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Turning vision into action: How the Clean Industrial Deal can drive a climate-neutral industry

With the Clean Industrial Deal, the European Commission commits to align climate protection with economic competitiveness. This is a pivotal decision, as consistent climate action forms the foundation of a future-proof and resilient industrial base. Across Europe, businesses are already investing in low-carbon technologies and innovative production methods that cut emissions and reduce raw material use while improving efficiency. To build on this momentum over the next five years, the Clean Industrial Deal must be backed by a strong regulatory environment. Tailored approaches by sector are equally important, as each industry faces unique conditions and challenges on the path to climate neutrality - for instance, in the steel and chemical industries. Only an ambitious industrial policy that puts decarbonisation and resource reduction at its core can safeguard Europe's prosperity, freedom, and security for all.

To succeed, the Clean Industrial Deal must rest on three pillars:

- 1) **Implement the European Green Deal:** The prerequisite for a successful Clean Industrial Deal is the preservation and full implementation of the European Green Deal. Any weakening or delay of already agreed measures and targets undermines the urgently needed investment and planning security for businesses.
- 2) **Strategically prioritise and promote climate technologies:** Many proven solutions for long-term emission reduction and avoidance in industry are already available and must now be deployed. These include energy efficiency measures, circular economy strategies, electrification of industrial processes, and the strategic use of renewable hydrogen in sectors where electrification is not feasible in the short to medium term. We reject equal access to EU funds and state aid for unproven technologies or those with a poor track record in rapid decarbonisation.
- 3) **Strengthen societal participation:** Tackling the challenges of industrial transformation requires a collective societal effort and broad acceptance of associated processes, such as the deployment of new technologies, restructuring of industrial infrastructure, and potential social impacts. Civil society actors must be actively involved in the development of legislative processes, dialogue formats and consultations during the implementation of the Clean Industrial Deal. This fosters transparency, strengthens trust in European policymaking, and promotes willingness for co-creation and shared responsibility.

The Clean Industrial Deal should further take into account the following climate-related priorities¹:

Affordable Energy:

- **Reduce electricity prices to boost electrification:** To make electricity-based technologies economically viable more quickly, electricity taxes should be temporarily reduced. An industrial electricity price tied to efficiency requirements and transition plans can temporarily support the most affected sectors, encouraging electrification and the shift to climate-friendly technologies. In the long term, expanding renewable energy with a clear focus on flexibility is the most suitable approach to sustainably lowering electricity prices. Priority must go to wind and solar, alongside grids and storage.
- **Advance the energy transition:** The EU must press ahead with the clean energy transition and aim to run the entire energy sector on 100% renewables by 2040. This requires completing the Energy Union through grid interconnections and deeper integration of the internal energy market. Additionally, the EU needs to build further production capacities for key technologies, such as renewables and transformers, to strengthen resilience. A nature-compatible energy transition demands integrating essential EU energy and environmental legislation, particularly the Renewable Energy Directive (RED III) and the Nature Restoration Law (NRL). Nuclear energy and fossil fuels must be explicitly excluded from access to subsidies and fast-track approvals.
- **Rapid phase out of fossil fuel dependence:** The EU must ramp up investments in renewables, adopt an electrification strategy, and commit to exiting all fossil fuels by 2040 at the latest. New long-term gas supply contracts should be avoided, as they conflict with climate goals and risk energy dependence. Transitional contracts should only be signed with suppliers that comply with the EU Methane Regulation. EU funds must not be used for fossil fuel export infrastructure in third countries.
- **Unlock energy efficiency potential:** Germany's industry alone has a cost-effective savings potential of nearly 50% of its final energy consumption. To tap into such savings, the EU must adopt a binding energy efficiency target for 2040, extend the Energy Efficiency Directive (EED) beyond 2030, and ensure full implementation by Member States.
- **Make climate and environmental protection the benchmark for accelerated planning:** Faster permitting processes—such as those envisaged under the Industrial Decarbonisation Accelerator Act—must prioritise infrastructure and industrial projects based on their contribution to decarbonisation. Acceleration must not come at the expense of environmental standards. Instead, administrative bottlenecks like understaffed permitting authorities should be addressed.

Circular Economy:

- **Strengthen prevention, reduction, and reuse:** In addition to waste- and recycling-oriented measures, the EU should promote circular economy strategies such as prevention, reduction, and reuse in line with the waste hierarchy and expand the corresponding cross-sectoral infrastructure. Binding resource conservation targets are needed—ideally through an EU Resource Protection Law analogous to the EU Climate Law. Binding targets for the prevention of all types of waste, including commercial and professional waste, are also essential. To meet sector-specific waste prevention goals, specific requirements for reuse, repair, and remanufacturing should be set for all product categories - following the example of the EU Packaging and Packaging Waste Regulation (PPWR).
- **Adequately finance and tax the circular economy:** With the European Circular Economy Act, the EU should establish a financial and tax policy that promotes investment in circular business models (circular finance) and places fiscal burdens on resource-intensive production and consumption - both at national and European level. We welcome the initiative to develop a new IPCEI on Circular Advanced Materials for Clean Technologies. It is crucial that this IPCEI is designed ambitiously and supports innovations that contribute to a substantial reduction in the use of primary raw materials and to the decarbonisation of industrial processes in the medium term.

