The Annual Single Market and Competitiveness Report 2025 shows the costs of inaction: over the past years, market integration has lost momentum. Indeed, the share of EU GDP represented by trade between Member States decreased both for goods (23.8%) and services (7.6%) in 2023. The Letta Report has mapped out persistent barriers and highlighted the benefits that would come from speeding up integration in electronic communications, energy and financial markets.

To enhance the functioning of the Single Market across all industries, a Horizontal Single Market Strategy is planning to modernize its governance framework by removing internal barriers, preventing the emergence of new ones, strengthening collaboration with Member States, and introducing a new

implementation approach. A planned reinforced Single Market Enforcement Taskforce (SMET) will be overseeing the proper transposition of EU legislation, minimizing unnecessary burdens while ensuring effective implementation and enforcement in order to deliver a Single Market Strategy by Q2 2025. The Commission has also announced additional harmonization measures to be introduced to further reduce legal fragmentation, supporting both market integration and regulatory simplification. Moreover, the early and gradual integration of candidate countries into specific areas of the Single Market will enable businesses to join European value chains, fostering economic convergence, investment, trade, and competitiveness.

3.4 Savings and Investment Union

The EU faces significant financing challenges to meet its agreed objectives. There is no doubt that achieving progress in innovation, the clean transition, digitalization, defense and technology diffusion across economic sectors requires substantial capital investments, particularly for the large-scale development of common goods such as pan-European infrastructure. The Draghi report estimates that Europe will need an additional €750-800 billion in annual investments by 2030, requiring an increase of approximately five percentage points of EU GDP per year – a level last seen in the 1960s and 1970s. Mobilizing sufficient public and private investment is thus crucial to driving productivity, innovation, climate neutrality, and defense capabilities.

To achieve this, the EU and its Member States must enhance private investment mobilization, particularly from institutional investors, while ensuring public funding is deployed strategically. The EU remains overly reliant on bank debt financing, despite many businesses needing venture capital and equity investment to grow.

Despite having a household savings rate 65% higher than the US in 2022, the EU struggles to effectively channel savings into productive investments. As a result, EU citizens see inadequate returns on their savings, while €300 billion in European savings is invested in non-EU markets each year. Therefore, a more integrated and liquid capital market is seen as essential to mobilize private sector resources and direct them toward high-growth, future-oriented sectors. Encouraging greater risk appetite among private investors, with public funds serving as an anchor, will be key.

To address these long-lasting challenges, the Juncker Commission launched the Capital and Market Union program which was pursued by the

Von der Leyen I Commission without bringing significant progress.

The Commission now intends to present a Strategy on a Savings and Investments Union in 2025, followed by specific proposals to facilitate wealth creation for EU citizens and mobilize capital for European projects. This will include:

- Promoting low-cost saving and investment products at the EU level to attract retail investors.
- Enhancing the role of private and occupational pensions in helping citizens plan for retirement while channeling their savings into the real economy.
- Removing barriers to financial market consolidation, creating a more efficient and competitive financial system.

By taking these steps, the EU aims to unlock private capital, strengthen European investment capacity, and ensure that savings contribute to the continent's economic growth and strategic resilience.

3.5 Competitiveness Coordination Tool

NextGenerationEU has tried to combine reforms and investments to implement EU priorities at the national level. The new Commission has decided to reinforce with cross-border coordination of EU-wide actions.

To achieve this, the Competitiveness Coordination Tool will align industrial and research policies, as well as investments, at both the EU and national levels. It will drive new major initiatives and cross-border projects that contribute to structural economic transformation, productivity, long-term growth, and quality job creation, benefiting the Single Market. Member States and key stakeholders will work together to identify joint competitiveness priorities within specific sectors, essential reforms, required investments, and cross-border projects.

This tool will operate alongside a streamlined European Semester, ensuring a coherent and efficient mechanism for guiding investment and reform decisions at both EU and national levels. Crucially, this new steering mechanism will link EU priorities with the EU budget, ensuring alignment between Union, public, and private investments to advance EU competitiveness objectives.

In its initial phase, the Commission will pilot the coordination of EU and national policies in select high-impact areas, such as energy and transport infrastructure, digital infrastructure and AI applications, biotechnology, and critical manufacturing

capacities. Public funding for these pilot projects will be designed to maximize private investment, recognizing the significant capital required.

The Commission will closely monitor progress and, in collaboration with Member States, develop a structured steering mechanism for investments.

4. The objectives of the New Clean Industrial Deal: to support both industrial growth and Green Deal

Building upon the goals of the European Green Deal, the Clean Industrial Deal aims to prepare the EU for a 90% emission-reduction target by 2040. The European commission even intends, more as a political and communicational move, to enshrine this target in the European Climate Law.

