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Technology Industries of Finland – EU2030: A Sustainable Growth Vision

The EU should maintain its ambitious objectives in sustainable development but also critically assess the impact of recently passed very detailed legislation. To meet already agreed objectives for 2030 and the new goal for 2040 in addition to turning the European Green Deal into a viable economic agenda, Europe will need high levels of both innovation and investment.

The EU must continue to be a leading example of sustainability within Europe, a global advocate of climate and environmental protection, as well as a forerunner in circular economy. Now that the Commission has established a clear set of rules for the digital and green twin transition, this effort should be driven from the bottom-up. The ambition should be to identify and scale the best solutions developed on the ground, tapping into the creativity and expertise of European researchers, industry, and society at large.

Instead of highly detailed legislation, the new European Commission should rely primarily on market mechanisms and just transition pathways alongside voluntary commitments and agreements to ensure the fulfilment of its climate and environmental ambitions. The EU's internal markets should be used to facilitate the development and widespread use of these tools and methods. This can be achieved in two ways: first, through improving investment in R&I, including by creating new tax incentives. Secondly, the Commission should aim to harmonise existing regulation as much as possible to make it easier for companies to comply and apply solutions across the EU.

Further to this, TIF proposes the following specific actions to the next European Commission:

Biodiversity and Zero Pollution

TIF supports the goal of the European Union's biodiversity strategy, according to which biodiversity ought to start to recover by 2030. The industry continues to aim for a significant improvement in global biodiversity by 2050. All EU Member States should strive to fulfil these ambitions, using their chosen methods in a cost-efficient and effective fashion. The EU should also support the global implementation of biodiversity agreements and programmes, while ensuring fair competitive conditions for European industry.

The new Commission should place the maintenance and enhancement of biodiversity at the top of its agenda. The EU should define clear objectives for combating biodiversity loss and ensuring the sustainable use of scarce renewable resources. Rather than through top-down regulation, however, the measures to reach these objectives should be based on sector-specific transition pathways. These "Biodiversity Roadmaps" would ensure that they are both feasible to implement and enjoy the full backing of all stakeholders involved.

This is especially relevant for hazardous chemicals: by promoting the replacement of substances of concern through cooperatively agreed transition pathways that particularly boost R&I activities to develop alternatives, the EU can effectively move forward on its zero pollution goals without creating risks for its global competitiveness. More generally, the new Commission should move ahead with the revision of REACH Regulation. While any such reform must be balanced, a modernised and robust regulatory framework is needed for industry in this field. The revision must also be subject to a comprehensive impact assessment that particularly takes into consideration the reform's possible effects on Small and Medium-Sized Enterprises (SMEs) and maintenance services aiming at a better life-cycle management of technologies. It must also assess to what extent the planned REACH revision would foster or hinder innovation.

Internal Market for Circular Economy

Europe has perennially struggled with its scarcity of critical raw materials compared to the rest of the world. At the same time, these materials are all around us in the products that we use and in our critical infrastructure. Securing a stable access to them is therefore of pivotal importance – and there are many opportunities to recover materials once products and infrastructure are no longer in use.

To fully tap into this potential, the EU needs to double down on its circular economy ambitions and establish a fully-fledged internal market for circular materials. This should be built upon an industry-driven Digital Product Passport (DPP) and clear ecodesign requirements following the adoption of the Ecodesign for Sustainable Products Regulation (ESPR).

Aside from circular design, efficient sorting is another fundamental pillar of a successful material recovery system and comprehensive end-of-waste criteria for recovered raw materials. European Data Spaces may prove invaluable in enabling substantive improvements in sorting systems.

Circular economy innovation activities should further be boosted by means of a new dedicated funding programme or a targeted adjustment of existing programmes. In the medium term, supporting investment in research activities on material efficiency, substitution, and the development of new innovative materials will prove more fruitful than regulatory action. It should also look at supporting the development of effective waste sorting and processing technologies.

While the EU should prioritise circular solutions in the field of raw materials, a need to access primary materials will unavoidably remain. This is not least reflected in the Critical Raw Materials Act which recognises the importance of metals and minerals in the successful transition to a low-carbon society. Where the use of primary materials is inevitable, the EU should – aside from encouraging domestic sustainable exploration, extraction, processing, refining, and recycling – strike privileged partnerships with third countries that share the EU's ecological ambitions and support projects for sustainable mining. The sustainability of aspired new production should be promoted primarily through targeted research and innovation funding. Ideally, a flexible and harmonised waste, product, and chemical regulatory framework could significantly boost circularity, as the processing plants are dependent on the supply of both primary and secondary raw materials. For this reason, the new Commission should also explore the possibility of forging privileged partnership agreements with third countries on circular raw materials.

