Clean Industrial Deal

ECOS recommendations

Our vision: a truly sustainable Clean Industrial Deal

In her Political Guidelines, President of the European Commission Ursula von der Leyen is promising to deliver a Clean Industrial Deal (CID) within the first 100 days of taking office. It will prepare the way towards the 90% emission-reduction target for 2040, which will be an amendment to the EU Climate Law, and a Circular Economy Act.[1]

The success of the new Clean Industrial Deal relies on its unwavering commitment to the European Green Deal. At ECOS, we call for the Clean Industrial Deal to advance the vital cause of decarbonisation. This new deal should include a focus on **zero pollution,** including the effects of **toxic pollution on human health and the environment**, and **clean material streams in the circular economy,** with a priority on **conserving natural resources and contributing to ecosystem restoration**. While industry is key to Europe's economic vitality, it comes with significant environmental and health impacts. In this next period, the green industrial transformation, with its emphases on decarbonisation, resource use reduction, electrification, efficiency, and true circularity, must go hand-in-hand with the safeguarding of social security, biodiversity, and environmental health.[2] Clear, ambitious, and legally binding targets for reducing emissions, resources use and pollution will be key to success. The EU must transition towards a toxic-free future, curtail absolute energy and resource demand, phase out fossil fuels, and avoid regrettable and harmful false solutions.

This deal should focus on **creating the enabling conditions** to deeply transform European to make it fit for addressing the environmental challenges ahead**.** The EU should promote demand for sustainable products by stimulating green public procurement and by creating lead markets, e.g. for low-impact steel. Any kind of support should be strictly related to a conditionality mechanism that would incentivise industry to move forward in its drive to sustainability and to reduce emissions, resources use and pollution, and should in no way unfairly favour incumbents**. Both the Draghi and Letta reports demand greater attention to the European industrial ecosystem,**

[1] European Commission. POLITICAL GUIDELINES FOR THE NEXT EUROPEAN COMMISSION 2024–2029. Available online at: e6cd4328-673c-4e7a-8683-f63ffb2cf648_en (europa.eu)

[2] ECOS Recommendations for an EU Circular Economy Act: https://ecostandard.org/publications/recommendations-circular-economy-act-eu/

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calling for more support. This support needs to be clearly directed towards making **European industry more aligned with climate and environment goals** [3]

Our recommendations

The Clean Industrial Deal must provide continuity with the concepts laid out in the Green Deal and provide legal certainty to industry players while supporting their efforts to decarbonise. It must also reduce pollution and resource use while delivering the technologies European society needs to prosper as a climate-neutral continent. In this paper, we offer recommendations areas to be included in the upcoming Clean Industrial Deal proposal: first focusing on decarbonisation and then on a broader vision encompassing pollution, toxicity, and resources, accompanied by sector-specific recommendations based upon our work areas and priorities.

[3] Letta (2024). Much more than a market – Speed, Security, Solidarity Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens. Available online at: Enrico Letta - Much more than a market (April 2024) (europa.eu) ; Draghi (2024). The future of European competitiveness. Available online at: 97e481fd-2dc3-412d-be4c-f152a8232961_en (europa.eu)

Focus on decarbonisation

As clearly spelled out in Ursula von der Leyen's Political Guidelines, the EU needs a legally binding target to reduce greenhouse gas emissions (GHG) by at least 90% by 2040. This target is crucial for tackling climate change and setting us on the right path to achieve climate neutrality by 2050, as outlined in the EU's long-term climate goals. Taking early action will ultimately lead to lower costs in the long run. Therefore, policy should prioritise significant upfront emissions reductions. Offsetting emissions should not be facilitated.

The European Green Deal and the Fit for 55 package set the basis for a transition towards a more sustainable energy system. The climate emergency and geopolitical instabilities make it more urgent than ever to move away from fossil energy sources, it show that we cannot solely rely on the extraction of primary minerals but should foster a holistic circular economy, addressing all pillars of circularity—narrow, slow, close, cycle, and regenerate. The Clean Industrial Deal should speed up the energy transition and make sure that it is based on renewable energy sources and efficiency, but also that it is circular and toxic-free.