Scheduled for February 26, 2025, this Clean Industrial Deal will revolve around six thematic "pillars", to boost the EU's traditional energy-intensive industries and emerging clean technology sectors:

- **Energy security and energy prices:** addressing high energy costs to enhance competitiveness;
- **Financing:** Maximizing public investment and leveraging private capital by de-risking investments;
- **Recycling and critical raw materials:** Ensuring access to essential materials through initiatives like the proposed Circular Economy Act;
- **Labor and skills:** Developing the necessary workforce for the green transition;
- **Lead markets:** Creating demand for decarbonized goods through measures such as setting quotas;
- **Global action:** Engaging in international cooperation to secure value chains and ensure fair competition.

According to the European Commission, the Clean Industrial Deal will mainly serve at implementing the existing legal framework for 2030 in a simple, fair, and cost-efficient manner, mindful of previous criticisms regarding regulatory complexity. Stéphane Séjourné describes this new deal as "an emergency and strategic plan for certain sectors in difficulty", serving as a "business plan" to clarify investment and workforce needs, particularly in energy-intensive industries like steel, aluminum, cement, and energy. For a synthetic view of the key actions planned under the clean industrial deal, please refer to Annex 4.

4.1 Energy Union and Affordable Energy Action Plan - Bringing down the cost of energy

4.1.1. Energy Union: Improving the energy framework by diversifying energy sources, stabilizing prices, and better share resources

One of the main concerns of the Clean Industrial Deal is bringing down energy bills for companies and households. Indeed, as highlighted by the Draghi report, one of the biggest breaks on the EU's competitiveness and industries' ability to grow is high energy prices. But, while bringing down energy prices and getting rid dependencies on fossil fuels may be one of the priorities of the European Commission, it might also be one of its biggest challenges.

Published in March 2024, the latest report on energy prices and costs assesses the impact of the Covid-19 pandemic and Russia's full-scale invasion of Ukraine on the recent evolution of energy prices, highlighting that European and global energy markets have been going through a severe crisis since 2020¹⁵.

In 2023, industrial electricity and gas prices in the European Union were 158 percent and 345 percent higher than in the United States, respectively. The energy cost gap existing between the EU and the US is mainly attributable to EU's heavy reliance on energy imports to meet domestic demand. For the illustration, EU relied on imports to meet 64.4 percent of its energy demand in 2022, with most of it being natural gas¹⁶.

The resulting vulnerabilities of this dependency on gas importation were laid bare during the 2022 energy crisis. Since, the EU has drastically reduced its imports of Russian pipeline gas, triggering it to find alternative solutions, such as liquified natural gas (LNG). However, LNG is more expensive than pipeline gas because of the liquefaction and regasification costs allowing it to be transported by ship. Amongst Europe's main suppliers of LNG, are the US, Norway, and Russia on which, regardless of the sanctions pronounced, Europe continues to rely on, the LNG transiting through Ukraine and the Turkstream¹⁷.

In order to reduce the price of energy, the European Commission intends to firstly move further away from fossils fuels by developing the renewable energy, and secondly to reinforce joint procurement for fuels by developing the governance needed for a "true Energy Union". This Energy Union was

originally a key priority of the Juncker Commission (2014-2019), aiming at building an energy union, by enabling the free flow of energy through the EU and improve energy efficiency mainly. However, Ursula Von Der Leyen did not elaborate further on the improvements or reforms she intended for said "true Energy Union".

Though, from the perspectives of individual countries, the EU energy framework has been criticized. Indeed, Sweden, for instance, has raised concerns about elevated electricity prices influenced by Germany's energy policies, particularly during periods of low renewable energy production in Germany, where it can lead to increased electricity exports from Sweden to Germany, thereby driving up domestic prices. Conversely, Spain, whom more than half of the consumption comes from renewable energy sources, and which is less interconnected with the broader European grid, has experienced more stable energy prices. This relative isolation has shielded it from some of the price volatility seen in more interconnected countries.

Notwithstanding these individual circumstances, the development of a true Energy Union offers several compelling advantages.

First, energy security will be enhanced by diversifying energy sources and creating a unified energy market, the EU can reduce dependence on external suppliers, thereby mitigating risks associated with geopolitical tensions. The recent move by the Baltic states to disconnect from the Russian power grid and synchronize with the EU system exemplifies efforts to bolster energy security through integration¹⁸.

Second, prices will be stabilized and competitiveness enhanced. An integrated energy market can lead to more competitive pricing and reduce volatility. The International Monetary Fund (IMF) suggests that a unified EU energy market could lower costs, enhance security, and decrease CO₂ emissions, thereby improving the competitiveness of European businesses.

