



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

Net-Zero Industry Act

14 June 2023

Brussels, 14 June 2023

SGI Europe, the European association representing employers from the public services and services of general interest, welcomes the proposal for a Net Zero Industry Act (NZIA) by the European Commission as it has the means to enable the transition to low-carbon energy while ensuring the need to strengthen European industry in strategic technologies, and sees a need for faster and more efficient permitting processes for the necessary green transition.

At the same time, SGI Europe wishes to underline here not to neglect or delay other societal interests such as community development, electricity networks and other industrial projects, which could be at risk when applying a system of **priority status** in the permitting processes. In general, SGI Europe believes that **detailed regulation should be avoided at the EU level, to allow for national and local solutions**. Member States, municipalities and regions have a **vested interest** in facilitating industry as well as greater opportunities to find good solutions taking into account national priorities and conditions, which also leave sufficient room for democratic consultation and local perspectives. The EU and public authorities on all levels should thus work together to achieve the goals set in the text.

SGI Europe also believes that a strong case needs to be made for a **technology-neutral approach** to enable more industries to contribute to this objective. The inclusion in the net-zero technologies (or even SNZT) should be for all **low-carbon technologies** currently in use, including existing nuclear and hydropower. Each technology in the NZIA should be regarded through its contribution to the EU's **climate neutrality goal of 2050 and to European resilience and energy security**. Technology neutrality also ensures a level-playing field among the EU industry, which, all in all, contributes to the EU's industrial strength and innovation.

Furthermore, SGI Europe, as a cross-sectoral European association representing energy, transport, housing, water, waste management and telecommunication, considers that the **European Commission should provide more guidance and propose adaptation of the EU environmental, climate and water regulations to facilitate and speed up processes**.

SGI Europe would like to put forward the following recommendations for consideration for EU institutions:

Wind and solar power technologies

Among SGI Europe, several members develop and operate a range of strategic net-zero technologies (solar photovoltaic, solar thermal and onshore/offshore wind technologies, batteries). Others represent local and regional authorities and have a broad societal perspective. SGI Europe welcomes the intentions set out in the NZIA to reduce the administrative burden and facilitate access to stable demand for net-zero technologies. However, the strategy proposed in the NZIA does not address all the industrial challenges facing the European supply chain today. It is necessary to support the existing European technologies and supply chains to achieve the very ambitious 2030 goals set by Fit for 55, REPowerEU and the revision of RED in terms of new capacities. For instance, 592 GW of solar PV capacity and 510 GW of wind capacity are required by 2030, which requires average annual additions of 48 GW for solar PV and 36 GW for wind. A real industrial tension due to pressure from the United States and China: manufacturers are suffering from this competition and from the race to be competitive in calls for tender, which is pushing them to drastically lower their prices risking disregarding environmental, social and resilience criteria.

Suggested changes

Differentiate objectives by sector

It seems necessary to differentiate the objectives by sector. Indeed, while the 40% goal is ambitious for solar PV, the supply chain is already mostly located in Europe. The goal is thus not sufficient to maintain the strength of wind power installations manufacturing ecosystem (more than 90% of the installed capacity comes from European manufacturers). For both industries, a binding target is meant to act as an anchor for the delivery measures.

Extend the regulation and the definition of net-zero technologies to developers-operators of renewable energies

The supply chain is suffering from (i) the lack of visibility regarding the development of renewable projects and (ii) the very long procedures of permitting/legal recourses related to renewable projects. In order to avoid load peaks in plants (to ensure the sustainability of existing plants) and to encourage manufacturers to set up plants in Europe, it is essential to have clear objectives for the development of future renewable capacities but also to simplify and accelerate all permitting/tender procedures.

Hydrogen and e-fuels technologies

Expand the scope of targeted fuels

The current version of the NZIA mainly targets renewable hydrogen and renewable e-fuels production facilities. In accordance with technological neutrality, we propose that the provision on “renewable fuels of non-biological origin technologies” be extended to a broader scope including “low-carbon fuels technologies” or “fossil-free hydrogen and fuels technologies”.

Include hydrogen and e-fuels in the Annex

So far, hydrogen and e-fuels are defined as net-zero technologies. Meanwhile, advanced biogas and biomethane technologies are defined as strategic net zero technologies. However, both hydrogen and e-fuels are key for the decarbonization of hard-to-abate industries such as aviation and maritime. Hence, it would be logical that hydrogen and e-fuels both should be integrated into the-Annex in order to be considered as strategic net-zero technologies since biogas benefits from this status.

Hydropower

Changes to be made to the text

Explicitly mention hydropower in the list of strategic net-zero technologies

Hydropower, and in particular STEP storage, is a key energy source to achieve decarbonisation, hence the interest in maintaining a largely European value chain (currently reaching 90% of the total value chain). Such a goal would give a clear signal to companies, suppliers and subcontractors to further develop and modernise their production sites in Europe, relying on a secured value chain.

Nuclear technologies

Figures on the nuclear sector in the EU

- Nuclear accounts for the greatest share of the EU's electricity mix with a part of 23% of the electricity produced including 50% of low-carbon electricity. It is therefore the first source of low-carbon energy in the EU.
- The nuclear sector represents 1 million jobs and a significant annual turnover of 100 billion € in 2019
- The sector also has a significant impact on the EU's overall GDP with an amount of 500 billion € estimated by Deloitte in 2019.

There is no doubt that nuclear power production is strategic to achieve the energy transition under the right conditions. We consider the inclusion of fission-related nuclear activities to be essential as **the IRA largely covers nuclear activities** and, by symmetry, it is relevant to support nuclear power. Once again, the objective of the resilience of the European economy cannot be achieved without nuclear power.