Improving the resilience of European raw material access combined with a boost for process innovations that reduce carbon dioxide emissions, environmental impacts, material, and energy losses will strongly enhance the EU's strategic competitiveness.

Energy: A Mix of Renewables, Nuclear, Hydrogen, Efficiency, and Grids

Europe's energy system should remain market-driven and incentivise investments into clean energy and in smart energy systems in general. Combined with a mechanism to reduce the impact of fossil fuel shortages and capacity bottlenecks on energy prices, this will ensure that the energy system remains predictable and shock-proof.

In the Nordics, there are planned investments that will multiply the production of renewable energy, coupled to a strong development of nuclear power (especially Small Modular Reactors - SMRs) and the hydrogen cluster. Finland was among the twenty countries that launched the "Declaration to Triple Nuclear Energy by 2050" at the 28th United Nations Climate Change Conference (COP28) held in Dubai (United Arab Emirates). We strongly encourage EU to

recognise nuclear energy as a sustainable technology since it offers both Europe and the world at large a realistic and practical path to meet net-zero carbon emissions goals in line with international agreements.

The hydrogen cluster will add a much-needed energy carrier and storage option to the distributed and weather-dependent energy system. In the process, it will also use a significant amount of clean electricity. To fully tap into the potential offered by hydrogen, it is vitally necessary for the revision of the Energy Taxation Directive to be swiftly completed and consistently transposed in order for such alternative energy products to be recognised in European taxation frameworks. By increasing tax levels on carbon content and lowering them on renewable and low-carbon energy such as hydrogen, the EU can promote GHG reductions, boost investment in sustainable energy technologies, and promote electrification. At the same time, it should be ensured that energy taxation is fully aligned with the EU Emission Trading System – the most important and effective tool to ensure reduced GHG emission – to prevent overlap.

European energy efficiency regulations likewise need to be adjusted to facilitate the transition to clean and smart energy systems. Energy efficiency first is an excellent guiding principle, but instead of capping energy consumption and detailed regulation, we suggest using more innovation-friendly instruments, most notably sectoral energy-saving contracts between businesses and the public sector. The Nordic region can provide solutions that may substantively help the whole of Europe in transitioning towards a sustainable energy system. However, this rests on the precondition that proper grid capacity is in place across Europe. The new Commission should take measures to enable this. This could include simplifying authorisation and permit-granting procedures to reduce barriers to strategic projects. Defining efficient tariff structures to optimise long-term investments are also a useful instrument in this context.

The EU's energy policy should further work in tandem with its circular economy policy, specifically in the field of waste: while non-recyclable waste streams must be steadily reduced in the years to come, certain quantities of such waste will inevitably be generated in the coming years. The new Commission should promote the use of such non-recyclable waste for energy purposes in combination with carbon capture. This would be the most sustainable means to contend with such unavoidable waste.

Predictable Pathway to Climate Neutrality

The European Green Deal agreed under the von der Leyen Commission has paved the road for the EU to achieve its net-zero ambitions in 2050. In the coming years, the EU should build on this accomplishment, all while remaining considerate of the need for a just transition that enhances the competitiveness of Europe.

The most effective means to ensure this is the timely adoption of a binding net reduction in greenhouse gas emissions for 2040 and the corresponding regulatory adjustment. Concluding this work under the new Commission would provide industry with a predictable, long-term rulebook to follow as Europe approaches carbon neutrality in the middle of this century. At the same time, the EU should learn the lessons from the "Fit for 55" Package legislation and privilege market-driven, enabling tools over highly prescriptive regulation in the achievement of climate goals.

Among others, the Commission could promote instruments for the calculation of avoided (so-called Scope 4) emissions and related Carbon Handprint Schemes across the EU as part of its climate action. It should be stressed that these avoided emissions should not be used to offset industries' own emissions but to scale the use of such tools and endow climate-friendly solutions with a competitive edge.

Maximise Impact on Corporate Responsibility

Businesses want to actively contribute to efforts to build a more sustainable economy that protects people and the planet. To fulfil this ambition, they need the support of lawmakers to take effective action to this effect.