Finally, it will facilitate the transition to renewable energy. A cohesive Energy Union can streamline the adoption of renewable energy sources by enabling better resource sharing and infrastructure development across member states. For example, BNP Paribas and the European Investment Bank have announced a €1 billion guarantee to support wind energy projects across the EU, aiming to

15. https://op.europa.eu/en/publication-detail/-/publication/3b43f47c-e1c5-11ee-8b2b-01aa75ed71a1/language-en?WT.mc_id=Searchresult&WT.ria_c=37085&WT.ria_f=3608&WT.ria_ev=search&WT.URL=https%3A%2F%2Fenergy.ec.europa.eu%2F

16. <https://www.bruegel.org/policy-brief/decarbonising-competitiveness-four-ways-reduce-european-energy-prices>

17. <https://www.bruegel.org/policy-brief/decarbonising-competitiveness-four-ways-reduce-european-energy-prices>

18. <https://www.reuters.com/world/europe/lithuania-cuts-russian-power-grid-ties-baltics-prepare-link-with-eu-2025-02-08/>

generate up to €8 billion in investments for new wind farms.

4.1.2 The Affordable Energy Action Plan and the European Grid Package: Lowering energy bills and accelerating clean energy

These issues will also be addressed by the **Affordable Energy Action Plan**, through a series of measures aiming at:

1. Lowering energy bills for households and industrial customers
2. Accelerating the roll-out of clean energy and electrification, with completed interconnections and grids, as well as clean manufacturing
3. Ensuring well-functioning gas markets.

To be delivered during Q1 2025, it will maximize the benefits of energy cost reductions from deeper market integration, enhance the use of guarantees and risk mitigation tools to support long-term power purchase agreements, and encourage industrial customers to contribute to demand flexibility services. Additionally, the plan promotes a fair distribution of energy system costs through improved tariff design. A key pillar of this strategy is investment in Europe's grids, essential for advancing towards a net-zero energy system, minimizing renewable energy curtailment, and fully harnessing the advantages of the Single Energy Market.

To lower energy bills, the European Commission plans to fully implement the **Electricity Market Design**, adopted in May 2024. This system, based on a pay-as-clear market, ensures that all electricity generators receive the same price for their power at any given time. Renewable energy producers, with zero production costs, are typically the cheapest, and electricity is bought in order from the least to the most expensive source. While this model is efficient, it faces challenges, such as low earnings for renewable producers when market prices are low, and high costs for consumers when gas prices rise.

To address these issues, the Commission introduced Contracts for Difference (CfDs) and Power-Purchase Agreements (PPAs). CfDs stabilize revenue for renewable producers by setting a fixed price over a long period, while PPAs are long-term private contracts that fix prices for electricity between producers and buyers. Both mechanisms aim to protect producers and consumers from market volatility.

The Commission therefore is planning to increase **PPAs**, including cross-border PPAs, and **CfDs** in order to make clean energy production more

attractive for industrial users and final energy bills less dependent on volatile fossil fuel in short term markets. Financial support will be provided by the EIB under the form of a pilot program for corporate PPAs for an indicative amount of **€500 million**. The program will be designed to help SMEs and midcaps as well as energy intensive industries for long-term purchase of electricity generation by counter-guaranteeing part of the PPAs.

Building on the Grid Action Plan, implemented in November 2023, an additional **"European Grid Package"** is proposed by the European Commission. The package will be aiming at simplifying Trans-European Networks for Energy, ensuring cross-border integrated planning and delivery of projects, especially on interconnectors, enhancing distribution grid planning, boost digitalization and innovation as well as increase visibility and prioritization of manufacturing supply needs. The EIB will also introduce a 'Grids manufacturing package' for the European supply chain to provide counter-guarantees to manufacturers of grid components, with an indicative amount of at least €1.5 billion.

4.2 Industrial Decarbonization Accelerator Act: a Gas Market Strategy, Carbon Labeling and Advancing Hydrogen

Addressing the issue of permitting delays for the deployment of grid, energy storage, and renewable energy projects, the Commission has announced an upcoming Industrial Decarbonization Accelerator Act. The act is said to propose concrete measures to address permitting bottlenecks related to industrial access to energy and industrial decarbonization. The initiative is too be supported by digitalization which should play in important role, speeding up procedures and giving greater timing predictability.

As of a part of this act has already been set up a Gas market Task Force, tasked to scrutinize the EU natural gas markets and take actions to ensure their optimal market functioning and prevent commercial practices distorting market-based pricing. Indeed, as aforementioned, the extreme volatile price of imported natural gas has a direct impact on both EU gas and electricity prices. The task force has also been tasked with reducing the administrative burden on companies trading on financial markets for energy by implementing single reporting. A report is to be expected by Q4 2025.

The Industrial Decarbonization Accelerator Act will also introduce a **voluntary label** to show the carbon footprint of industrial products. It will use a simple method based on ETS data and the CBAM approach while avoiding duplication. The goal is to

align with global efforts on carbon measurement. To move quickly, the EU will start with steel in 2025, using existing industry reports. Cement will have a separate label under the Construction Products Regulation, with a standardization process starting soon. These labels will help industrial producers highlight low-carbon products and access incentives like support for clean steel. Member States may also use them to shape tax benefits and aid programs.