Changes to be made to the text

Include generation II and III / III+ technologies in the net-zero technologies

The inclusion of "advanced technologies to produce energy from nuclear with minimal fuel cycle waste", SMRs and "best-in-class fuels" in the NZT category is welcome since the development of these technologies is in the medium and long term a necessary condition to reach the EU's carbon neutrality objectives. However, the industrial development of these technologies is scheduled for the end of the decade for Generation III and III+ and 2040 for Generation IV (AMR), which does not allow the 2030 targets to be met in the short term. So, until advanced nuclear technologies and SMRs can participate in the achievement of energy independency objectives and climate change mitigation goals, it remains essential that existing nuclear technologies from generations II and III/III+ can benefit from the measures planned for NZT.

Extend the tools proposed in the NZIA to nuclear activities

So far, the NZIA provides essential tools for the capability deployment of key "net-zero" technologies, such as access to one-stop shops (Art 4) and reduced permitting times (Art 6). Nuclear activities are excluded of this category. As nuclear is a key European input contributing to both EU competitiveness and climate objectives, its eligibility for all these tools is crucial.

Extend the opportunities for innovative net-zero technologies

While the TRL8 threshold should not be modified, the scope of tools that can apply to the technologies under this threshold (the so-called innovative net-zero technologies or INZT) should be extended. So far, only articles 26 and 27 apply to the INZT. The regulatory sandboxes are key to the development of these INZT but insufficient as both funding for the development of clean-tech and feasibility studies are also needed.

Authorisation processes (Articles 4, 6, 8, 12 and 13)

SGI Europe is generally in favour of the effort to limit the time required for permit-granting processes to promote the green transition and increased competitiveness. At the same time, it is important that this does not happen at the expense of local influence, existing EU water/environmental legislation and legitimate interests and considerations.

The following points highlight SGI Europe concerns and proposed changes to the text:

There is great potential for simplifying the permit-granting processes and increasing the coordination of government agencies and interests. Here, Member States appointing a national authority with responsibility for facilitating and coordinating the permit process ("One Stop Shop") and providing advice to operators can be a great possibility. However, it is important that this does not lead to an increased administrative burden. **SGI Europe questions that the competent national authority shall be the sole point of contact in the permit-granting process leading to a comprehensive decision.** Such a responsibility could lead to double work that prolongs the permit-granting processes.

Changes to be made in the text

SGI Europe recommends **leaving it to the hands of the Member States to allocate tasks** between different authorities such as permit-granting and planning. For example, issues relating to building permits might be best handled at the municipal level where the knowledge exists and not through a government agency acting as an intermediary.

SGI Europe is **not in favour of the proposal that binding time limits for permit-granting processes should be set at EU level.** It is necessary to take into account that different conditions apply in different Member States as well as at local level, and to provide sufficient scope for democratic consultations and local perspectives. Following from this, it would be more effective to **improve guidance and adapt existing EU-regulation** in the environmental, climate and water areas to facilitate and shorten the permit-granting processes. The fact that certain projects are considered to be of public benefit, as proposed in the Water Framework Directive, can be an important piece of the puzzle. However, in this case, further adjustments to the regulatory framework are needed to ensure that projects are not hindered when there is neither an impact on the physical characteristics of the water body, changes in the level of groundwater bodies, nor an impact from high to good status. Member States and the Commission should have a constant **dialogue to try reaching indicative time limits.** Also, SGI Europe does oppose the principle of tacit approval as proposed in Article 13, sub 4. This *lex silencio positivo* infringes the competence of authorities to regulate public interests and affects procedural law.

SGI Europe is concerned that articles 12(3) & 8(2) could be interpreted that this legislative file has as a higher public interest. This will then cause **prioritisation of green technologies at the expense of the environment, water quality and the protection of drinking water sources.** The question is therefore how the EC will not let the WFD goals (2000/60/EC) and specifically the protection of drinking water resources (Article 7 WFD) conflict with the Net Zero Industry Act. This prioritisation is a notable development in light of the recent preliminary ruling on questions relating to Article 7 WFD (Case C-723/21; Stadt Frankfurt (Oder) by the European Court of Justice (ECJ), in which any activity that increases the quality of sources of drinking water and the purification effort is considered unacceptable.

If strategic projects are proposed to be given priority status in the permit-granting processes, SGI Europe fears that such a **priority status risks complicating the process**, adding a step in the process to determine which projects should receive priority status, and delaying other societal interests in community development, electricity networks and other industrial projects.

SGI Europe thus recommends that **Member States be free to decide** whether they use priority status in the permitting-granting process and give priority status to strategic projects.

Spatial planning (Article 8)

SGI Europe believes that spatial planning that promotes and provides conditions for the development of net zero projects can already be mostly accommodated within existing legislation and wishes to emphasise that spatial planning is not an EU competence.

The task of spatial planning is to determine the most appropriate use of land and water from a general point of view in each individual situation. Spatial planning, on the other hand, does not force a landowner to implement it, and is not intended as a tool for the detailed direction of the business community, whether from the national, municipal or EU level. All in all, it must be emphasised that detailed control by the EU, as expressed in Article 8, is not compatible with either shared responsibilities according to the TFEU Article 4, nor the distribution of responsibilities, scope, logic or distribution of power in many member states.

Changes to be made in the text

SGI Europe therefore advises rejecting this article as it is problematic that the EU intends to regulate municipal spatial planning in several contexts.