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¹ As German environmental NGOs, we focus on the climate policy dimension of the Clean Industrial Deal in this paper. We endorse calls for a socially just Clean Industrial Deal and the expansion of the Just Transition Fund (see [here](#)).

- **Create framework conditions for circular product strategies:** To implement the requirements of the Ecodesign for Sustainable Products Regulation (ESPR) across all product groups as quickly as possible, additional capacities must be created within the European Commission. Digital product passports should become mandatory for all relevant products to provide circular economy actors with the information needed for circular processes - independently of manufacturers. The legal framework for resource-efficient services and strategies such as repairs, rental systems, or remanufacturing must be adjusted to enable industrial-scale implementation. Clear and increasingly ambitious minimum emissions standards can help create a level playing field in the single market for climate-friendly products and support the establishment of lead markets.
- **Anchor sustainable product design requirements in the Extended Producer Responsibility (EPR):** To ensure that Extended Producer Responsibility goes beyond merely financing waste disposal, aspects of waste prevention and sustainable product design must become integral components of EPR systems. These must be enshrined in the Waste Framework Directive to establish harmonised systems across the EU that specifically reward circular practices and products.

Financing the industrial modernisation:

- **Ensure sufficient funding:** Current EU financial resources will not be sufficient to meet the investment needs for industrial decarbonisation. Therefore, the successful but expiring joint borrowing approach under “Next Generation EU” should be replaced in the next EU budget by a new instrument funded through joint bonds and adequate new own resources.
- **Targeted and conditional financing:** Given the limited financial resources available for decarbonisation, it is essential to ensure that EU investments are channeled exclusively into projects that deliver the most effective decarbonisation outcomes. Existing and new financial instruments, such as the proposed Competitiveness Fund, and industrial relief measures must be tied to strict climate, environmental, and social criteria.
- **Turn the CO₂ price into a driver of innovation and investment:** The current CO₂ price under the ETS is not sufficient to drive decarbonisation and incentivise innovative investments. So far, the ETS has not delivered the necessary impact as the EU’s key instrument for CO₂ reduction. For an effective price signal, the polluter-pays principle must be consistently applied, and the phase-out of free allocations by 2034 at the latest must be upheld. Until then, free allocations must be made conditional – e.g., through binding and verifiable transition plans. The direct inclusion of negative emissions and international offsets under Article 6 into the ETS risks distorting the price signal and must be excluded.
- **Establish the Industrial Decarbonisation Bank:** The proposal for an Industrial Decarbonisation Bank is a sensible measure to deploy funding effectively. It is crucial to structure it as a long-term funding instrument equipped with sufficient financial resources. Furthermore, the actual decarbonisation impact of funded projects must be regularly assessed.
- **Design a suitable EU state aid framework:** The announced revision of the EU State Aid Framework should incorporate stronger social and environmental conditions and make the “Do No Significant Harm” principle (DNSH) mandatory. In addition, the granting of aid should be tied to a commitment to production within Europe and to the payment of collectively bargained wages. To strengthen European cohesion, a fair mechanism should also be established to actively support economically weaker Member States with limited state aid leeway in building clean industries. Further efforts should be made to ensure proper implementation of the state aid framework across the Member States.

Green lead markets:

- **Make green public procurement binding:** Introducing climate protection and circularity criteria for public and private procurement is a key step in building green lead markets under the ESPR, the upcoming Industrial Decarbonisation Accelerator Act, and eventually the review of public procurement rules. Potential criteria include greenhouse gas limits and minimum recycled content, minimum shares of Made-in-EU products, and the introduction of green labels. Green public procurement must become mandatory - positive examples from Member States such as Poland, Spain, or Germany show that this is possible.
- **Introduce minimum quotas for climate-friendly raw materials:** To create a clear demand signal for low- and zero-emission raw materials, minimum quotas should be set for end products - for instance, in the automotive or construction sectors.
- **Prevent resource shuffling:** In transitioning to climate-friendly products, such as in public procurement, resource shuffling – the mere diversion of existing climate-friendly products to regulated markets – must be avoided. To achieve genuine emissions reductions and ensure the actual increase of climate-friendly products in the market, clear criteria and additional sustainability requirements must be integrated into procurement quotas.
- **Base green labels on existing standards:** When developing green labels, existing standards should be considered, such as Germany's "Low Emission Steel Standard" (LESS) or the "Cement Carbon Class" (CCC). Furthermore, solutions must be developed for raw materials in the chemical industry, which have significantly more complex value chains.
- **Stimulate private demand:** To increase private demand, certificates with environmental and social minimum requirements, GHG limits, recycling quotas and/or climate and resource charges can be useful. Independently certified green products (e.g., the Blauer Engel label, awarded by an independent commission) should also receive active market incentives, such as tax benefits.

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