Another sector the Industrial Decarbonization Act is planning to act on is hydrogen. Indeed, hydrogen is key to reducing emissions in sectors where electrification isn't yet practical. A clear regulatory framework is needed, so the EU will adopt **the delegated act on low carbon hydrogen** in Q1 2025 to provide clarity for investors. Moreover, to speed up hydrogen adoption, the EU will launch a third funding round under the **Hydrogen Bank** in late 2025, with up to €1 billion available. Member States will also be encouraged to use an auction platform to allocate unused EU funds.

Additionally, the **Hydrogen Mechanism** will launch in mid-2025 under the European Hydrogen Bank. It will connect hydrogen buyers and suppliers, offering financing and risk-reduction tools to support demand for hydrogen in industries like shipping and aviation.

4.3 Circular Economy and Critical Raw Materials Act

The Commission aims to reduce reliance on unreliable suppliers and mitigate supply disruptions by focusing on the strategic procurement of raw and secondary materials. As such, the Commission already settled out the Critical Raw Materials Act in 2022, setting objectives along the strategic raw materials value chain. Therefore, by 2030, at least 25% of the EU's annual consumption of critical raw materials ought to be coming from recycling.

Circularity, which involves reusing, recycling, and remanufacturing materials, will also play a central role in the EU's plan of decarbonization, driving innovation, and improving the accessibility of essential materials. By promoting circularity, Europe wants to not only enhance resource security but also boost economic growth and job creation, with the circular remanufacturing market expected to grow from €31 billion to **€100 billion by 2030**, generating **500,000 new jobs**. Hence, with its new act, the Commission aims to increase circular material use rate from 11.8% today to **24% by 2030**.

Central to this new Clean Industrial Deal, is the **Circular Economy Act** planned for 2026, aiming at enhancing sustainability by creating market

demand for secondary materials and establishing a single market for waste, particularly concerning critical raw materials. This act will continue and deepen the work started by the Commission in the Circular Economy Action Plan, adopted in March 2020, in the framework of the Green Deal. One of the measures of the Act is to **update the rules on e-waste**, making them simpler and more effective in recovering valuable materials. It will standardize the "end of waste" criteria to help turn waste into reusable materials, simplify and digitalize producer responsibilities, and encourage public procurement of recycled products. The Act will also offer incentives to increase metal recycling and require digital tracking of demolition permits and audits before demolition.

With regards to critical raw materials, this new act is supposed to complement the action of the new dedicated **EU Critical Raw Materials Platform**, notably to support joint purchasing and manage strategic stockpiles, and to implement the **Critical Raw Materials Act**.

Furthermore, working on removing regulatory barriers and encourage more investment in secondary raw materials for industrial manufacturing, cooperation between Member States and businesses will be supported through **Trans-Regional Circularity Hubs**, which will focus on smart specialization and larger-scale recycling. These hubs will identify key projects proposed by groups of Member States or industries, helping to combine resources from different regions. This approach will ensure that recycling facilities are large enough to operate efficiently

The Commission will also look at updating the rules for the second-hand goods scheme in the VAT Directive. Scheduled for Q4 2026, this is part of a wider effort to create a **"green VAT" system**, which aims to address the issue of VAT being charged on second-hand products that have already been taxed when first sold. The goal is to make the VAT system fairer and more supportive of the circular economy by reducing extra costs on products that are reused or resold.

4.4 Clean Trade and Investment Partnerships

The EU's extensive trade agreements help European companies access global markets and essential resources. To strengthen this, the EU will continue signing and fully implementing existing Free Trade Agreements (FTAs) while negotiating new ones. Clean Trade and Investment Partnerships (CTIPs) will complement these efforts with a more flexible, targeted approach, focusing on the EU's industrial goals and the needs of businesses. CTIPs aim to manage strategic dependencies, secure access to

raw materials, clean energy, and clean tech, and promote cooperation on clean energy and decarbonisation efforts in partner countries. They will also help design clean value chains by mobilizing investments, setting rules for clean business practices, and fostering regulatory cooperation, ultimately supporting the global clean transition. The first CTIP is planned for launch in March 2025.

Following this strategy, the new **Pact for the Mediterranean** will launch an ambitious initiative to promote **Trans-Mediterranean Energy and Clean Tech Cooperation**, encouraging large-scale investments in renewable energy from both public and private sectors. The EU will also continue supporting partner countries in their green transition by helping them meet climate and environmental goals outlined in the Paris Agreement. The EU's strategy for energy cooperation will focus on three main areas: diplomacy, technical assistance, and economic support, working closely with Member States at the country level.

