Technology Industries of Finland

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Technology Industries of Finland – Clean Industrial Deal: Key Messages

General

2025 bodes to be a year of significant upheaval, as Donald Trump returns to the White House and Russia's war of aggression against Ukraine enters a decisive phase. Europe cannot afford indecision in this situation and must choose its path.

Carbon neutrality is a fundamental strategic goal for TIF and its member companies. For the very same reason, TIF supports the proposal of the European Commission to lower EU greenhouse gas emissions by 90% compared to 1990 levels come 2040. The commitment to net-zero was not least reflected in TIF's first Low-Carbon Roadmap that was released in 2020. The update of the roadmap in 2024 shows that our industries have successfully disconnected the growth of their turnover from their CO_2 output. This is not least a remarkable achievement since TIF represents one of the most energy-intensive industries in Europe: the foundational goal of the Low-Carbon Roadmap was based on greening Finnish steel production. While this investment was ultimately postponed, the work on achieving this objective is continuing apace.

In keeping with its title, the Clean *Industrial* Deal should concentrate on turning challenges into targets while establishing technology-neutral market mechanisms that will enable the EU's pioneering companies to deliver the solutions to achieve these goals. The EU cannot regulate its way to global industrial leadership; this is best accomplished through the acceleration of competition and the creation of global market demand for excellent solutions.

Energy

Full independence from Russian energy supplies must finally be achieved in 2025. To achieve this aim, especially when it comes to natural gas, the EU should strengthen energy ecosystems that promise to rapidly ensure a secure supply of affordable energy. This would help unleash necessary investments in the production, use, and storage of renewable energy. Investments should be especially focused on sectors and ecosystems with a long-term competitive advantage. Maintaining a market-based electricity price is essential to ensure that the market reflects objective economic realities. The marginal pricing model should be retained, therefore. However, the EU could consider developing mechanisms that cut the highest peaks in electricity prices and reduce the volatility of power prices and lower energy prices. These should include measures to support the roll-out of flexible resources such as firm flexible thermal generation, storage and demand response.

TIF's first Low-Carbon Roadmap identified the electrification of industries as one of the most pivotal tools to achieve their cost-effective decarbonisation. The process of electrification must be accelerated now, with the help of the best available technologies. The EU and

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Member States should improve access to long-term electricity contracts such as Power Purchasing Agreements (PPAs) by enhancing the availability of guarantees and creating platforms for pooling industrial demand, for instance. Taking into account the current geopolitical tensions, this approach should be facilitated by considering the introduction of balancing elements to the energy mix.

The expanded use of digital tools – including smart and cyber solutions – should go hand-in-hand with electrification. Secure digital solutions can thus maximise productivity while also offering a smart and flexible balancing of energy production and usage.

At the same time, it must be taken into account that many digital tools and infrastructures also consume a lot of energy. It is thus crucial to set robust sustainability requirements for the most energy-intensive tools and infrastructures. These have to consider the entire lifecycle from construction through the operational phase to decommissioning. Digital infrastructures can be valuable parts of the energy system if their waste heat is transferred into the local district heating network. This decreases the need to produce heat with other means and thereby reduces the overall carbon footprint of the energy system.

Investment

In the short term, the new Commission should primarily focus on using market-driven instruments based on risk-sharing through guarantees to encourage private investment. With a view to the longer term, the development of a Savings and Investment Union may provide additional leverage. At the same time, it must not be seen as the only measure to develop clean competitiveness. Common European funding is preferable to a race for state at national level.

Accelerating market demand for systemically important enabling technologies such as hydrogen and sectors that are experiencing investment-intensive transition (e.g., green steel) will be crucial for the success of EU decarbonisation efforts. The EU should hence create lead markets that promote solutions and networks of high added value to secure the necessary investment for these technologies and industries. As part of this effort, the EU should focus on existing European strengths, networks, and infrastructure in the field of clean energy. Likewise, promoting direct investment into projects of excellence and with high expected impact should be at the centre of the CID Strategy.

Clarity on the role of Important Projects of Common European Interest (IPCEIs) under the Clean Industrial Deal and the Competitiveness Fund is urgently needed to ensure a predictable investment environment in Europe. To avoid distortions of the Single Market, it is important to add a layer of common, ambitious criteria and streamline the instrument both in terms of pace and inclusiveness. IPCEIs also need to represent an opportunity for SMEs.

