Upcoming Change: a Clean Industrial Deal 1/14/25

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Given the current challenges facing Europe—ranging from increasing geopolitical tensions and slowing economic growth to intensified global technology competition—the European Commission (EC) has concluded that the European Union (EU) requires a comprehensive business plan that integrates climate action, circularity, and competitiveness.

On 26 February 2025, the EC presented the Clean Industrial Deal[1] (CID), a strategic plan designed to accelerate decarbonisation, re-industrialisation, and innovation while enhancing the competitiveness of EU industries. The CID aims to strike a balance between the EU's global competitiveness and its ambitious environmental goals outlined in the Green Deal.

Achieving the objectives of both the Green Deal and CID is not possible without a strong industrial base. To bolster industry and competitiveness, the EU must have immediate access to capital. As part of this strategy, the CID will focus on mobilising EU-level funding, attracting private investments, and enhancing the state aid framework.

As part of the CID, the EC is set to adopt a new State Aid Framework[2] by June 2025 to accelerate and simplify the deployment of renewable energy, expand industrial decarbonisation, and ensure sufficient capacity to produce clean technologies.

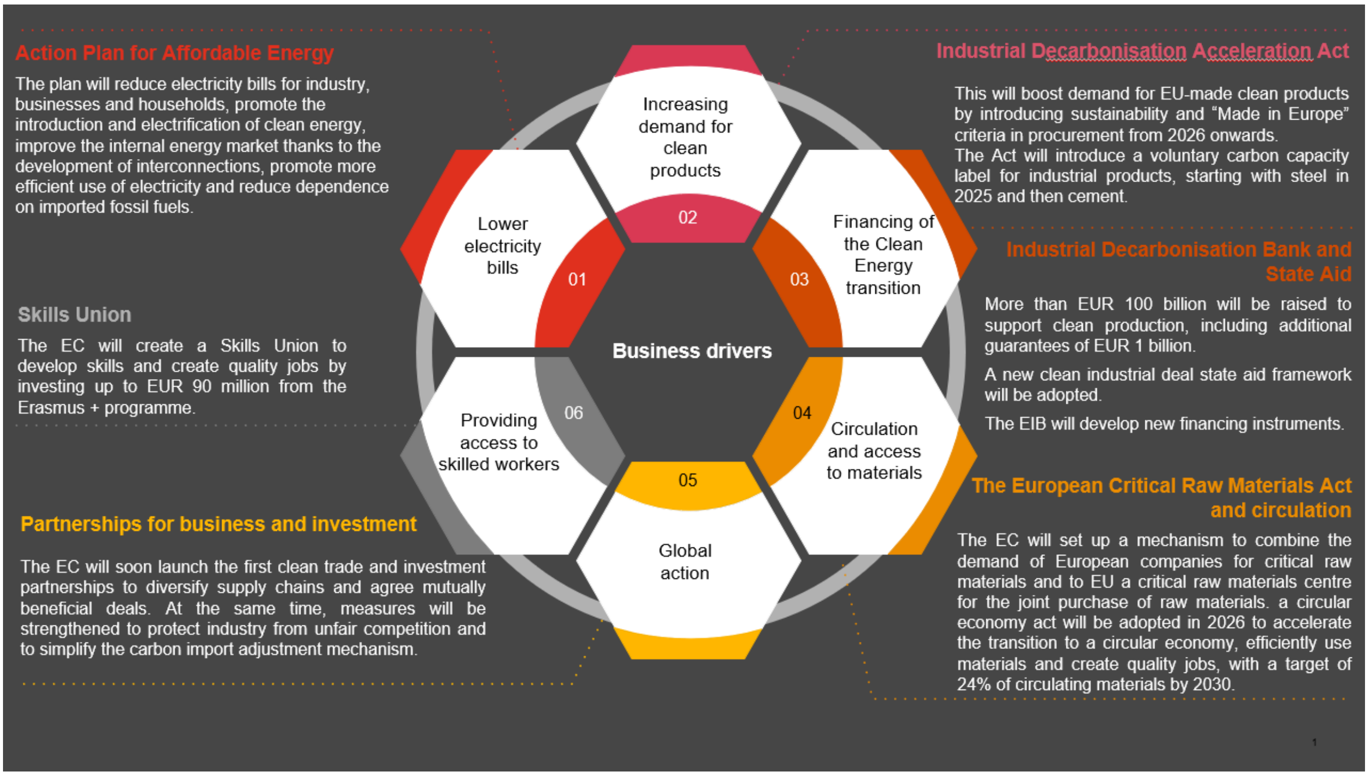
Key elements of the CID

The CID focuses mainly on two closely related areas:

1. Energy-intensive industries: sectors such as steel, metals and chemicals, whose competitiveness is affected by high electricity costs and unfair global competition;
2. Clean technology[3] sector: its development is essential to fostering EU competitiveness and decarbonisation.

Another key element of the Clean Industry Deal (CID) is circularity, which focuses on optimising the EU's scarce resources and reducing excessive dependence on third-country suppliers of raw materials.

The CID highlights six main drivers of entrepreneurship that contribute to the development and growth of industrial sectors within the EU (see the Figure below).



Tax incentives

Tax incentives play a crucial role in the CID, aiming to promote electrification and reduce dependence on fossil fuels. Member States are urged to finalize negotiations on the Energy Taxation Directive, which would enable tax reductions for energy-intensive sectors. The European Commission (EC) will issue recommendations on tax reductions and the harmonization of network charges. Additionally, the EC will advise Member States to review their corporate tax systems to incentivize investment in clean technologies, such as offering shorter depreciation periods and tax benefits in strategic sectors.

Key insights on the impact of CIDs on business:

- Reduced electricity costs: The Action Plan outlines measures to both reduce electricity bills in the short term and implement structural reforms that will enhance the energy system's resilience to price fluctuations. It addresses electricity supply costs, network charges, taxes, and fees. Achieving these objectives will require close collaboration between the government and the companies involved.
