IRA: How to save the European industry

By André Loesekrug-Pietri

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The European Commission's Net-Zero Industry Act lacks a clear vision. The deadlines and also the execution are implausible, says André Loesekrug-Pietri. In this opinion, the Chairman of the Joint European Disruptive Initiative (JEDI) lists three pillars that would make it work.

The European Commission's proposed **Net-Zero Industry Act** aims to reduce greenhouse gas emissions in the industrial sector to zero by 2050. By 2030, **at least 40 percent of EU demand** for clean technologies will be met in Europe. The regulation will require member states to develop national plans to decarbonize the industry. It will also support the development of **carbon capture and storage** (CCUS) technologies by setting a target of storing 50 million tons of carbon annually by 2030.

Scientific evaluation of trends lacking

This act is supposed to be a response to the **US Inflation Reduction Act (IRA)** and is part of the European Green Deal, which aims to make the EU climate neutral by 2050. Unfortunately, **no clear vision** can be identified in the European strategy, and worse, its deadlines and execution lack credibility.

Targets have been set **without any scientific assessment** of their achievability via new technologies. Policy guidelines are important, but they **must be based on facts**.

Massive technological offensive missing

The targets are either unclear (for example, what should “clean technologies from domestic production” mean in concrete terms?), unrealistic (at the current state of the art, few industries know how to achieve **net-zero emissions**), or not ambitious enough (the overall CCUS target is equivalent to only 1.5 percent of **total EU emissions**).

There is also no **implementation approach** (“execution is everything”) and a massive scientific and technological offensive aimed at developing new breakthrough technologies but also accelerating the maturation and cost reduction of existing clean technologies is lacking. The example of **green hydrogen**, which currently costs three to four times more than carbon-emitting gray hydrogen, shows that the ‘green incremental cost’ is not addressed head-on.

IRA with simple plan

In contrast, the IRA has **a very simple execution plan**: to lower the “green premium” for carbon-reducing technologies and investments – on the condition that they are realized in the United States.

The **IRA** has a clear **protectionist component** but is meant to be celebrated as an acceleration of the energy transition. So far, the Green Deal has failed to do this, although it must be said that the **precise data** for conclusive evaluation **are lacking**. However, the usual problem of EU policy, to focus on **investment plans** instead of a precise and independent outcome assessment, is already showing.

European and US plans nevertheless remain far from a **truly innovative industrial policy**. At JEDI – the *Joint European Disruptive Initiative* – we argue that it must be supported by **three pillars**:

- a very **ambitious but credible vision** that must be supported by different anticipation scenarios depending on the technology and industrial scaling options.
- a **funding program** that must be **socially and strategically mission-oriented** rather than technology- or industry-specific. The latter would lead to protectionism, a logic of "pick the winner," and notoriously poor public direct investment.
- a strategic use **of public procurement** that remains compatible with international trade rules but sets clear climate and decarbonization targets. This requires strengthening the technological competencies of public procurers, making the process of adapting to ever shorter innovation cycles much more agile, and focusing on the real impact on citizens and society.

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