Clean Technologies

Clean technologies will have to be scaled at a high level and speed over the coming years to ensure the success of Europe's decarbonisation strategy. At the same time, the EU must also support ongoing innovation efforts of industry to optimise existing and develop new solutions. To achieve this, the Commission should introduce a new model for company-driven research co-operation that is based on strong networks which bring together companies, universities, and research organisations. Ensuring the participation of all relevant RDI stakeholders will facilitate the fast scaling of innovation. Care must be taken, however, that European investments only benefit technologically excellent solutions. At the same time, the approach should be technology-neutral and capable of adapting to the emergence of new technologies, for instance.

In terms of research focus, the EU should double down on efforts to find effective solutions for the sustainable substitution of materials. Likewise, Carbon Capture, Utilisation, and Storage (CCUS) technologies should be firmly included in the scope of clean technologies: especially when coupled with the production of hydrogen for e-fuels and new innovation, CCU plays a vital role. CCS solutions, in turn, can help with ensuring that existing industrial facilities and vessels may become carbon-neutral while contributing to the expansion of available carbon sinks.

Competitiveness

As Commission President Ursula von der Leyen pointed out while presenting her new College, the quest for competitiveness should be at the heart of the green transformation. Europe should lead the development of the market for sustainable solutions. A key pillar in that endeavour is the definition of criteria for a "Carbon Handprint" that measures the positive climate impact of a product or service over the course of their lifecycle. As such, it mirrors the already well-established "Carbon Footprint". Establishing a Carbon Handprint at EU level through a common, standardised calculation methodology would provide a level playing field for emission calculations of products and solutions. If correctly implemented, the Carbon Handprint could become a key tool for advancing European competitiveness on the field of green transformation, by setting clear, transparent and robust criteria for calculated emission savings. The Carbon Handprint should also be used in public procurement to leverage the green transformation.

Circular Economy

Completing the work on a Circular Single Market should be a pivotal priority for this legislative cycle. To achieve it, the EU must focus on three fundamental aspects: data management, the incentivisation of refurbishments, and the creation of a genuinely competitive market for secondary raw materials. To succeed, the EU's circular economy policy approach for the next five years should be holistic: this means that it ought to aim at

covering the whole industrial value chain of products and focus on accelerating RDI activities in the field to enhance the total value of the sector.

These ambitions must go hand in hand with digitalisation efforts: when developing the Digital Product Passports (DPP), care should be taken to ensure that it facilitates the return of critical raw materials into the European loop. At the same time, a balance must be struck between pragmatism and ambition when it comes to the data systems for DPPs: obligatory information should be, at the first stage, based on the most minimum relevant data for circular economy. However, the inclusion of additional data ought to be possible for pioneering companies on a voluntary basis during that phase. The DPP should be developed in close collaboration with the companies: for, if well-implemented, it promises to increase the transparency of value chains, promote a circular economy, and open up new business opportunities. This will create a competitive market for sustainable products. Circular economy data structures should likewise be developed together with third countries, in close cooperation with the United Nations and the OECD.

Other measures that will be crucial to ensure that European companies have easier access to affordable circular materials is the harmonisation of waste criteria at European level to ensure that waste can be traded and processed freely across the Single Market. While helpful in certain contexts, the EU should be wary of excessively relying on Extended Producer Responsibility (EPR) schemes and Recycled Content Targets (RCTs) to boost the use of secondary raw materials, as the key bottleneck is at the supply, not the demand side. The European public procurement acquis should also be fully deployed to maximise the demand for circular solutions.

Finally, the EU should strive to facilitate a more frictionless global waste shipping regime to maximise the potential of the circular economy and the utilisation of all available side streams.

Smart Implementation

A smart implementation of the 2030 climate and circular economy framework will play a crucial role in turning the Green Deal into an Industrial Deal. This requires, among others a critical assessment throughout the mandate as to how the regulation can be simplified to support the creation of growth-inducing and technology-neutral market mechanisms; the completion of the Revision of the Energy Taxation Directive which will be crucial in directing investments into electrification, as well as renewable and low-carbon fuels, including especially hydrogen; a critical evaluation of the revised Energy Efficiency Directive, with a possibility for an adjustment as part of the 2040 climate framework; a better utilisation of public procurement funding; and the establishment of a framework for companies to incentivise the voluntary uptake of secondary raw materials through the Circular Economy Act.

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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.