



*Employers entrusted to deliver
Sustainability Growth Innovation*

Position Paper

Industrial Decarbonisation Accelerator Act

8 July 2025

Introduction

SGI Europe, representing providers of Services of General Interest (SGIs), welcomes the European Commission's upcoming proposal for an Industrial Decarbonisation Acceleration Act (IDAA) as part of the Clean Industrial Deal. We support the **objective to safeguard Europe's energy-intensive industries (EIs) by enabling them to produce essential goods in a low-emission and competitive manner.**

A decarbonised industrial base is fundamental to **achieving the EU Green Deal objectives and ensuring a secure, affordable and sustainable energy system** for all. Providers of SGIs rely on the availability of low-carbon industrial inputs and infrastructure to fulfil their missions. The success of the IDAA is therefore also of strategic importance for **ensuring reliable and sustainable SGIs** across the Union.

However, SGI Europe emphasises that the ambition of the **IDAA must extend beyond reducing CO₂ and greenhouse gas (GHG) emissions.** A narrow focus on end-of-pipe carbon abatement solutions risks neglecting the broader environmental impacts of industrial activity, such as water pollution, biodiversity loss or the introduction of harmful substances through process changes. **Decarbonisation should not come at the cost of other environmental objectives.**

Moreover, the IDAA should serve as a **strategic tool** to reward and accelerate the production and uptake of low-emission and circular products, particularly those based on renewable and locally available energy sources. Such an approach will contribute to both emission reductions and the broader goals of the EU Green Deal, including resource efficiency, energy resilience, and strategic autonomy.

To that end, SGI Europe recommends that the European Commission:

- **Ensures the IDAA promotes a socially fair and environmentally responsible transition**, including proper recognition of public service obligations and critical infrastructure needs;
- **Establishes a strategic governance framework for a resilient and diversified EU energy mix**, maintaining adequate dispatchable capacity, and enabling Member States to coordinate energy system planning and crisis preparedness;
- **Encourages innovation and investment in clean industrial technologies that serve both decarbonisation and pollution prevention**, particularly in sectors interlinked with public health, water, waste services, and heating and cooling systems.

The need to accelerate the Energy Transition

For the EU to accelerate its climate and energy transition, it must ensure that national efforts are not only effective in isolation but also coherent and complementary across borders. This vision should be grounded in a cost-optimisation framework, focused on three key objectives:

- **Maximising efficiency in decarbonization efforts:** This includes accelerating the decarbonization path to reduce carbon emissions in transportation, buildings, and industry. Achieving this requires a combination of effective financial tools (such as the Connecting Europe Facility), a dedicated Decarbonisation Bank, and the internalisation of external costs generated by fossil-fueled transport modes, notably through the ETS.
- **Leveraging complementarities between Member States:** National energy systems possess different strengths, with some possessing abundant renewable resources and others having more dispatchable baseload capacities. A truly European energy approach, as proposed in the context of the EU Green Deal and the Energy Union, should optimise these complementarities.

Identifying the barriers to industrial decarbonisation

Supportive climate tools in hard-to-abate sectors

In pursuit of the EU's 2050 net-zero goals, SGI Europe supports the **addition of climate tools and measures to effectively reduce greenhouse gas emissions in the energy sector as a last-mile solution to achieve the climate targets.**

Alongside safeguarding the Emissions Trading System (ETS), **carbon capture, utilisation, and storage (CCS/CCU) are useful instruments** that support Europe's decarbonisation journey. Once sufficiently developed and cost-competitive, these technologies can provide a useful tool, for example, in the waste management sector, to **reduce unavoidable emissions from both fossil and biogenic waste**. They can also enable negative emissions through bio-CCS. However, SGI Europe notes that the deployment of CCS/CCU may face significant economic and technical constraints. The **IDAA should avoid mandating uniform solutions across structurally different industrial assets and should instead promote technology choices based on feasibility, efficiency, and environmental safeguards.**

Wherever feasible, **priority should be given to reducing CO₂ emissions at the source** before turning to CCS/CCU. Any such measures must be thoughtfully designed and implemented to avoid unintended social and environmental impacts.

As a cross-sectoral organisation, it is vital to acknowledge the need to **safeguard EU water resources and ensure the security of the drinking water** supply remains paramount. SGI Europe supports the use of onshore geological storage for CO₂, provided that it does not compromise groundwater or water resources. SGIs must be central to these policies to balance climate action with essential services, prioritising public drinking water security while pursuing robust, sustainable climate measures.

In light of the economic challenges facing CCS/CCU adoption, particularly in energy sectors like gas power plants, SGI Europe calls for a **structured EU funding framework to support municipalities and industries** that need CCS/CCU for emission reductions.

Technology neutrality and diverse energy mixes

The necessity of **streamlining technology neutrality while considering the diverse energy mixes** and local energy needs will become key for the IDAA.