Smart flexible energy systems

Renewable energy deployment is rapidly increasing, sales of electric vehicles and the uptake of heat pumps are growing. Alongside targeted grid upgrades, grid capacity must be carefully managed to avoid congestion. A legislative framework (as opposed to a voluntary code of conduct) is needed to unlock consumer power with residential flexibility. This would ensure that all relevant devices support the electricity grid in a future-proof and interoperable way by means of demand-side flexibility. The European Customer Energy Management Data Model (S2) standard EN50491-12-2 is the best way to communicate the flexibility potential of all devices to a central energy management system (EMS).

Hydrogen

Hydrogen-related investments should be steadfastly tied to ambitious climate targets and the need for urgent decarbonisation. Hydrogen must not serve as a vehicle to perpetuate fossil fuel dependence by overplaying the current potential of carbon capture and storage solutions, which are mostly ineffective. Strong support for renewable hydrogen projects to promote quick upscaling and price reduction should not be sidelined in favour of low-carbon hydrogen with questionable credentials. Strict thresholds and rigorous, verifiable evaluation should be used to determine the real impacts of hydrogen production, conditioning, and transport. Upstream and midstream emissions should be accounted for accurately and transparently. If CCS is applied, it must meet high standards, with carbon capture rates higher than 95%.

Targeted revision of the ETS for key sectors

It should be a top priority to create a level playing field for clean technologies. The "one product, one benchmark" principle as put forward in the ETS directive should (finally) be implemented towards all ETS product benchmarks as long as free allocation remains in use. It is particularly relevant for cement. This creates a perverse incentive whereby clinker production is incentivised by the EU, whereas the opposite should be happening.

Continuously improve and extend the scope of CBAM

It is critical for the Commission to drive decarbonisation of the goods we produce and import. Priority should be given to addressing issues that have surfaced during the testing phase, ensure accurate, comparable and verifiable GHG emissions calculation; allowing to further strengthen the effectiveness of CBAM and phasing out ETS Free Allowances on the foreseen timescale. Extending the scope of CBAM to other goods and materials (e.g. further chemicals) is critical for the EU to deliver on industrial decarbonisation in and beyond Europe;

Strategy for climate-neutral data centres and digital services

The European Commission and industry have committed to making data centres climate-neutral by 2030. With the multiplication of digital services and technologies (generative AI, streaming, online gaming), and mostly voluntary policy initiatives, it certainly will fail in this ambition. A comprehensive and holistic strategic policy framework is needed to firmly address and regulate the environmental impacts (on resources, water, land) of the digital sector.

Heating & cooling action plan / heat pump action plan

The heating and cooling sector accounts for 80% of energy usage in EU households and is currently highly dependent on fossil fuels such as gas, oil and coal. A prompt review of the Ecodesign requirements to push energy inefficient technologies such as gas boilers off the market should happen as soon as possible. The Commission should also develop a Heating and Cooling Strategy Plan in order to give clear and ambitious market signals to achieve the objectives of Net-Zero Industry Act (NZIA) and the EU renewable energy targets.

Cement decarbonisation action plan

We urge the European Commission to develop a holistic approach to cement decarbonisation, a product responsible for 4% of the bloc's annual GHG emissions. European cements are among the most clinker-intensive in the world, and little to no actual decarbonisation has happened in the sector in recent years. Targeted actions are needed from the side of the EC to avoid the lock-in of energy and carbon intensive clinker production. Priority should be given to the deployment of new low carbon cement and concrete technologies on the market, most notably by removing market-entrance barriers imposed by cement standards, and the harmonisation of national concrete standards to allow for a rapid uptake of clean(er) solutions.

Petrochemicals

The EU must take this opportunity to develop a strategy targeting the petrochemical sector, including not only plastics but also agrochemicals and other downstream products. To successfully move away from fossil fuels, the EU must plan for the sector's downscaling. In the final negotiations of the Global Plastics Treaty, we urge that the EU calls for and implements legally binding measures to cap production of primary plastic polymers and their precursors, bringing this sector in line with the EU's climate and circular economy goals. We call for an

overhaul of outdated and unambitious industrial emission levels from the production of petrochemicals and plastics (such as the BREF on Production of Polymers, which dates from 2007).

