



Reconciling sustainability and industrial competitiveness

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Policy context

- ❑ **22 January 2014** → Commission's comprehensive package of proposals in the fields of **energy, climate** and **industrial policy**
- ❑ Strong message: **intertwined nature of all these policy areas** and need to define **mutually-reinforcing actions**.
- ❑ **Reindustrialisation, decarbonisation of the economy and secure energy** → **equally important EU objectives**
- ❑ **Competitiveness (energy, industrial and economic)** → **common denominator** in policy definition and implementation
- ❑ **Forthcoming discussions** at the **March European Council** → high political momentum + need to deploy an effective, comprehensive and long-term strategy for Europe.

Main elements of the package

- ❑ **Communication on "A policy framework for climate and energy in the period from 2020 to 2030"**: ambitious EU GHG emissions reduction and RES targets by 2030 + key role of energy efficiency. Need to avoid policy overlaps and to ensure cost-efficiency in policy intervention.
- ❑ **Communication "For a European Industrial Renaissance"**: central role of industry in sustaining economic recovery and boosting competitiveness and jobs creation. Objective of an EU-wide share of manufacturing in GDP of 20% by 2020 reaffirmed.
- ❑ **Communication and SWD on energy prices and costs in Europe**: importance of effects and interactions of all different policy and regulatory choices at the EU as well as Member States' level

Why a new framework for 2030?

Reducing Greenhouse Gas Emissions (GHG) **cost-effectively**
2050 objective: -80% to -95%
GHG

EU contribution to 2015
**international climate
agreement**

Security of EU energy
supplies

EU oil and gas imports:
€ 400 billion per year

Competitive energy and new
growth and **jobs**
Eco-industry already employs
4.2 million

Main Challenges

Energy costs

- **Increasing** in any event: renew **ageing** energy system, rising fossil **fuel prices**, adherence to **existing policies**

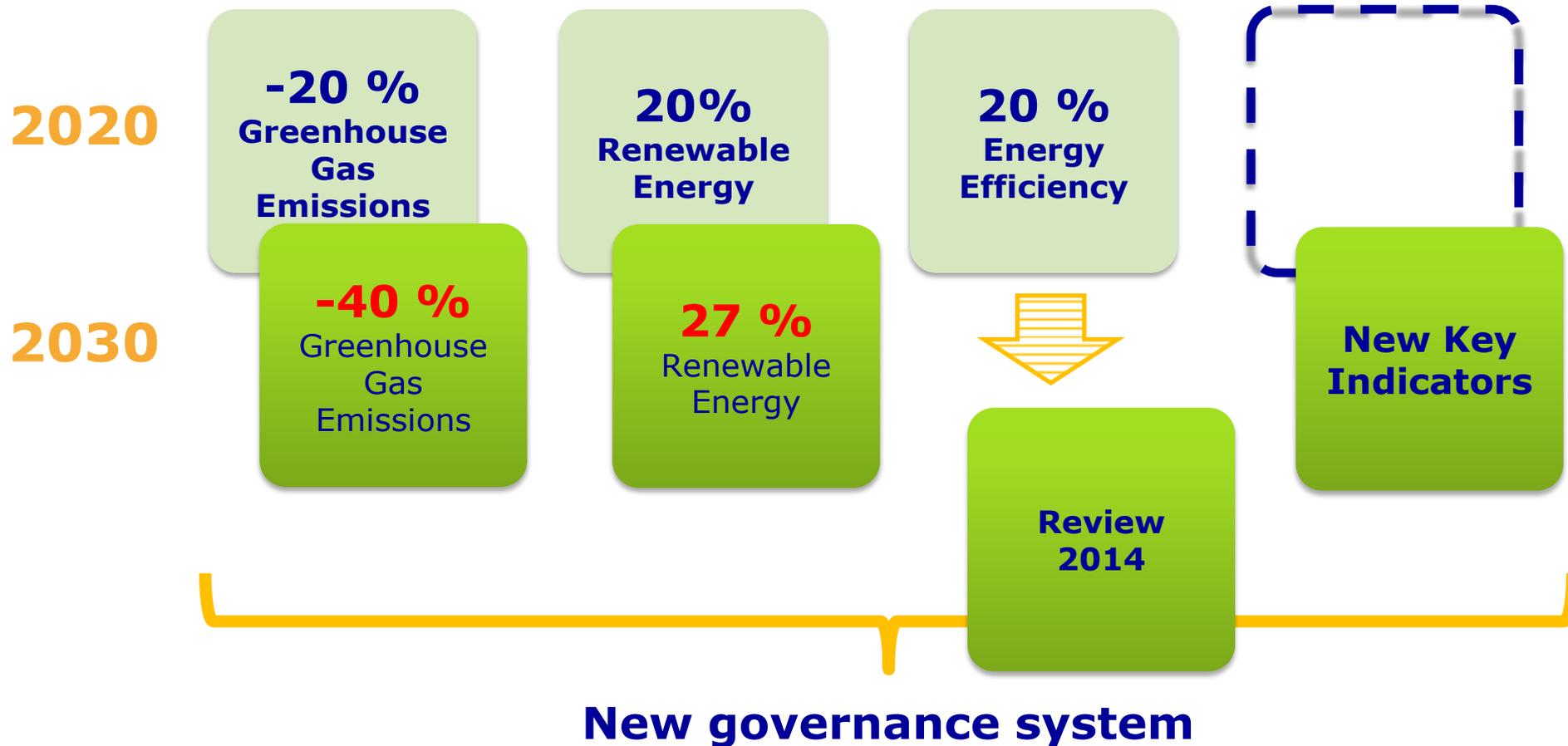
Additional **investments** to achieve 2030 framework