Achieving the ambitious climate targets while ensuring competitive energy costs and energy security requires expanding and **utilising all sustainable, GHG-neutral, and low-carbon energies in the EU**, as well as the inclusion of all sectors. The IDAA should adopt a **technology-neutral stance, in which all low-carbon sources**, including CCS/CCU solutions in hard-to-abate sectors, **are treated according to their practical reduction contributions**, and their contributions to achieving the EU's climate neutrality target are recognised.

Through the Renewable Energy Directive and the Governance Regulation, the EU has **set an EU-wide target for renewable energy in gross final energy consumption** and proposed national allocations of such share to each Member State. However, such an allocation overlooks the **significant contribution of low-carbon energy sources that are not typically considered renewable**, for example, nuclear energy, natural gas combined-cycle power generation with CCS/CCU solutions, combined heat and power generation, low-carbon

hydrogen, and low-carbon e-fuels. Furthermore, it should be possible to utilise waste heat (including that from wastewater) and convert it into energy.

While these energy sources are essential for reducing GHG emissions and can help decarbonise energy demand quickly, they have been **largely overlooked in the current framework**. Even within the EU Taxonomy Regulation, the Complementary Delegated Act emphasises that investments in nuclear and gas are transitional, aiming to replace more polluting energy sources, such as coal, while requiring compliance with rigorous environmental and transparency criteria. It **supports the shift towards a climate-neutral energy future, while maintaining Member States' autonomy over their energy policies**, which SGI Europe also supports.

Yet, as a result, **Member States face limited flexibility in their energy choices** because EU legislation does not provide a level playing field for the adoption of low-carbon technologies alongside renewables. Therefore, **a technology-neutral approach should be adopted to include all low-carbon technologies**. Any targets or contributions by Member States regarding their national energy mix should be subordinate to their contributions towards the EU 2040 climate targets. Implementing this shift would have significant benefits. Such a **shift would also clarify and place increased emphasis on the overall targets for reducing GHG emissions in energy-intensive industries, while remaining competitive**.

Considering all options, it would provide a **clearer and more flexible framework for how Member States can fulfil their responsibilities**. Ultimately, this approach would improve the chances of successfully reaching the EU reduction targets by ensuring that all relevant alternatives to reduce GHG emissions are adequately considered and incentivised.

The heating and cooling transition

The **decarbonisation of the heating and cooling sector is essential to achieving EU climate goals**. Over 50% of the EU's final energy consumption is used for heating homes, offices, and industrial processes. Electrification alone will not suffice. A **major expansion of low-carbon and renewable heating technologies**, including large-scale heat pumps, geothermal, solar thermal, waste heat recovery, power-to-heat, and CHP, is required, particularly in urban areas where district heating and cooling **play a vital role**.

Municipal utilities and district heating and cooling (DHC) operators are ready to invest at scale, but these efforts must be matched by a **stable policy and financing framework**. This includes streamlined **permitting procedures, simplified planning rules, and legal certainty** on the inclusion of DHC-related technologies, such as waste-to-energy, within the EU Taxonomy.

In particular, the **IDAA should support the rapid expansion of DHC systems**, which are essential to enable scalable, cost-effective decarbonisation in urban areas. By using locally available renewable and waste heat sources, DHC can help **reduce reliance on imported fossil fuels and protect consumers from energy price volatility and geopolitical risks**.

Simplification for industrial decarbonisation

Simplification of the EU acquis

SGI Europe **supports the Commission's efforts to accelerate permitting** for low-carbon and renewable energy investments. However, **simplification must be accompanied by safeguards to avoid environmental trade-offs**. In particular, we emphasise the need to ensure that **carbon reduction does not come at the expense of increased pollution in water bodies or soil**.

Water is a critical resource for people, ecosystems, and the economy. Any **decarbonization effort must undergo appropriate environmental assessments to prevent harm to water quality and availability, in accordance with existing EU water legislation**, as outlined in the EU Water Resilience Strategy. A clean industrial transition must deliver co-benefits for the environment, citizens, and the economy alike. The water sector is indeed particularly vulnerable to unintended consequences from industrial simplification or shortcuts in pollution control. We call for **integrated, cross-sectoral safeguards to ensure that decarbonisation efforts do not result in additional environmental burdens** or transfer pollution from air to water or soil.

Additionally, we call for the **simplification of financing frameworks**. The focus of the "Fit-for-55" package has been primarily regulatory. Greater emphasis must be placed on accessible and efficient financing tools. This includes **accelerating procedures under state aid rules, expanding support for all relevant low-carbon technologies, and ensuring permanent eligibility for public investments in modern, climate-compatible SGIs**.

Importantly, the EU should **revise the definition of SMEs to include municipal enterprises**, ensuring that small and local public companies can also benefit from simplified financing and support mechanisms. This would unlock much-needed investment capacity at the local level.

Creation and protection of lead markets

Public procurement

SGI Europe **acknowledges the role public procurement can play in supporting Europe's green industrial transformation**. However, we **strongly caution against integrating procurement-related provisions directly into the Industrial Decarbonisation Accelerator Act (IDAA)**.