4.5 Improving the CBAM

The Carbon Border Adjustment Mechanism (CBAM) helps ensure that the EU's efforts to reduce industrial emissions are not undermined by carbon-heavy imports. It also encourages global decarbonization and carbon pricing. However, data shows that a small number of importers are responsible for over 99% of the greenhouse gas emissions in imported goods. To make CBAM more effective, the Commission has already proposed a simplification to reduce the administrative burden on industries and their supply chains, while still promoting global carbon pricing. The main changes to the CBAM will exempt small importers, mainly SMEs and private individuals, from the obligations arising from the CBAM. These are importers who bring into the Union small quantities of goods covered by the CBAM, representing very small quantities of intrinsic emissions, from third countries. This exemption will be achieved by introducing a new cumulative annual threshold of 50 tons per importer, which will **remove CBAM obligations for around 182,000 or 90% of importers**, mainly SMEs, while **continuing to cover over 99% of emissions** falling within the scope of the mechanism.

In the second half of 2025, the Commission will present a full review of CBAM. This report will look at expanding CBAM to cover more EU ETS sectors and downstream products, including indirect emissions linked to electricity costs for EU producers. The review will also focus on how to prevent circumvention and address carbon leakage

in exports to third countries. A legislative proposal will follow in 2026.

4.6 Financing the Clean Industrial Act

A successful clean transition will require significant investments. According to the European Commission, the EU must boost annual funding for energy, industrial innovation, scaling up, and transport by approximately **€480 billion** compared to the previous decade, mobilizing both public and private funds. Annex 5 provides a table summarizing the financial actions planned by the European Commission.

4.6.1. MFF 2028-2034: The European Competitiveness Fund fostering a new Industrial decarbonization Bank

Ensuring the financing of those projects to accelerate their deployment is crucial for the Commission, particularly as NextGenerationEU expires at the end of 2026, raising concerns about potential underinvestment. Developing the cleantech sector to implement the Net-Zero Industry Act (NZIA) and the Clean Industrial Act will require at least €668 billion by 2040.

Given the urgent need for capital, the **Clean Industrial Deal** will deploy over **€100 billion** to strengthen the business case for EU-based clean manufacturing. This includes an additional **€1 billion in guarantees** under the current Multiannual Financial Framework (MFF) to provide short-term support.

In the next Multi-annual Financial Framework, a new **European Competitiveness Fund** should respond to these needs in a more integrated fashion, the current budget having been criticized for being too fragmented and scattered over too many programs. The Fund will, hence, establish an investment capacity that will support strategic technologies and manufacturing (from AI to space, from clean tech to bio-tech sectors etc.), in a one-stop-shop simplified access to EU fundings.

Placed under the governance of this European Competitiveness Fund, and central to the financing of the Clean industrial Deal is the establishment of an **Industrial Decarbonisation Bank**, with a funding goal of **€100 billion**. This initiative will support industries in transitioning to cleaner technologies and reducing carbon emissions. The funding will come from three key sources: the Innovation Fund, additional revenues from the EU Emissions Trading System (ETS) and the revision of InvestEU, with adjustments made that should help unlock further financial support. In 2025, the Commission plans to commit **€6 billion** from the Innovation Fund to this new

bank, but no further details have been given yet concerning Invest EU.

The **Innovation Fund**, put in place in 2020 and representing €10 billion, has been a key tool for funding industrial decarbonization and clean tech projects in the EU during Von der Leyen's first tenure. To enhance its impact, the Commission want to explore additional financing options for projects that have received a Sovereignty Seal under the STEP Regulation. This includes better coordination between existing funding programs and aligning criteria with national financing to speed up **State aid approvals**. These steps will simplify the process and encourage Member States to allocate more national funding to Innovation Fund projects.

Research and Innovation (R&I) play a crucial role in developing the next generation of clean technology, renewable energy, and low-carbon manufacturing in the EU. To support this, the European Commission has announced launching a **€600 million flagship call** under **Horizon Europe's 2026-2027 work program**. This funding will focus on projects that are ready for deployment, accelerating the transition to a greener economy.

4.6.2 Strengthening Invest EU: Boosting Private Investment for Clean Tech

Invest EU is the EU's primary tool for attracting private investment. In partnership with the **EIB Group**, international financial institutions, and national promotional banks, it has already mobilized over **€280 billion** in additional funding for the EU economy.

The **European Commission** is proposing an amendment to the **Invest EU Regulation** to boost its risk-bearing capacity. This change will allow the reuse of surplus funds from the **European Fund for Strategic Investments** and other financial instruments, making it easier to provide **equity support**. The proposal aims to **mobilize €50 billion** in additional funding for key EU priorities until the end of the current 2021-2027 MFF, including:

- Modernizing industrial processes
- Expanding clean tech manufacturing and deployment
- Financing energy infrastructure projects
- Supporting clean mobility solutions
- Enhancing waste reduction and recycling

Existing **Invest EU guarantee instruments** will also be used by the **EIB Group**, partly through a new **Clean Tech Guarantee Facility**.

