# The Antwerp Declaration for a European Industrial Deal Antwerp Dialogue on Market Pull Measures

## Brussels, 04 October 2024

*The meeting took place at the invitation of Marco Mensink (Cefic), Alexis Van Maercke (A.I.S.E.), Dirk Vantyghem (Euratex), Rolf Kuby (Euromines), and was chaired by Jacki Davis (Meade Davis Communications).*

Context

We currently observe an unprecedented amount of environmental legislation being launched under the Green Deal umbrella. Different sectors face a hard-to-sell green price premium for more expensive products produced under this framework, coinciding with tremendous needs for investments in their ongoing transition and weak worldwide demand. Europe will require investments of **more than 700 billion euros a year** by 2030 to meet its energy transition goals to combat climate change (Green Deal, RePowerEU, NZIA, CRMA) according to the Commission's strategic foresight report of 2023. Industrial transformation, development as well as scale up of new technologies and a massive expansion of clean energy and sustainable raw materials supply will be key pillars of the transition. EU companies are investing in transitioning to low-carbon energy, improved energy efficiency, industrial abatement (e.g. CCS) and circular feedstock like bio-based, recycled, and captured carbon materials. In addition, waste is being reduced through better design, manufacturing, and recycling initiatives, including reducing packaging waste and adopting circular economy principles for reuse, repair, and recycling. Industries are collaborating with their suppliers to improve sustainability practices. However, these efforts are not being valued by markets, and the costs of sustainable practices cannot be passed along value chains. This lack of internalizing externalities puts sustainable producers at a disadvantage compared to less sustainable ones and those receiving more subsidies / priority access to feedstock. The business case that is required to justify the associated massive investment is therefore predominantly lacking.  The Antwerp declaration lies out how an Industrial Deal can help keep industry in Europe in this challenging context. One of its elements are market pull incentives for more sustainable products with higher costs. This is in line with proposals by different policy stakeholders, prominently featured in the recent Council conclusions on the future of industrial policy. Industry needs support, assurance and a clear signal from EU policymakers to keep and grow investments in technologies, to meet climate neutrality. Incentive-focused policies can be one possible tool to motivate the shift to the use of more circular feedstocks.

Why this dialogue?

In the wake of that, various sectors are working on their own concepts of suitable market pull mechanisms while different political actors at European and Member State levels are developing respective policy proposals. Such policies are hence undoubtedly a part of the current discussion on aligning the green transformation with strengthened competitiveness, but important questions remain open. In particular, sector- and country-specific developments evoke the need of reinforcing the exchange on which harmonised EU-level measures can be beneficial across value chain partners. To build the business case for investments in the clean transition, the main aim of this Antwerp Dialogue was to come up with practical ways to encourage people to buy more eco-friendly products. By finding solutions, we hope to level the playing field and make sustainable products more accessible and appealing to everyone. In particular, we propose the following:

Policy recommendations

- **Recognise green premiums**: To support the transformation of the EU economy, the green premium for more sustainable products needs to be brought to the market / compensated to enable sustainable investments and to overcome the increased costs for emission abatement, circular feedstock, green electricity and other Green Deal associated transformations. Market Pull measures can play a role to bring these green premiums to the market.
- **Support sustainable value chains:** Sustainable, ESG and due diligence compliant value chains will enable the transfer of costs for more sustainable products and investments across markets. Demand side policies could incentivise this kind of value chains alongside the full internalisation of sustainability costs (e.g. low-carbon abatement, renewable electricity, green hydrogen, sustainable, circular and low-carbon base materials).
- **Streamline Public Procurement**: Public procurement needs to be considered as a tool supporting the ‘green transition’ and connected to a resilience perspective. Public Procurement within the EU is currently too complex and bureaucratic. National and regional schemes exist only in a part of the Member States and have greatly diverging criteria, fragmenting the single market and confusing business. Simplifying the rules and allowing for more streamlined tendering processes, adding qualitative criteria which favour more sustainable products, would help secure future sustainable investments in certain sectors, considering that not all types of products are involved to the same degree in procurement procedures. The actual figures of procurement economic impact per sector are unclear and we see the need for further studies. Procuring authorities should not be afraid to make the “quality choice”. Sustainability criteria should be clear, targeted and realistic. Sourcing from within the EU, where possible, can increase resilience and bolster EU sustainable value chains. The potential for geographic origin criteria in a WTO-compliant manner, resilience or social/labour criteria should be explored for products where it could create added value. Product features that constitute the Unique Selling Point of producing in Europe should be prioritised. Similar criteria may be considered as conditionalities or bonuses for public funding (e.g. as done recently under the Innovation Fund for green hydrogen electrolysers). In addition, purchasers in public organisations need to be trained to use the options available in the Public Procurement Directive to incentivise quality choice. We

observe very broad and restrictive Green Public Procurement criteria, such as via the EU Ecolabel can lead to unintended effects in some sectors, e.g. on carbon footprint per use, innovation and implementability. Therefore, targeted and focussed criteria for sustainability, such as the Product Carbon Footprint or circular and low-carbon feedstock content, connected to an appropriate communication about sustainability benefits and sustainable end-use, are preferable.