- Simplification of the authorisation process: The anticipated changes to the authorization procedures for energy projects will enable companies to shorten the timeline for deploying clean technologies. However, Latvia has not yet fully implemented the provisions of the Renewable Energy Directive (RED), meaning that the existing instruments are not being utilized to their full potential.
- Changes in public procurement: The introduction of sustainability, resilience, and “made in Europe” criteria in public procurement will influence the participation of various sectors in procurement processes. These criteria are expected to expand in the future, requiring companies to adjust their operations in order to remain competitive in public procurement opportunities.
- New support measures and funding: New support programmes at both the Latvian and EU

level, such as financial instruments developed by the European Investment Bank (EIB) and Horizon Europe (Horizon Europe) project tenders, are expected to be developed in the coming months. Public funding could also be complemented by national tax incentives and a planned European savings and Investment Union covering the banking and capital markets.

- Market access and competition: The focus on ensuring a level playing field and preventing unfair competition will create a fairer market environment for companies. However, businesses involved in the trade of imported goods must remain prepared for potential changes in regulations and tariffs that could affect their operations.
- Long-term planning: The CID framework enables companies to plan long-term investments and business strategies aligned with EU policy and climate objectives, as well as funding opportunities.

The CID offers companies new opportunities to attract finance and develop sustainable entrepreneurship. However, while the potential is high, navigating changing circumstances and regulatory changes and identifying associated risks, such as regulatory, financial, competition and contract risks, can be a challenge. In such a situation, legal advice can be very useful. PwC subject-matter experts will be happy to provide you with the support you need to adapt to these changes and make the most of the opportunities offered by the CID.

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[1] See here: https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en

[2] See the draft EC guidelines here: https://competition-policy.ec.europa.eu/public-consultations/2025-cisaf_en. Interested parties have the opportunity to provide their views on it until 25.04.2025.

[3] Clean technologies (“Clean technologies” or “Cleantech” in English) are technologies that reduce or prevent adverse environmental effects. They include a wide range of innovations and solutions focused on improving energy efficiency, using renewable energy sources, optimising resource management and reducing pollution.