The last Commission put forward several instruments to promote responsible corporate practices. However, in practice, they often risk a proliferation of bureaucratic requirements that pose major challenges to the competitiveness of European companies while not necessarily achieving the intended effects. This is not least due to a lack of harmonisation: many recent initiatives – including the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D) – have or will be passed as directives. This creates major compliance challenges and fails to release the full potential of the whole internal market. During the new mandate, urgent action should be taken to streamline regulatory requirements to ensure that all companies operating in the EU must follow the same rules and avoid overlap. As part of this effort, it should also be evaluated again if the reporting and other corporate responsibility obligations meaningfully contribute to achieving their underlying objectives. In particular, the impact of regulation on SMEs must be evaluated in this context. Where this is not the case, they should be removed. This will make it easier for businesses to deploy resources to take effective action in the spirit of the legislation.

As a matter of priority, the new Commission should also look at enhancing the possibilities of companies to voluntarily use digital solutions of their choosing – including but not limited to the Digital Product Passport, European Data Spaces, and RegTech – to gather, communicate, and/or process data that is relevant for corporate sustainability reporting. Effective use of these existing and new technologies could substantively help to reduce the administrative burden posed by reporting requirements, thereby allowing companies to take more targeted action in the field of corporate responsibility and manage resources more efficiently.

The corporate responsibility legislation put forward by the von der Leyen Commission represented a milestone in law-making in this field. Not least in light of the lack of precedent for some of these initiatives, it is of pivotal importance that the new Commission undertakes the implementation, monitoring, and optimisation efforts outlined above in a thorough fashion before taking any new regulatory action in this policy area.

Summary – EU2030: A Sustainable Growth Vision

We propose for the next Commission:

1. Biodiversity Protection & Zero Pollution

- a. Promote the adoption of voluntary “Biodiversity Roadmaps” at European level
- b. Chemicals:
 - i. PFAS: Promote sufficient transition periods and investment in R&I to search for substitution and efficiency solutions, rather than resorting to regulatory action
 - ii. REACH: Need for revision of regulation under new Commission

2. Circular Economy

- a. Adopt delegated acts on ESPR after sufficient industry consultation
- b. Promote the adoption of voluntary “Circular Economy Roadmaps” based on best industry practice through industrial alliances (e.g., Critical Raw Materials Alliance, Batteries Alliance)
- c. Facilitate the use of data (incl. DPP) to promote circular economy
- d. To boost the circular internal market, the EU should revise the definition of waste (i.e., clearer distinction between recyclable and non-recyclable waste) and implement the EU wide end-of-waste criteria more consistently
- e. Promote investment in R&I to search for development of new innovative materials, material substitution and efficiency solutions, as well as waste sorting rather than resorting to regulatory action
- f. Establish privileged raw materials partnerships with third countries that share the EU’s values

3. Energy

- a. Scale Energy Savings Programmes
- b. Increase energy production and grid capacity
- c. Enable the incineration of non-recyclable waste with carbon capture and storage

4. Climate Action

- a. Adopt one binding climate target for EU by 2040: A net reduction of GHG emissions covering both emissions reductions and carbon removals.
- b. Ensure timely adoption of predictable regulatory framework for EU2040 goals
- c. Adopt an EU certification and trading framework for Scope 4 emissions
- d. Create an internal market for carbon removals, capture, storage, and utilisation via an effective industrial carbon management framework
- e. Promote Carbon Handprint Scheme across EU

5. Corporate Sustainability

- a. Harmonise corporate responsibility legislation (i.e., CSRD + CS3D) across EU to ensure its full, effective impact and to facilitate compliance
- b. Identify and reduce reporting duties and rules that do not enable the achievement of the underlying goals of regulation
- c. Enable companies to use digital solutions of their own choosing (e.g., DPP, European Data Spaces, RegTech) to make reporting and compliance easier by facilitating the collection or processing of data
- d. Additional support for SMEs to meet the new obligations and no new legislation targeting SMEs

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Technology Industries of Finland (TIF) represents Finnish technology industries and counts over 1,800 member companies, ranging from SMEs and start-ups to world leading MNEs. The technology industry is comprised of five subsectors: electronics and the electrotechnical industry, mechanical engineering, the metals industry, consulting engineering, and information technology. Technology industry is the most important export industry of Finland, with operations constituting over 50 % of all Finnish exports and accounting for 70 % of all private investments.