- Shift away from **fuel expenditure** towards investments, additional **€ 38 billion** investment/year 2011-2030 compared to the reference scenario

Differences between Member States

- Future discussion will have to be centred on how to ensure an **equitable burden sharing** affordable for all

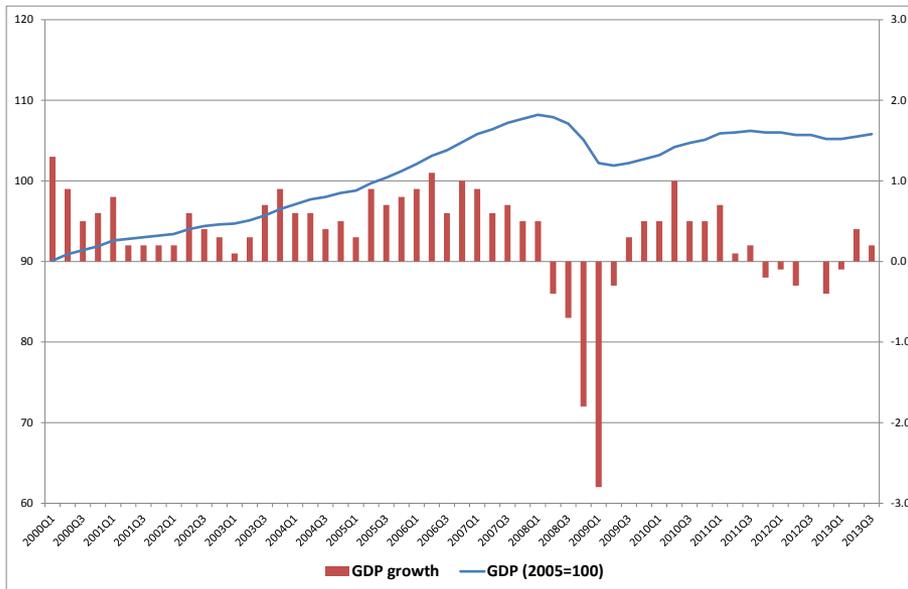
The Main Objectives



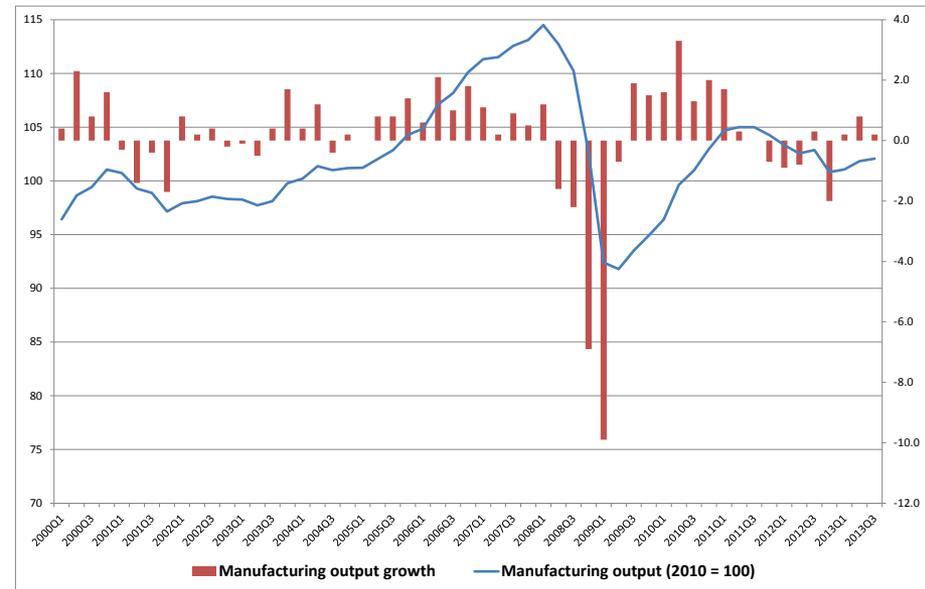
Key elements of Ind Pol Communication

- ❑ **Political support needed at the highest level**
- ❑ **Commission key priorities for industrial policy,** actions already undertaken, and a limited number of new actions
- ❑ **Final Objective:** Mobilizing actors across the economy to deliver industrial change

