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EC Proposes Net-Zero Industry Act to Spur Green Technology Investment

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The European Commission last month announced a proposed [Net-Zero Industry Act](#) designed to drive the investment in and the growth of the clean technology manufacturing sector. The proposed Act is part of the [Green Deal Industrial Plan announced in February](#).

The [animating goal](#) of the Net-Zero Industry Act is to create a hospitable regulatory and investment environment for the development of priority net-zero technologies, with the ultimate aim of having the EU's net-zero technologies manufacturing capacity reach at least 40% of the EU's overall needs by 2030.

The Act's objectives include:

Expedited permitting. The Act aims to fast-track construction of priority net-zero technology projects that will contribute to the EU's decarbonization objectives by improving the "enabling" conditions for investment, and reducing regulatory and administrative "red tape." The proposal mandates a "one-stop shop" approach requiring member states to designate a single responsible administrative agency; online access to permitting resources through that agency; and simplified permit-granting processes and accelerated permitting timelines.

Prioritized "strategic" net-zero technologies. The Act identifies priority or "strategic" technologies as those that: 1) will make a significant contribution to the "Fit-for-55" target of reducing net greenhouse gas emissions by at least 55% (relative to 1990 levels) by 2030; 2) operate in markets that have achieved a required level of technological readiness and maturity; and 3) in the case of components or parts, would benefit from scaled up manufacturing

capacity in the form of increasing supply chain security in situations where the EU heavily or increasingly depends on imports, particularly from a single country.

These designated priority technologies include solar, wind, batteries and storage, heat pumps and geothermal energy, electrolyzers and fuel cells, biogas/biomethane, carbon capture, utilization and storage, and grid technologies, as well as their corresponding main upstream components (for example, ingots, wafers and solar cells for solar modules; towers and blades for wind turbines). The draft proposal also provides that these strategic projects should be given priority status and urgent treatment in all judicial and dispute resolution processes.

Accelerating carbon capture and storage EU-wide. The Act also would prioritize projects focused on accelerating CO₂ capture and storage, including identifying and enhancing the availability of storage sites EU-wide. The EC has set an objective of annual 50Mt injection capacity across the bloc by 2030. Notably, the proposed legislation contemplates significant funding contributions in the development of these projects from oil and gas companies operating in the EU on a *pro rata* basis relative to their oil and natural gas production.

Easier access to private and public investment funding. The EC's proposal sets forth measures to enhance both public and private investment in and financing of strategic net-zero technology projects, including working with the European Investment Bank and other partners in the InvestEU Program to develop public-private financing programs, and encouraging the deployment of state aid under new amendments to the state aid rules. In its "[Questions and Answers](#)" document, the EC also points to a number of EU funding programs available to fund investments in net-zero technology projects. The proposal also calls for the development of a European Sovereignty Fund to meet investment needs across the EU.

Building a skilled workforce. The Act introduces several measures and mandates for member states, as well as providing €5.5 million in seed funding for the establishment of EU Net-Zero Industry Academies. The expectation is that member states, industry and other stakeholders will be involved in the design of courses for—and funding of—these training entities to re-skill and up-skill workers. The proposal contemplates that the Net-Zero Europe Platform, a central information and coordination resource for Member States and the EC around the implementation of the Act, will be essential to the establishment of the academies, as well as facilitating mobility of skilled workers within the EU, and the matching of skill sets and jobs.

Setting up regulatory sandboxes to fostering innovation. The Act proposes a rubric for members states to set up "regulatory sandboxes"—temporary regulatory frameworks that can be created at the request of companies developing innovative net-zero technologies that allow development and testing of the technologies before their deployment into the market. Companies must comply with specific, yet-to-be decided eligibility and selection criteria, and small- and medium-sized enterprises will be given priority access to the sandboxes. In the spirit of cross-border cooperation, member states are expected to coordinate regulatory activities and share relevant information.

Taking the Temperature: The development of green technologies is central to the ongoing global efforts to develop and source capital to pay for investment in clean technology—with the United States, Japan, India, China, Canada and the UK all having recently undertaken initiatives in this area. As we observed in [our discussion](#) of the

European Green Deal Industrial Plan, the Net-Zero Industrial Act is, at least in part, a response to the U.S. Inflation Reduction Act (IRA), which included approximately \$370 billion in climate and energy-related provisions, \$121 billion of which are in the form of investment and production tax credits.

Slow permitting processes in many Member States, lack of transparency and coordination, and inherent differences in resources, have all been identified as major obstacles to EU-wide efforts to achieve a green transition. As noted in the preamble to the Act, the EU is currently a net importer of net-zero energy technologies, with the majority of imports coming from China. Even in sectors where EU industry is strong, such as wind turbines and heat pumps, the trade balance is deteriorating and EU producers face rising energy and input costs. The Act and the companion [Critical Raw Materials Act](#) (aimed at identifying and ensuring the availability of raw materials necessary in the manufacture of net-zero technologies) aim to address import-heavy supply chains and the need for the EU to reduce its reliance on imports, in particular in sectors critical to the bloc's ability to reach its net-zero emissions goals on schedule. Both legislative proposals are widely viewed as critical to accelerating the EU's efforts not only to compete in the race for technological advancement in green technology, but also to meet the bloc's ambitious targets for decarbonization.

As we have [previously noted](#), the role of nuclear energy in the green transition remains controversial. The Act does not include nuclear energy-related projects on its list of strategic net-zero strategic projects. However, small modular nuclear reactors and nuclear plants with limited waste are included as second-tier priority technologies, which does allow them the benefits of general incentives such as streamlined permitting procedures.