Conclusion

As the European Commission enters its renewed mandate under Ursula von der Leyen, its priorities have evolved to address the pressing need for sovereignty, including defense, and economic competitiveness alongside the continued pursuit of climate neutrality. While the Green Deal remains a cornerstone of EU policy, the introduction of the Clean Industrial Deal, the Energy Union, and the Competitiveness Compass reflects a shift toward integrating industrial growth, energy security, and regulatory simplification into the broader sustainability agenda.

The new priorities have so far been translated mainly in action plans which will have to be transposed in concrete measures, including difficult budget choices.

And **challenges remain**. High energy prices, investment gaps, and regulatory complexity could hinder progress if not effectively addressed. Balancing simplification with the Green Deal's ambitious environmental targets will require careful navigation, ensuring that economic growth does not come at the expense of long-term sustainability. Additionally, the EU's ability to mobilize private capital and reduce external dependencies will be critical in determining the success of its new initiatives.

As the European Commission moves forward, it faces the dual task of strengthening Europe's industrial and technological leadership while maintaining its climate commitments. The success of this strategy will depend on the Commission's ability to foster cooperation among Member States, attract investment, and ensure that policies are not only ambitious but also implementable. Whether the EU can truly reconcile decarbonization with competitiveness remains to be seen, but the renewed focus on economic security and industrial strategy signals a pragmatic approach to the challenges ahead.

Annex 1: Timeline of the key actions undertaken during Von Der Leyen I

Legend:

Plan

Strategy

Legislation (including Directives, Regulations, Delegated acts)

- **March 2018:** Presentation of the **action plan on financing sustainable growth** – comprehensive strategy to further connect finance with sustainability.
- **November 2019:** Adoption of the **Sustainable Finance Disclosure Regulation (SFDR)**.
- **December 2019:** Presentation of the **European Green Deal** – framework of all new legislation proposed by the European Commission from 2020 onwards.
- **March 2020:** Adoption of the **European Industrial Strategy**.
- **March 2020:** Adoption of the **Circular Economy Action Plan**.
- **July 2020:** Adoption of the **EU strategies for energy system integration and hydrogen**.
- **July 2020:** Adoption of the **EU Taxonomy for Sustainable Activities**.
 - **June 2023: Amendments** to add economic activities to the list of those substantially contributing to the objectives of climate change mitigation and adaptation, and to clarify the reporting obligations for the additional activities.
- **October 2020:** Adoption of **Methane strategy** and **Chemicals strategy for sustainability**.
- **December 2020:** Adoption of the **European Climate Pact** and the **2030 Climate Target Plan**.
- **February 2021:** Adoption of the **New EU strategy on adaptation to climate change**.
- **November 2022:** Adoption of the **Corporate Sustainability Reporting Directive (CSRD)**.
- **February 2023:** Adoption of the **REPowerEU Plan**.
- **April 2023:** Adoption of the **Carbon Adjustment Mechanism (CBAM)**.
- **May 2023:** Adoption of a first revised **Energy Performance of Buildings Directive**.
 - Strengthened version adopted in April 2024.
- **September 2023:** Adoption of the **Renewable Energy Directive (RED III)**.
- **October 2023:** Full adoption of the **Fit for 55 Package**.
- **November 2023:** Adoption of the **EU Action Plan for Grids**.
- **April 2024:** Adoption of the **revised directive on industrial emissions and the regulation on the establishment of an industrial emissions portal**.
- **May 2024:** Adoption of the **electricity and gas market reforms** and the new framework to boost the development of hydrogen.
- **May 2024:** Adoption of the **Corporate Sustainability Due Diligence Directive (CS3D)**.
- **May 2024:** Adoption of the **Net-Zero Industry Act**.

Annex 2: Von Der Leyen I - EU Funds contributing to environmental protection and climate action