A truly "Clean" approach: more than just decarbonisation

To truly address the environmental impact of industry, we must go beyond mere decarbonisation. The new Clean Industrial Deal should prioritise a comprehensive approach that targets **pollution hotspots and resource use across the entire production process and products.**

The costs of pollution in the EU are significant. In 2019, the European Commission estimated that the total cost of air pollution to the EU economy was €940 billion (4.8% of GDP), the total cost of water pollution in the EU is €26 billion per year, and the total cost of soil pollution in the EU is €3.5 billion per year.

Contribute to nature protection and restoration goals

EU production and consumption links directly to the loss of ecosystems and biodiversity. Nature is our life-support system: ecosystems capture and store greenhouse gas emissions, support EU cities and communities' resilience to climate risks, and provide the food and materials we need. **The CID must contribute to EU nature protection and restoration goals** by, for example, sourcing materials from regenerative processes that contribute to restoring ecosystems and ensuring the fair contribution of the private sector to financing nature-related activities. Private sector contributions to nature restoration should not be based on voluntary offsets mechanisms, as these systems inherently accept environmental harm as a prerequisite for compensatory actions and therefore do not prevent ecosystem destruction.

Accelerated PFAS phase-out and clean-up

Any derogations for industrial applications, including in clean tech, batteries, or other critical uses, granted under the universal PFAS restriction proposal currently being discussed in ECHA's expert committees must be specific, time-limited, and supported by research and market access initiatives to accelerate the development of safe replacements. The continued use of PFAS in industrial settings must only occur when there is no feasible way to rethink or reconsider its use and even in these cases, there must be periodic reviews of the technology and research to ensure that innovative and safe replacements are still unavailable. Further, resources must be allocated remove PFAS from the environment in line with the polluter pays principle.

REACH update

The long-awaited REACH reform must include an accelerated process for restrictions of the most harmful chemicals, with a simplification of the Restriction and Authorisation procedures to reduce burdens on authorities and industry while ensuring that hazardous substances are more rapidly removed from the marketplace. The concept of "no data, no market" must be strengthened and enforced so that new chemicals are not put on the market before proper testing. Additionally, widespread non-compliance with REACH Annexes VII-X for chemical testing poses a significant risk, demanding immediate action.

Toxic-free material cycles and detoxification

A competitive circular economy must address how to manage materials containing hazardous substances/substances of concern (SoC) that are so far unregulated. Solutions could include

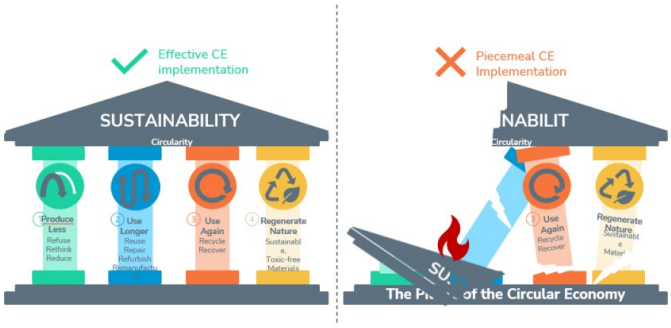
adequate support for testing and identifying substances, identifying uses that do not perpetuate harmful exposure, and minimising use of materials containing the most hazardous substances. Full transparency and traceability are key considerations of success on this measure. A forward-looking chemicals strategy will prioritise the prevention of hazardous waste streams and legacy chemicals. The commitments made for toxic-free products under the Chemicals Strategy for Sustainability must be upheld.

Eliminate persistent and most hazardous chemicals from product streams

Under the Ecodesign Directive, halogenated flame retardants have been banned from electronic displays. This type of measure should be applied horizontally to other types of products to begin creating material cycles that are free from these substances.

