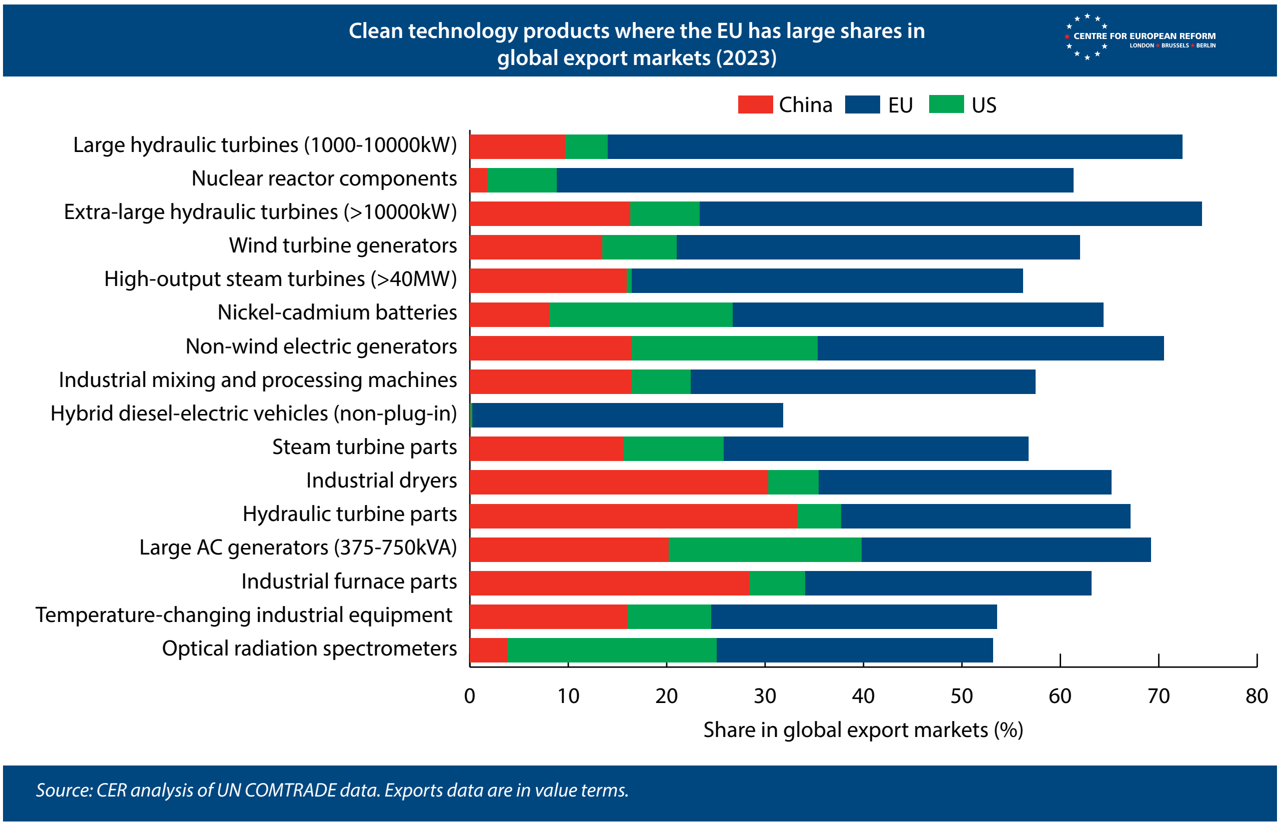
Press release

How to build and fund a better EU green industrial policy

by Sander Tordoir and Elisabetta Cornago

A new study by the Centre for European Reform (CER), 'How to build and fund a better EU green industrial policy', shows that Europe's clean tech industry is a bright spot for a continent fretting about its declining competitiveness. The report proposes a strategy for the EU to revamp its industrial policies, ensuring the EU does not cede clean tech leadership to China as Trump's America backtracks from decarbonisation goals.



Source: CER analysis of UN COMTRADE data. Exports data are in value terms.

The study, kindly supported by the Heinrich-Böll-Stiftung, highlights that the EU leads in highly specialised technologies for electrification, and it is rapidly expanding its presence in global exports of hybrid and electric vehicles (see chart). Europe already boasts many clean tech production facilities. But the Trump administration's looming tariffs and the rollback of Biden's green subsidies will hit key European exports, from EVs to wind turbines. Meanwhile, China continues to expand clean tech exports while cutting its imports, siphoning demand away from EU producers both at home and globally. EU-based businesses also face higher energy prices than their Chinese and American counterparts.

The EU's existing measures need to evolve to meet these challenges. The EU's funding programmes are generic as opposed to sector-specific, and while R&D is generally well supported, manufacturing of innovative clean tech is less so.

The study outlines how the EU can revamp its green industrial policy while managing unavoidable trade-offs. Public subsidies and import tariffs should be limited solely to sectors whose competitiveness can be realistically defended or restored. The EU should also avoid firm-specific handouts by deploying sector-wide interventions like consumer subsidies and infrastructure funding. Creating larger firms to capture economies of scale may be needed in industries where global oligopolies may arise.

Europe should not let China's subsidised competition exploit its demand incentives. The EU's recent Competitiveness Compass rightly proposes that public procurement should follow a buy-European approach. This approach can boost local production and ensure coherence across the single market. A common EU-level fund for strategic investments is needed to alleviate the risk of distortive subsidy races between member-states.

Sander Tordoir, one of the report's authors, said: "*The data unequivocally shows that, with the right policies, the EU can become a clean tech manufacturing powerhouse - especially as the US rolls back green subsidies and cedes ground to China.*"

Elisabetta Cornago, the other author, added: "*Brussels can support its clean tech manufacturing more efficiently than Washington by leveraging carbon pricing and smart regulation, and by targeting support at key clean technologies. But substantial financial commitments are needed to ensure Europe's clean tech industry survives a stormy phase.*"

Notes for editors:
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