Framework	Fund	Destination	Source of financing	Amount	Spending period
Fit for 55	LIFE	Dedicated to environmental protection and climate action	MFF 2021-2027	€5.4 billion	2021-2027
Fit for 55	Horizon Europe	Funding program for research and innovation	MFF 2021-2027	€95.5 billion	2021-2027
Next Generation EU (NGEU)	Recovery and Resilience Facility (RRF)	Support reforms and investments in Member States	NGEU	€672.5 billion - divided between loans (€360 billion) and grants (€312.5 billion) of which at least 37% of RRF funds are dedicated to combating climate change	2021-2026
Just Transition Mechanism (JTM)	Just Transition Fund (JTF)	Supports territories expected to be the most negatively impacted by the transition towards climate-neutrality	MFF 2021-2027 and NGEU	€19.7 billion - €8.4 billion financed under the EU's 2021-2027 budget, and €11.3 billion from NGEU	2021-2027
	Invest EU	Supports sustainable investment, innovation and job creation in Europe, aiming at triggering €372 billion of public and private investment through an initial EU input	EU budget guarantee that backs the investment of implementing partners such as the European Investment Bank (EIB) Group and other financial institutions	€26.2 billion	2021-2027
Fit for 55	RePower EU	Plan to rapidly reduce the EU's over-dependence on Russian gas, oil and coal imports	RRF grants amounting for (€225 billion) Innovation Fund (€12 billion), and the sale of Emission Trading System (ETS) allowances (€8 billion) Member states can also transfer up to €5.4 billion of funds from the Brexit Adjustment Reserve (BAR) to the RRF to finance REPowerEU measures	€245 billion + A possibility of an additional €5.4 billion	2022 -
Fit for 55	Innovation Fund	Funding programs for the demonstration of innovative low-carbon technologies	EU Emissions Trading System (ETS)	€10 billion	2020 -

Framework	Fund	Destination	Source of financing	Amount	Spending period
	Modernization Fund	Supports the modernisation of energy systems and the improvement of energy efficiency in 13 lower-income EU Member States (Bulgaria, Czechia, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, Slovenia and Slovakia)	EU Emissions Trading System (ETS)	€57 billion from 2021 to 2030, assuming a carbon price of €75/tCO ₂	2021-2030
	Connecting Europe Facility	Promotes growth, jobs and competitiveness through targeted infrastructure investment at European level	MFF 2021-2027	€31.7 billion <ul style="list-style-type: none"> • €25.8 billion in transport infrastructure, • €6 billion in energy, • €2 billion in digital 	2021-2027
	FEnKS - European Funds for Infrastructure, Climate, Environment	Aid program to support growth of such areas as transport, energy, the environment, healthcare, or culture in Poland	MFF 2021-2027	€24 billion – of which €9.7 billion in the sector of energy and environment	2021-2027

Annex 3: Competitiveness Compass upcoming actions

Enabler	Main actions	Reform Area	Key actions
Simplification	Omnibus proposal on sustainability	Corporate Sustainability Reporting Directive (CSRD)	Scope reduced to large companies (1000+ employees and either a turnover above €50 million or a balance sheet total above €25 million)
			Fewer data points
			Delayed implementation by two years
			Removal of sector-specific standard
		Green Taxonomy Reform	Voluntary reporting for companies within the future CSRD scope (companies with more than 1,000 employees and a net turnover up to €450 million)
			Simplification of templates (data points reduced by 70%).
			Exemption for non-material activities (<10% turnover/capital/assets)
		Corporate Sustainability Due Diligence Directive (CS3D)	Delayed implementation (first phase to 2028)
			Reduced reporting obligations
			Relaxation of liability requirements
			Less frequent assessments (5 years instead of 1)
		Lowering Barriers to the Single Market	Removing intra-EU trade barriers, Modernizing governance framework
Preventing the emergence of new barriers			
Strengthening collaboration with Member States			
Single Market Enforcement Taskforce (SMET) reinforced	Overseeing the proper transposition of EU legislation		
	Minimizing unnecessary burdens		
	Deliver a Single Market Strategy by Q2 2025		
Financing Competitiveness	European Savings & Investments Union, Converting savings into growth capital	Savings and Investments Union	Promoting low-cost saving and investment products at the EU level to attract retail investors
			Enhancing the role of private and occupational pensions in helping citizens plan for retirement while channeling their savings into the real economy
			Removing barriers to financial market consolidation
Better EU & National Policy Coordination	Competitiveness Coordination Tool, Aligning investments & reforms	Competitiveness Coordination Tool	Align industrial and research policies, and investments, at both the EU and national levels
			Drive new major initiatives and cross-border projects
			Pilot the coordination in select high-impact areas, such as energy and transport infrastructure, digital infrastructure and AI applications, biotechnology, and critical manufacturing capacities