A clean and healthy circular economy

The Clean Industrial Deal must also take into account concerns such as resource use reduction, material footprint reduction targets and toxic-free material cycles, especially within the upcoming Circular Economy (CE) Act. The European Union can continue to lead by example by ensuring a healthy and safe future that minimises hazardous pollution. CE policies must be grounded in all foundational pillars of circularity: narrowing, slowing, closing, cycling, and regenerating resources - and special attention should be given to reducing the absolute use of resources. Current CE policies, however, lack comprehensive coverage across all pillars of circularity with a predominant focus on recycling and recovery and less so on encouraging refusing, rethinking products and on the sustainable use of renewable feedstock. The new Circular Economy Act must establish binding targets to keep the EU's material footprint within planetary boundaries and set GHG reduction targets that align with a 1.5-degree warming scenario. Actions under each pillar should align with quantitative targets and present a balanced mix of policy measures[4]. By prioritising the entire life cycle approach for materials across sectors (through material footprint reduction targets), reducing demand for materials, and extending product lifespans, the EU will become more resilient to fluctuating prices and resource scarcity. These actions would benefit the environment by lowering our material footprint and unlocking new business opportunities in areas like reuse, repair, refurbishment, and product-as-a-service models. There are strong economic, environmental and social reasons to move away from the current linear model. The EU should continue to champion the circular economy while encouraging all levels of government to adopt and fully implement it.



[4] https://ecostandard.org/wp-content/uploads/2024/09/2024-10-04_ECOS_Recommendations-Circular-Economy-Act.pdf

Circularity of green technologies for the energy transition

With the Net-Zero Industry Act and the Critical Raw Materials Act, the previous Commission helped strengthen European manufacturing of green technologies and secure the materials needed for it. However, circularity aspects (repair, reuse, remanufacturing and refurbishing) of these technologies have been ignored or reduced to recycling only. There is a need to move beyond recycling and untap the potential of circularity for green technologies in product-specific legislation (e.g. under the Ecodesign framework). Technical standards should be developed in support of product-specific legislation and facilitate circularity.

Environmental rules for construction materials under the CPR

Construction materials, such as cement and steel, are some of the most polluting products on the EU market. With the new Construction Products Regulation (CPR) now finalised, a clear path forward can be identified for the development of environmental regulations. This means (1) securing a clear plan for the development of ambitious ecodesign thresholds, starting from most energy-intensive products (cement, steel) and (2) ensuring that standards for construction materials are not a barrier for low-carbon materials to access the EU market.

Steel and Metals action plan in line with Green Deal

The steel industry must be supported in its decarbonisation efforts. The new plan should call for further support in the decarbonisation of steel production with ambitious requirements in the upcoming Delegated Act on Ecodesign for Sustainable Products Regulation (ESPR). Particular attention should also be given to actions to strengthen the management of the European scrap market.

ESPR implementation

The Ecodesign for Sustainable Product Regulation (ESPR) is a landmark piece of legislation with the potential to transform products on the European market and beyond, drive forward implementation of the European Green Deal, and mainstream design for sustainability, energy and material efficiency and for circularity. Production models based on short-lived, disposable, inefficient, toxic, and unrepairable items must become a thing of the past. The ESPR needs to be implemented without delay, tackling all high-impact products. For this impactful legislation to deliver:

- Ambitious and robust requirements guided by the best available evidence on ecological thresholds; necessary resources and budget must be allocated for everyone involved (European Commission, civil society organisations, etc).
- Effective market surveillance and enforcement must be supported to uphold the new requirements and protect the Single Market.
- Accurate framework data to transparently share information along key value chains must be developed. The Digital Product Passport (DPP) systems must enable easy access to information by all relevant actors: producers, consumers, market authorities, repairers, recyclers, etc. Adequate enforcement and support programmes must be established to ensure that companies have access to primary data and share these on their DPP, limiting fraud, data gaps, and the use of secondary data beyond the strict necessity. The Commission should also ensure that the methods behind data generation lead to accurate description of products' impact and do not rely on unrealistic market-based credit methods.

A strategy for a circular and regenerative bioeconomy

Farm ecosystems, forests and fisheries and many more sectors are under severe strain from biomass production. As an example, biomass demand is increasing and is likely to overshoot what will be sustainably available by 40-100% according to Materials Economics.[5] Ecosystems' contributions to EU competitiveness should be recognised: healthy and functional agricultural landscapes and forests provide food and materials to the economy, yet over 60% of soils and 80% of forests in the EU are in a degraded state. While the EU is negotiating its legislation to monitor soil and forest health, action is still needed to reduce pressures on these ecosystems and ramp up protection in key legislative files related to farming, forestry, buildings, and other land use sectors. We call on the Commission to:

- Put food systems sustainability into law—which was planned by the Commission in the Green Deal but never adopted.
- Continue to phase out the use of woody biomass from energy use in the Renewable Energy Directive (RED).
- Operationalise cascading use and sufficiency principles for bio-based products.

