

# European Green Deal Industrial Plan

Bolstering regional efforts for net-zero technologies and products

It is widely known that the European Union (**EU**) intends for Europe to be the first climate-neutral continent by 2050, which is to be achieved through the European Green Deal<sup>1</sup>, which includes the Fit for 55 Package<sup>2</sup> and the RePowerEU Plan<sup>3</sup>.

One of the legislative proposals within the EU's Fit for 55 Package that has attracted the most attention (and controversy) is the implementation of the EU's Carbon Border Adjustment Mechanism (**CBAM**), which is scheduled for implementation on 1 October 2023<sup>4</sup> and is expected to reshape global trade at large<sup>5</sup>.

In August 2022, the United States' \$369 billion Inflation Reduction Act<sup>6</sup> (the **US Act**) was signed into law. Although, as the name suggests, it includes measures that aim to reduce inflation, this budget reconciliation legislation also contains a significant package of tax incentives and benefits designed to support the US in tackling climate change. In September 2022, President Biden described the US Act as "the most aggressive action ever... to confront the climate crisis and increase our energy security<sup>7</sup>."

On 1 February 2023, the European Commission (the **Commission**) presented its Green Deal Industrial Plan, following concerns that targeted incentives for companies contained in the US Act would result in the EU losing its clean technology competitive edge and citing the need for "*a more supportive environment for the scaling up of the EU's manufacturing capacity for the net-zero technologies and products required to meet Europe's ambitious climate targets*".

## A Green Deal Industrial Plan

The overarching ambition of easing access to tax breaks for sustainable companies, redirecting cash toward clean-technology industries and relaxing state aid rules is based on four pillars:

- A predictable, coherent and simplified regulatory environment, which supports the quick deployment of net-zero manufacturing capacities:
  - The Commission will propose a Net-Zero Industry Act to support net-zero industrial manufacturing capacity and strategic and multi-country projects in net-zero products by faster permitting and developing European standards.
  - The Commission will propose a Critical Raw Materials Act to ensure access to raw materials, such as rare earths, which are vital for manufacturing net-zero technologies and products.
  - A reform of the electricity market design will be proposed, to address energy prices volatility, while preserving security of supply, delivering affordable electricity, and bringing the benefits of renewable generation to European citizens and businesses.
    - The use of harmonised sustainability and circularity requirements in public procurement will help create a more predictable demand for net-zero products and solutions.
- Faster access to sufficient national and EU funding to speed up investment and financing for clean tech production in Europe:
  - Proposed temporary adaptations of State aid rules to allow for easier calculations, straightforward procedures, and fast approvals<sup>8</sup>.

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<sup>1</sup> [European Green Deal Policy Guide - KPMG Global](#)

<sup>2</sup> [The European Green Deal & Fit for 55 - KPMG Global](#)

<sup>3</sup> [Repowering Europe - KPMG Global](#)

<sup>4</sup> [KPMG report: Provisional agreements in EU - KPMG United States](#)

<sup>5</sup> [Carbon Border Adjustment Mechanism impacts - KPMG Global](#)

<sup>6</sup> [Inflation Reduction Act of 2022 \(kpmg.us\)](#)

<sup>7</sup> The White House, Remarks by President Biden on the Passage of H.R. 5376, the Inflation Reduction Act of 2022, September 2022

<sup>8</sup> [European Commission Consults on State Aid Temporary Crisis Framework \(taxnotes.com\)](#)

- The Commission will work with Member States in the short term, with a focus on the RePowerEU Recovery and Resilience Facility (EUR 250 billion for green measures already available), InvestEU (mobilisation of EUR 372 billion) and the Innovation Fund (EUR40 billion in the next decade), to provide fast and targeted support. Member States are encouraged to integrate investments and reforms in their REPowerEU chapters that support the competitiveness of EU clean tech industries and value chains, such as tax breaks or other forms of support for green, clean tech investments (e.g., tax credits, accelerated depreciation, or subsidies linked to the acquisition or improvement of green investment assets).
- The Commission will consult Member States on an amended Temporary State Aid Crisis and Transition Framework and will revise the General Block Exemption Regulation in light of the Green Deal, increasing notification thresholds for support for green investments.
  - A European Sovereignty Fund will be proposed in the first half of 2023 to boost research and innovation.
- Enhancing green and digital skills by ensuring that the European workforce is skilled in the technologies required by the green transition:
  - The Commission will propose to establish Net-Zero Industry Academies to roll out up-skilling and re-skilling programmes in strategic industries.
  - Measures to foster and align public and private funding for skills development will be put in place.
- Open trade for resilient supply chains, based on cooperation with the EU's partners to ensure diversified and reliable access to critical inputs and fair international competition:
  - The Commission will explore the creation of a Critical Raw Materials Club, to bring together raw material 'consumers' and resource-rich countries to ensure global security of supply through a competitive and diversified industrial base.
  - The Commission will protect the Single Market from unfair trade in the clean tech sector and will use its instruments to ensure that foreign subsidies do not distort competition in the Single Market.
  - The Commission will continue to develop the EU's network of Free Trade Agreements and other forms of cooperation with partners (such as the EU-US Task Force on the US Act) to support the green transition

## Where to from here?

This package seeks to increase EU domestic capability in clean energy technology and industries at a time of increasing competition for these globally. The proposals will be discussed during the EU leader summit on 9 – 10 February 2023, after which the Commission will come up with a more detailed proposal ahead of the March European Council. We do, however, expect to see some new grants, incentives and tax benefits introduced on a country level, that are funded by the Green Deal Industrial Plan.

It should be noted that there are significant complexities around translating EU policies into legislation at a Member State level. Before most EU legislation can be passed that is binding on Member States, approval by all Member States and the European Parliament is required; although there are exceptions (such as tax legislation, which require a unanimous agreement of the Council and the European Parliament only has a consultative role)<sup>9</sup>.

To fully take advantage of the substantial opportunities that are (and will be) provided by the US Act, the European Green Deal and the Green Deal Industrial Plan to accelerate net zero plans and promote clean energy technology businesses should understand the complex developments across these two key markets and how they interact with each other, eligibility requirements and partnering opportunities.

To help you navigate these new landscapes, understand what it means for business strategies, make the most of existing opportunities and further discuss the impacts of these global developments, please feel free to contact us.

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<sup>9</sup> The Council, together with the European Parliament, negotiates and adopts EU laws based on proposals from the European Commission. There are varying stages of discussion, voting, amending texts, re-voting, etc. that occur within this process, which results in what may seem to be relatively straight-forward, to be a rather long and complicated process.



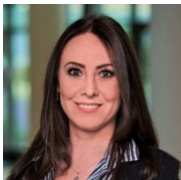
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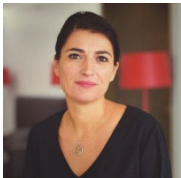
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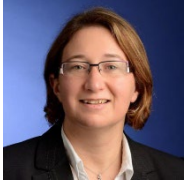
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