Accelerating growth is top priority



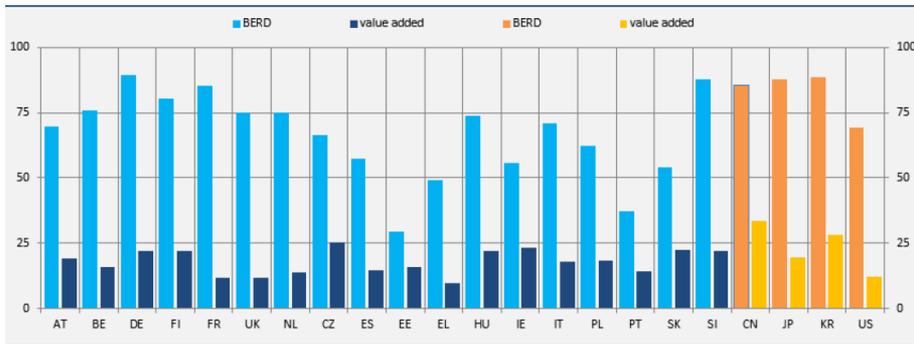
EU GDP growth
Source: Eurostat



EU Manufacturing output
Source: Eurostat

Industry is a key driver for recovery

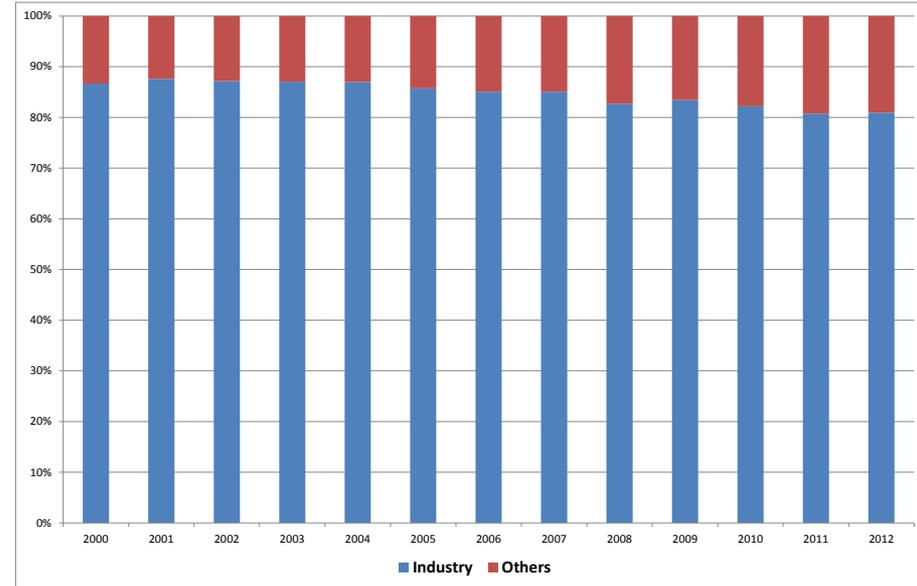
Leading in innovation



Share of manufacturing on value added and private R&D expenditure

Source: Industrial Competitiveness Report (2013)

Leading EU's exports



Share of manufacturing on EU-27 Exports

Source: Eurostat

Main challenges hampering growth

- ❑ **Weak internal demand**
- ❑ **Non-conducive business environment**
- ❑ **Low innovation and investment**
- ❑ **High energy prices**
- ❑ **Access to basic inputs difficult** (raw materials, qualified labour and capital)

Priorities of Commission response

- 1. Mainstream industrial competitiveness**
- 2. Use financial resources at our disposal**
- 3. Provide more business friendly environment**
- 4. Ease access to production inputs (incl. energy)**
- 5. Maximise potential of EU's internal market**
- 6. Internationalise**
- 7. Facilitate mobility via education and training**

Energy prices and costs/ 1

- ❑ Significant disparities in price levels and trends across MS as well as between industry sectors
- ❑ Highly differentiated energy policies adopted at national level and distortive impacts associated with regulated energy prices
- ❑ Significant and increasing differentials registered compared to external competitors
- ❑ Europe needs to contain energy costs to remain competitive.

Energy prices and costs/2

Strong concerns for implications in terms of Europe's competitiveness, in particular of **international competitiveness of energy-intensive industries**

Deterioration of energy competitiveness (cost of providing energy services in one economy relative to others)



Negative effects on industrial competitiveness (ability of industry to compete internationally)



Knock-on effects for the rest of the economy impact **overall economic competitiveness** (productivity of an entire economy relative to others)

Continued monitoring of the components and drivers of energy prices and costs is essential

Necessary framework conditions

Ambitious policy objectives imply thorough assessment of efforts required economy-wide and, in particular, by businesses in terms of investments and innovation.

- Effective and sustainable 'energy transition'** only ensured by an approach aimed at guaranteeing:
 - affordable energy for all users
 - appropriate financing and incentives for change in C and P patterns
 - competitiveness and exploitation of new business opportunities
- Level playing field** to be ensured + **safeguard measures** as appropriate (carbon leakage, state aid)
- Meeting objectives only possible via **enhanced coordination between the EU and Member States**



Next steps

At **European level**

- **March 2014: European Council**
- **European Parliament**
- **Energy Efficiency Directive:** 2014 Review and proposals
- **Emissions Trading System proposal:** co-decision procedure
- Development/implementation of new governance structure
- Competitiveness and energy security indicators

At **international level**

- 2014: Ban Ki-moon Climate Summit of World leaders
- 2015: contributions from Parties; Paris conference adopts **international agreement**