From waste to sustainable use of resources

The total amount of waste generated in the EU has continued to increase by 1.4% in 2010-2020. Even if the 60% recycling target is met, the residual waste target would be missed by 44% in 2030. This represents a missed opportunity for recovering resources and lowering EU's strategic dependence towards third countries, but also a significant threat to the environment. The EU thus needs a new Sustainable Resource Management framework[6] to transform Europe into a fair, autonomous, resilient, and sustainable economy. It also requires a revamp of the EU waste legislation framework – the European Waste Framework Directive (WFD), the Single-Use Plastic Directive (SUPD) and the Waste Electrical and Electronic Equipment (WEEE) Directive[7] – to prioritise effectively waste prevention (e.g. through sector-specific targets), over product recovery (e.g. reuse), over component recovery, over material recovery (e.g. recycling) in the different strategic sectors of the EU economy.

New Plastics Economy

To increase the EU's raw materials security, the European Commission should place its focus on reducing the demand for plastics, complemented by the creation of a single market for recycled plastics and measures to facilitate investments in recycling infrastructures. The European Commission can use already existing rules, such as the Packaging and Packaging Paste Regulation (PPWR), the ESPR, and the Single-Use Plastics Directive (SUPD), to reduce the use of plastics, through the following measures:

- Proposing a wider scope of the SUPD with strong implementation and enforcement.
- Utilising the ESPR to focus on plastics as an intermediary product and make the production of plastics more sustainable e.g. shifting away from fossil fuels and by including requirements about environmental impacts of the production of plastic products by different producers.
- Implementing the forthcoming pellet regulation, with strong requirements to avoid the loss of plastic pellets throughout the plastic manufacturing value chain.
- Investing in sorting infrastructure.

[5] Material Economics. (2021). EU Biomass Use in a Net-Zero Economy: A course correction for EU biomass. https://materialeconomics.com/node/3

[6] https://data.consilium.europa.eu/doc/document/ST-11326-2024-INIT/en/pdf

[7] Joint statement: Environmental organisations call for a swift revision of the WEEE Directive to address Europe's electronic waste crisis - ECOS (ecostandard.org)

Delivering the Textiles Strategy

In the EU Textiles Strategy, the Commission set the objective that by 2030 "fast fashion is out of fashion" and all textile products placed on the EU market are durable, repairable and recyclable, to a large extent made of recycled fibres, free of hazardous substances, and produced in respect of social rights and the environment. The Clean Industrial Deal should therefore support the objectives of that strategy.

- Ecodesign requirements should ensure high quality, durability, reuse, repairability, recyclability and non-toxicity for all textile products. Ecodesign requirements must take into account the performance of different fibres and hence be fibre specific. These requirements must not unfairly favour synthetic materials or increase the reliance on plastic-based fibres.
- Particular attention should be given to environmental pollution of microplastics, chemicals, and other pollutants during the production, use and end-of-life of textile products. The EU should take action to prevent and minimise water, air and soil pollution linked to sourcing and production/manufacturing processes. Ecodesign requirements should address microplastic release at all stages.
- As part of the forthcoming minimum ecodesign requirements for textiles, chemical restrictions must go beyond focusing solely on substances which impede circularity by restricting substances of concern that pose significant risks to human health and the environment, and which are not adequately covered by REACH.
- Financial incentives should be introduced to decarbonise the textile supply chains.
- These measures need to be coupled with actions to reduce the material footprint of textile consumption in the EU as well as measures to increase circular business models, such as reduced VAT.

Enabling conditions

Public Procurement (GPP) crucial lever to greening key industrial sectors

At present, products and services procured by over 250 000 public authorities amount to a staggering 15% of the EU's GDP. An upcoming report from ECOS shows that just by making informed decisions, governments and cities can move the needle on decarbonising key industrial sectors (such a steel and concrete) by procuring green and innovative solutions, which often struggle to access markets. This is especially true for the construction sector, where public projects are responsible for around 40% of overall cement and concrete consumption. The Clean Industrial Deal should act as flagship initiative to ensure GPP is prioritised as follows:

- A mandatory and unified approach to GPP should be introduced in sectoral legislation, notably the ESPR and the CPR, allowing environmental performance criteria to advance the net-zero transition, reducing pollution and resource use.
- Through the revision of the Public Procurement Directives, GPP becomes the default option for public authorities when procuring products and services.