SGI Europe represents a **diverse range of actors involved in public procurement**, including local and regional authorities, companies that deliver services of general interest and bid for public contracts, as well as public undertakings. As highlighted in our contribution on the evaluation of the public procurement directives, **approximately 50 sectoral pieces of legislation address public procurement processes, creating a lack of coherence, legal uncertainty, and increasing the administrative burden**. As the current public procurement directives are already under review, and it is within this context, rather than in sector-specific legislation like the IDAA, that this issue should be addressed.

Adding procurement obligations via the IDAA risks duplicating legal requirements, creating overlaps with sectoral legislation, and generating additional administrative burden and complexity for contracting authorities and providers of services of general interest (SGIs). Further layers of obligations would likely reduce their capacity to participate in and support decarbonisation efforts effectively.

To utilise public procurement as a means of strengthening the European economy and reducing import dependencies, contracting authorities **should be able to prioritise bidders located in the EU**. This way, public procurement can contribute to increasing value-creating investments within the European Union. However, **this should not compromise the timeliness of supplies and the opportunity for contracting authorities to purchase, even outside the European market, products and services that the European market is not – even temporarily – able to provide**.

While SGI Europe supports greater consideration of non-price criteria in public procurement (such as resilience, EU content, employment and social value, environmental sustainability, and cybersecurity), we recall that **many contracting authorities already include such non-price criteria in the technical specifications stage of public procurement processes**. We also insist that their application must remain voluntary, context-dependent, and manageable for contracting authorities.

Labelling of industrial products

SGI Europe **generally supports the idea of a voluntary EU label on the carbon intensity of industrial products, as a measure to foster transparency, comparability, and informed purchasing decisions**. Such a label can contribute to the development of lead markets for sustainable products and improve access to green finance. However, to avoid disproportionate burdens, any labelling system must remain voluntary and administratively simple.

Making carbon intensity labelling mandatory at this stage would introduce new compliance costs. Instead, the EU should focus on **harmonising existing national schemes and aligning the label with current frameworks such as the Ecodesign for Sustainable Products Regulation**, rather than creating new, potentially overlapping rules.

Promoting circular products and lead markets for industrial decarbonisation

Creating leading markets for low-carbon products is a vital step in accelerating industrial decarbonisation. For SGIs, **fostering a circular product environment is key to unlocking decarbonisation pathways within EIRs**. The broader adoption of circular products supports **emissions reductions and enhances the EU's resource independence and strategic resilience by reducing reliance on primary raw materials**.

From the perspective of SGIs, a crucial condition for scaling circularity is **ensuring the quality and safety of recycled content**. Maintaining high standards of material purity is essential to protect human health, the environment, and the integrity of service provision, particularly in sectors such as water management and waste treatment. SGI Europe also reiterates that **waste-to-energy installations play a crucial role in the circular economy**, particularly in managing non-recyclable waste streams in accordance with the EU waste hierarchy. These facilities should not be penalised through carbon pricing mechanisms such as inclusion in the EU ETS, but rather recognised as part of Europe's strategic infrastructure and duly reflected in the EU Taxonomy.

The Industrial Decarbonisation Acceleration Act (IDAA) should explicitly **support pollution prevention throughout the product lifecycle and waste stream**. This includes aligning with and reinforcing existing EU legislation, such as the Ecodesign for Sustainable Products Regulation and the Battery Regulation, by promoting robust material content protocols and effective Extended Producer Responsibility (EPR) schemes.

Establishing a robust framework for circular product standards will reduce the environmental footprint of industrial production. Still, it will also help **create competitive, future-proof markets for secondary raw materials**. The IDAA should catalyse this transformation by incentivising cleaner production processes, product traceability, and a more harmonised approach to sustainable design and end-of-life treatment.

However, to be effective, such markets must also ensure both environmental impact and social fairness:

- **Social dimension:** Measures to boost low-carbon product demand, be they through public procurement, product standards, or carbon labelling (double check pls), must consider their impact on final consumers. Without proper safeguards, increased production costs risk being passed on to households, particularly affecting vulnerable groups. A social impact assessment and compensatory mechanisms are essential to ensure a just transition.
- **Cost distribution:** The shift toward low-carbon products entails a redistribution of costs between producers and consumers, as well as between sectors and regions. While such redistribution is inevitable, as someone must cover the costs, political clarity and effective public communication are necessary to maintain public support for the transition. Policymakers must ensure that adequate budgetary resources are allocated to absorb or redistribute costs fairly between industries and consumers.
- **Global dimension:** Without comparable international commitments, there is a real risk of carbon leakage and loss of competitiveness. The IDAA should be designed in synergy with tools like the Carbon Border Adjustment Mechanism (CBAM) and the EU's trade policy to maintain industrial sovereignty while remaining climate ambitious.
- **Coherence with existing initiatives:** The IDAA must avoid duplication and ensure alignment with the Net-Zero Industry Act, the Innovation Fund, and other EU frameworks. It should act as a coordinating umbrella, creating clarity and synergies across legislative and funding instruments.