Annex 4: Summary of the key actions within the Clean Industrial Act

Enabler	Main actions	Reform Area	Key actions
Energy security and energy prices	Improving the energy framework by diversifying energy sources, stabilizing prices, and better share resources	Energy Union	Move further away from fossils fuels by developing the renewable energy
			Reinforce joint procurement for fuels
		Affordable Energy Action Plan	Lower energy bills for households and industrial customers
			Accelerate the roll-out of clean energy and electrification, with the full implementation of the Electricity Market Design
			Complete interconnections and grids with the "European Grid Package" and a "Grids manufacturing package" (EIB)
		Industrial Decarbonization Accelerator Act	Create a of a Gas market Task Force tasked at preventing commercial practices distorting market-based pricing
			Create a of a voluntary label to show the carbon footprint of industrial products
			Create a Delegated act on Low Carbon Hydrogen and a Hydrogen Mechanism to be launched under the European Hydrogen Bank
		Recycling and critical raw materials	Reduce reliance on unreliable suppliers and mitigate supply disruptions by focusing on the strategic procurement of raw and secondary materials
Establish a single market for waste, particularly concerning critical raw materials			
Update the rules on e-waste, making them simpler and more effective in recovering valuable materials			
Create a Trans-Regional Circularity Hubs focusing on smart specialization and larger-scale recycling			
Update the rules for the second-hand goods scheme in the VAT Directive to create a "green VAT"			
Clean Trade and Investment Partnerships	Help European companies access global markets and essential resources	Free Trade Agreements (FTAs) and Clean Trade and Investment Partnerships (CTIPs)	Promote cooperation on clean energy and decarbonization efforts in partner countries
			Design clean value chains by mobilizing investments, setting rules for clean business practices
		Pact for the Mediterranean Energy and Clean Tech Cooperation	Encourage large-scale investments in renewable energy from both public and private sectors
			Support partner countries in their green transition by helping them meet climate and environmental goals
		Improvement of the Carbon Border Adjustment Mechanism (CBAM)	Simplification to reduce the administrative burden on industries and their supply chains
			Exempt small importers, mainly SMEs and private individuals
			Full review of CBAM to cover more EU ETS sectors and downstream products, including indirect emissions linked to electricity costs for EU producers to prevent circumvention and address carbon leakage in exports to third countries

Annex 5: Von der Leyen II - Financing the Clean Industrial Act

Fund/ Mechanism	Destination	Source of financ	Amount	Spending period
European Competitiveness Fund	Supports strategic technologies and manufacturing (e.g., clean tech, AI, biotech)	EU budget, reallocation of existing resources	Not specified (integrated funding capacity)	MFF 2028-2034
Industrial Decarbonisation Bank	Supports industrial decarbonization and clean tech transition as part of the European Competitiveness Fund	Innovation Fund (€6 billion), EU ETS revenues, revised InvestEU	€100 billion	MFF 2028-2034
Horizon Europe Flagship Call	Supports clean tech, renewable energy, and low-carbon manufacturing R&I projects	Horizon Europe funds	€600 million	2026-2027
InvestEU	Attracts private investment for industrial decarbonization and clean tech	EU budget, EIB, national banks, financial institutions	€50 billion of additional funding	Until the end of MFF 2021-2027

Annex 6: Von der Leyen II – Calendar of the upcoming actions

Axis of work and objectives pursued	Flagship actions	Timeline
Access to affordable energy and infrastructure – Increase economy-wide electrification rate from 21.3% today to 32% in 2030	Action Plan on Affordable Energy	Q1 2025
	EIB pilot offering financial guarantees for PPA offtakers, with a focus on SMEs and energy-intensive industry	Q2 2025
	Legislative proposal on the extension of the Gas Storage Regulation	Q1 2025
	Industrial Decarbonisation Accelerator Act: • Speed-up permitting for industrial access to energy and industrial decarbonisation	Q4 2025
	European Grids Package	Q1 2026
Lead markets: boosting clean supply and demand - Reach 40% of domestically produced key components of clean tech products on the EU market	Delegated act on low carbon hydrogen, providing regulatory certainty to producers of low carbon hydrogen	Q1 2025
	Industrial Decarbonisation Accelerator Act: • Establish a low-carbon product label • Apply sustainability, resilience and minimum EU content requirement in public and private procurement in strategic sectors to ensure lead markets for low-carbon products	Q4 2025
Public and private investment – Increase the total volume of investment supporting industrial transition from €52.7 billion	Increase InvestEU's risk bearing capacity	Q1 2025
	Flagship call under Horizon Europe	Q4 2025
	Pilot auction under the Innovation Fund	2025
	Industrial Decarbonisation Bank	Q2 2026
	TechEU investment program on scale-ups with the EIB Group and private sector	2026
Powering the circular economy: a secure access to materials and resources - Increase circular material use rate from 11.8% today to 24% by 2030	First list of Strategic Projects under the Critical Raw Materials Act	Q1 2025
	EU Critical Raw Materials Centre for joint purchases and management of strategic stockpiles	Q4 2026
	Circular Economy Act	Q4 2026
	Green VAT initiative	Q4 2026
	Trans-Regional Circularity Hubs	Q4 2026
Global markets and international partnerships	Launch negotiations for the first Clean Trade and Investment Partnership	Q1 2025
	Simplification of the Carbon Border Adjustment Mechanism (CBAM)	Q1 2025
	Trans-mediterranean Energy and Clean tech cooperation initiative	Q4 2025
	Legislative proposal on an extension of CBAM scope to other EU ETS sectors at risk of carbon leakage, to downstream sectors and to indirect emissions and support to exporters	Q1 2026