Creating the enabling conditions for the green transition in industrial sectors

A global EUR 185 trillion is required to deliver Net Zero by 2050. Phasing out subsidies to fossil fuels and investing massively into green transition solutions are the only ways to bridge the EU climate finance gap. A full update of the existing EU Taxonomy criteria, in particular, the 2021 climate mitigation annex, to reflect the latest available science and technology is urgently needed. The taxonomy should also be extended to additional industrial sectors (such as the food and beverage and textiles industries) to encourage environmental leadership in more sectors of the

economy. With taxonomy alignment positively correlating with good financial results, ensuring regular update of the taxonomy will help EU industry to remain competitive and to attract investments. In addition, the extension of the taxonomy framework beyond just 'environmentally sustainable' activities will be instrumental to support divestment from environmentally harmful industries.

Betting on the right technologies

Everything from our infrastructure to our finance systems is set up to support the current linear economy and massive reliance on fossil fuels. Breakthrough technologies rather than drop-in ones will be those allowing us to transition away from it. Betting on the right technologies means making bold choices that can truly be scaled up in a circular, de-fossilised economy. For instance, chemical recycling infrastructure needing 20-50 times more fossil materials than the secondary raw materials they can process are lock in-assets that are distracting us from the end-goal of carbon neutrality.

Fostering Corporate Accountability

The new Commission must uphold the Corporate Sustainability Reporting Directive (CSRD) and the corresponding European Sustainability Reporting Standards (ESRS). The CSRD is crucial in reducing information asymmetries on the market while helping investors, civil society, and regulators understand industry's societal and environmental impacts and the readiness of companies to transition to a net-zero, circular, and toxic-free economy. Strong sustainability disclosure requirements support companies in creating infrastructure to manage sustainability information and future-proof their strategies and operations. We urge the Commission to maintain the scope of the CSRD and push against efforts to water it down - changes such as these would contribute to an unpredictable operating and legislative environment, reducing the attractiveness of the EU as an investment destination. Reducing the ambition of the CSRD can also reflect a lack of knowledge about the broader, systemic sustainable development benefits that sustainability reporting requirements can have in global supply chains.

Ensuring true and credible environmental information

For the industrial deal to be truly clean, accurate information on the environmental impacts of products, processes and companies is needed. Underpinning environmental assessment methodologies such as life cycle assessment or carbon footprinting methods have a crucial role in depicting an accurate picture. We are witnessing attempts to undermine these methods by making them more flexible to tweak the results according to what the market would like to see, more than what a science-based assessment would show. For instance, the growing recognition of environmental attribute certificates and other market-based instruments in these decision-support tools is making it easier to significantly understate the environmental footprint of products and companies, and in turn risks to distort the competition with true environmental leaders. We urge the EU to rely on science and tangible methods for policy making.

Standards as tools for the Clean Industrial Deal

In order to support the implementation of the expected legislative and policy initiatives, robust and reliable methods will need to be used. Standards are sometimes embedded in policy objectives intended to underpin industrial competitiveness, innovation, and environmental protection – among others. The standardisation system has the potential to offer those services,

so long as the methods delivered are appropriate, uphold the environmental aims of the legislation, and come in a timely manner. In the coming years, several key Green Deal pieces of legislation will need to be implemented. While standards can be used to support policy implementation and ensure consistent understanding, they should not be seen as substitutes.

For standards to work in support of the EU's environmental ambitions, standardisation systems at the European, national and international levels must be inclusive. As highlighted by the Standardisation Regulation (EU) 1025/2012 and the European Standardisation Strategy. Effective participation of environmental stakeholders in standards-making will determine the usefulness of standards.[8]

On another note, effective participation opportunities are also relevant in the development of voluntary standards (e.g. sustainability certifications for industrial goods). If the EU wants to make use of sustainability certification schemes, it is imperative that only those that have been developed with genuine, active, and inclusive engagement of a variety of impacted stakeholders would be recognised.

[8] ECOS, International standardisation that works for the environment, 2021. https://ecostandard.org/wp-content/uploads/2021/06/ECOS-PAPER-International-standardisation-that-works-for-the-environment.pdf