



## Three principles to improve the EU Net Zero Industry Act

With the US Inflation Reduction Act (IRA), a massive investment program of over 700 billion US dollars was launched for the transformation of the American economy. In doing so, the U.S. government has created an incentive structure and a market for green technologies. EU measures, by contrast, often consist only of regulatory burdens, difficult-to-access funding and coercive measures.

In response to the IRA, industry has therefore repeatedly called for a pragmatic response from the EU in the run-up to the IRA in order to orient EU industrial policy toward more market incentives, entrepreneurship, bureaucracy reduction and supply-oriented industrial policy.

Against the background of this urgency, the Net Zero Industry Act (NZIA) presented by the EU Commission in March falls far short of this claim. As the NZIA focuses exclusively on green energy technologies as end products, the entire upstream value chain will not benefit from the measures. The fact that chemicals are at the heart of Europe's most important value chains, including wind turbines, solar panels, electronics, building materials, automotive manufacturing and more, has apparently been ignored.

***The Net Zero Industry Act is an initiative based on the Green Deal Industrial Plan that aims to strengthen the European ecosystem for the production of net zero technologies.***

1

**The NZIA proposal must therefore be improved by implementing the following three principles:**

**Extension of the scope of application to the entire value chain**

Very fundamentally, if European manufacturers are to meet at least 40 percent of EU demand for "net-zero technologies" by 2030, chemical production capacities must also grow by at least 40 percent. The definition of net-zero technologies must therefore be supplemented by a definition of the entire value chain, including all components, from raw materials to chemical products and components.

In addition, Europe needs a holistic view of industrial change that includes chemistry as a key industry and identifies solutions to maintain EU competitiveness.

2

**Consideration of the green transformation of the entire industry and not just the energy sector**

In addition to those mentioned in the limited list of "(Strategic) Net-Zero Technologies", other technologies will play an important role in the transition to a carbon-neutral and circular economy and should therefore be afforded the same benefits.

The integration of these technologies in industrial plants involves considerable investment and licensing effort. In addition to structural improvements such as de-bureaucratized and faster approval procedures, financial support for measures that contribute to the decarbonization of industrial plants is therefore one of the essential pillars of green industrial transformation.

3

**Comprehensive support of the currently uncompetitive operating costs**

The proposed NZIA measures are not sufficient to attract new investment for industrial transformation to the extent required.

Therefore, to compete with lower electricity prices in the U.S. and other regions of the world, we call for a "transitional electricity price" until enough renewable energy can be provided to bring prices down in the long term.



*"The chemical industry is an essential part of the transformation. But as long as it is not included in the NZIA proposal, the required targets will remain unrealistic. We risk European Net-Zero products being produced with Chinese steel and American chemicals."*

**Anno Borkowsky,  
Member of the Board  
of Management of  
LANXESS AG**