- **Create financial incentives**: Fiscal support schemes can compensate for parts of the Green Premium and contribute to levelling the playing field for more sustainable products. While taxation remains the competence of Member States, the Commission could propose VAT reduction measures for more sustainable products via additions to the VAT directive, subject to unanimity in the Council. We suggest studying the impact of VAT decreases in different value chains and starting a dialogue with Member States on tailored VAT reductions. Other financial incentives, such as EPR modulations, demand side (C)CfDs, transition contributions reflecting the environmental externalities associated with a product, tradable certificates for low carbon base materials, or demand-side subsidies / tax credits should further be explored.
- **Improve labelling**. An increased valuation of more sustainable products by consumers should be supported (for example, the energy label has proven to be an important market driver). Adequate labelling and standards accompanied by other measures to enhance consumer awareness can promote more sustainable products and guide the targeting of other measures. At the same time, labelling should be supported by regulation to frame the principles (green claims), as well as clear definitions and standardisation, without adding too much complexity in terms of access to data and procedure and respecting the realities of limited packaging space and SME capabilities (e.g. in relation to the Digital Product Passport).
- **Strengthen the Internal Market**: The EU should foster a functioning internal market allowing the full deployment of economies of scale to provide competitive prices for sustainable products to consumers and industries. Harmonised policies not only for Green Public Procurement could support market uptake of more sustainable products and guarantee that fair conditions are applied. Legislative coherence and alignment (different EU legislations, EU-national legislation, external-internal policy) is necessary for a smooth working of any measures.
- **Consider value chains and their heterogeneity**: It is likely that different value chains need different solutions. The move to more sustainable products in particular requires supply chains to reorganise themselves and creates new dynamics (e.g. recycling / low-carbon targets) which have a cost. Market pull measures will need to be designed in a way that investments are incentivised for all players along the value chain, particularly if resilience is a driver. The logics behind the NZIA or the CRMA can be positive examples in the sense they consider different parts of the required package (inputs, energy, skills/workers, funding, permits, access to markets) if whole value chains are in scope.
- **Facilitate sustainable inputs**: The Commission should consider both demand and supply side measures to guarantee sustainable intermediate products, waste and raw materials streams (example: Waste Shipment Directive) and improve market transparency to increase market conditions for more sustainable products. Environmental legislation should help create positive market conditions for

valuable secondary raw materials and raw materials from sustainable sourcing. Circular or low-carbon mandates or trading schemes can be a possible tool to encourage demand in certain areas while defining realistic targets and avoiding an overburdening of economic operators. In addition, sector legislation can create useful incentives e.g. EU building performance Directive, EU Batteries Regulation, Ecodesign for Sustainable Products Regulation. Carbon footprint criteria that account for green certificates and Power Purchase Agreements should be applied to stimulate private investments in clean energy.

- **Improve market access**: Facilitate easier access to markets for small and medium-sized enterprises (SMEs) through reduced barriers and streamlined processes and make sure that market pull measures reach all parts of value chains, channels (B2B & B2C) and actors while paying aspect to their heterogeneity and specific characteristics.
- **Strengthen cooperation**: Foster partnerships between public and private sectors and across value chains to leverage resources and expertise in driving market pull measures.
- **Ensure enforcement**: Enforcement of legislation by customs authorities and via market surveillance is key to preserve the single market functioning and to ensure that "pulled" markets are not filled by non-compliant imported products or free-riders. This need for a considerate balance between the necessity for strict enforcement and avoidance of excessive burden should be considerate for demand side legislation (e.g. Green Claims Directive). Particular attention should be paid to online sales and 'paper declaration': a mechanism involving third-party verification is worth considering (the EU Customs Reform, the implementation of the Digital Services Acts and modernization of trade control legislation should help). This relates to the general problem of exacerbated competition by online sales from countries not requesting the same standards. Furthermore, the connection between efficient market pull and the prevention of carbon leakage should be considered.
- **Implement effectively, complementary and rapidly**: Considering the current state of the EU economy, a swift development and realisation of adequate supportive measures is needed. This includes both an effective and facilitative implementation of planed measures and the consideration of new "pull" policies. We are convinced that this cannot only be limited to policies that are expected to make a difference in the medium to long run but should include measures that have an immediate impact. At the same time, market pull can only work well for EU companies if they are part of an overall package, accompanied by supportive measures on the cost, skills, regulatory and investment side, and synchronised with the investment decision timeframe. We further recommend a 'stress test' of the current Acquis Communautaire in line with what is being proposed in the Draghi-report before rolling out pull measures. Overlaps and redundant legislation should be removed. Measures should also be taken to reinforce the internal market and avoid gold-plating.

**Endorsing organisations**

A.I.S.E., APPLiA, Cefic, CIRFS, EUMEPS, Euratex, EUROBAT, Euromines, SMEUnited, SolarPower Europe.