

What is the strategy behind the NZIA and STEP?

While the European institutions have reached provisional agreements on two pivotal pieces of legislation, there's a danger of missing the primary objective

The European Parliament and Council have reached provisional agreements on two key legislations aimed at reinforcing the EU's green and technological ambitions: the Net-Zero Industry Act (NZIA) and the Strategic Technologies for Europe Platform (STEP). The agreements were reached on February 6 and 7, respectively.

Although Flow Batteries Europe (FBE) welcomes the political consensus aimed at enhancing the resilience and competitiveness of clean technology manufacturing within the EU, it is concerned that the main objective will be missed. The objectives listed in the Commission proposal provided targeted support to a clearly defined list of specific sectors, including energy storage. Energy storage is fundamental to achieving the net-zero ambition, and the development of the flow battery sector is a key part of that strategy. It is expected that the new deal will make an impact by expanding the list of eligible technologies and diluting the support. The lack of cohesion between the NZIA and STEP is also disappointing.

What is good?

FBE is pleased to see that the deal on the NZIA aims to ease conditions for investing in green technologies, by simplifying permit-granting procedures and net-zero technologies market access, enhancing the skills of the workforce and creating regulatory sandboxes. The Act also foresees the creation of a Net-Zero Europe Platform to serve as a central coordination hub, fostering information exchange to facilitate the implementation throughout the EU. Several improvements were also introduced, such as streamlined rules on construction permit procedures, creation of net-zero industrial valleys, and more clarity on criteria for public procurement and auctioning.

What can be better?

The Act established a benchmark for the EU manufacturing capacity of net-zero technologies to reach at least 40% of expected EU demand by 2030. Ensuring the target is met will primarily fall on member states, requiring them to adjust their national subsidy and public procurement programs. It is unfortunate that decision-makers missed the opportunity to set sector-specific targets, thereby enhancing the efficiency of the regulations and simplifying the monitoring process. Endorsing specific targets at the European level provides a clear and consistent indication of the direction and ambition of EU energy policy. To ensure a

balanced distribution of benefits, permits, and support, it is essential to establish targets tailored to each sector.

While the final list of net-zero technologies is yet to be confirmed, once the agreement text is published, it is now known that the list has been expanded.

“Although it was designed to boost the production of crucial net-zero technologies, it appears that the focus of the act has shifted. This has led European institutions to broaden their scope to include additional technologies. We fear that the broad list of net-zero technologies combined with shorter permitting process and limited public investments will not only bring minimal results, but also overburden national public authorities,” says Anthony Price, Secretary General at Flow Batteries Europe.

Out of STEP

What is more, we need to ensure that investments are allocated where they are needed the most, in the strategic net-zero technologies with the highest impact for the green transition. In order to boost net-zero manufacturing investments and projects, the EU cannot rely on private investment and state aid alone. It was known that the NZIA would not cover financing capacities and would not quite reach the ambitions of the American Inflation Reduction Act (IRA) plan. However, hopes remained high that the NZIA would be linked to STEP.

The European Commission initially aimed to bolster green technologies primarily through the EU sovereignty fund, which was later proposed as the Strategic Technologies for Europe Platform – STEP. The Commission's initial proposal included an additional EUR 10 billion in funding, while the Parliament initially aimed to increase STEP resources to EUR 13 billion. Although the proposed STEP has a broader scope than the NZIA, encompassing deep and digital technologies, clean technologies, and biotechnologies, it was anticipated to receive EU funding for strategic investments in green industries following the IRA. The outcome is much different.

Some Member States have argued that there remains plenty of unused resources in the EU's €800 billion COVID-19 recovery fund. The only additional funding will be allocated to the European Defence Fund – €1.5 billion. Net-zero technologies manufacturers will have to rely on the same existing funding programmes as before, like the Recovery and Resilience Facility, Invest EU, cohesion policy programmes, and the Innovation Fund. FBE embraces the availability of these programmes and their role in facilitating the development of net-zero industrial capacity. However, this approach overlooks the fact that the success rate for obtaining this funding is very low. This implies that the available funding and the aspirations of companies do not align effectively.

Therefore, we could not agree more with Henrike Hahn, MEP, who stated, “Green industrial policy investments at the European level are far from where they should be – they are still a drop in the ocean.”

It seems that the EU's green industries were left with the hope that the online website, the Strategic Technologies for Europe Platform, will steer EU funds and other measures to facilitate the manufacturing of net-zero technologies. The question remains: Will this be enough to keep pace with our global counterparts and secure the EU's position as a key player in the green economy?

Next steps

The provisional agreements on NZIA and STEP now need to be separately endorsed and formally adopted by both institutions. Once adopted, the regulations will be published in the EU's Official Journal and enter into force the next day. FBE remains committed to delivering updates on NZIA and STEP.

ABOUT FLOW BATTERIES EUROPE

Flow Batteries Europe (FBE) represents flow battery stakeholders with a united voice to shape a long-term strategy for the flow battery sector. We aim to provide help to shape the legal framework for flow batteries at the EU level, contribute to the EU decision-making process as well as help to define R&D priorities. FBE is working to create and reinforce networks between key stakeholders in the flow battery industry.

FOR FURTHER INFORMATION

Beata Virsumirska
Policy Officer
+32 (0) 2 743 29 86
b.virsumirska@flowbatterieseurope.eu

Avenue Adolphe Lacomblé 59/8BE
1030 Brussels, Belgium
@FlowBatteriesEurope
www.flowbatterieseurope.eu