

Débora Melo Fernandes, Rita Leandro Vasconcelos and Francisco Ribeiro Ferreira

The European “Net-Zero Industry Act”

Provisional agreement on the final text of the legislation aimed at boosting the European Union’s green industry and economy

1. Provisional agreement and objectives of the Net-Zero Industry Act

On 6 February 2024, the European Parliament and the Council reached a provisional agreement on the final text of the Net-Zero Industry Act, which is also known as the Net-Zero Industry Regulation (the “**Regulation**”).

This legislative initiative is a part of the European Green Deal’s industrial plan, which also includes the Critical Raw Materials Act and the reform of the legal framework of the electricity market.

The future Regulation establishes a set of measures aimed at strengthening the European ecosystem for the manufacture of net-zero technology products, creating simple and secure conditions for investors and promoters of projects related to the green industry.

Strengthening this sector, of which the European Union seeks to become a global leader, is seen as essential to ensure the Union’s **energy independence** and the supply of critical technologies for the decarbonisation of the economy, to reinforce the **competitiveness of European industry** and to contribute to the **creation of skilled jobs**.

The goal set by the Regulation is that, **by 2030, 40 percent of the clean technologies used will be produced in Europe**.

Objectives of the net-zero industry act:



- To **promote investments** in the production capacity of key products that ensure the EU’s climate neutrality goals
- To **create a simple legal framework** for EU-based net-zero industries
- To cover **40%** of domestic needs in the EU with domestically-produced clean technologies by 2030

In this text, we explore some of the opportunities and incentives that the future Regulation will create for players, both public and private, involved in the production and promotion of technologies crucial to the decarbonisation of European society and the European economy.

2. Scope and list of technologies

The future Regulation will apply to the so-called “net-zero technologies”.

Under the Regulation, the concept of “net-zero technology” presupposes the existence of a final product, a specific component or machinery, thus being distinguished from “critical raw materials”, which are already covered by the Critical Raw Materials Act.

The technologies covered by the Regulation include, among others:

- technologies for producing solar (e.g. photovoltaic panels), hydro or wind energy;
- batteries and other energy storage technologies;
- electric grid technologies (e.g. electric charging technologies for transportation or grid digitalisation and smart management technologies);
- wind and electric propulsion technologies for transportation;
- carbon capture and storage technologies;
- technologies for the production of green hydrogen (electrolysers and fuel cells) and other renewable fuel sources;
- heat pumps;
- nuclear fission technologies.

The Regulation also applies to **energy-intensive industry decarbonisation projects**, when they are part of the supply chain of a net-zero technology (e.g. steel or lithium production).

3. Main measures and incentives created by the Regulation

3.1. Simplification of administrative procedures

To facilitate the conditions necessary for investment in the production of net-zero technologies, the Regulation streamlines administrative procedures for the construction, operation, modification and expansion of net-zero technology manufacturing projects.

Accordingly, Member States will be obliged to designate a **one-stop shop that is** responsible for coordinating all the necessary administrative procedures, **eliminating double requirements** and ensuring that **operators have access to information** on ongoing procedures and possible financing mechanisms.

Licensing procedures will also be subject to a **maximum time limit** for the construction or expansion of large net-zero technology manufacturing projects (> 1 GW) and projects not measured in gigawatts:

- » the maximum time limit for a procedure will be 18 months;
- » for smaller projects (< 1 GW), it will be 12 months.

Industrial projects featuring net-zero technology that are recognised as “strategic” for their significant contribution to achieving the EU’s climate and energy targets will have shorter deadlines and more favourable administrative conditions.

Certain projects considered and recognised by Member States as strategic may receive financial support from the *Strategic Technologies for Europe Platform* (STEP).

Financial support will also be granted to strategic CO₂ capture and storage projects, through contributions from EU producers of oil and natural gas products.

3.2. Development of acceleration areas for net-zero technologies and regulatory sandboxes

The future Regulation also promotes the development of acceleration areas for certain net-zero technologies (*Net-Zero Acceleration Valleys*). These acceleration areas seek to **attract and cluster companies that operate in sectors featuring technologies critical to the energy transition**, through various support measures and public intervention.

In order to promote the development of new net-zero technologies, Member States are also encouraged to set up favourable regulatory frameworks for the development, testing and validation of innovative technologies (*regulatory sandboxes*), always safeguarding the health and safety of personnel.

3.3. Incentives for public procurement of strategic net-zero technologies

The Regulation establishes rules aimed at encouraging the public procurement of goods, works and services related to strategic net-zero technologies, leading public authorities to base their contractual choices on the application of sustainability and energy resilience criteria.

Accordingly, public contracts covering net-zero technologies will be subject to minimum sustainability contribution requirements, under terms to be defined by European Commission regulations, and to energy resilience criteria, applicable when there is a dependence of more than 50 percent on a given strategic green technology from a third country.

However, public authorities are exempted from applying these criteria when they result in a disproportionate difference in costs (presumed when the difference is greater than 20 percent of the estimated cost) or if there are no competitors or tenders that meet the aforementioned requirements.

Other forms of public intervention (such as public tenders for innovative net-zero technologies, financial compensation, etc.) are also encouraged and subject to sustainability, innovation and energy resilience criteria.

3.4. Auctions to deploy renewable energy sources

The Regulation provides that auctions organised by Member States to deploy and support the production and consumption of renewable energy sources must establish requirements, both for admission and adjudication, relating to the contribution to sustainability, energy resilience, innovation and energy systems integration.

These criteria must apply to at least 30 percent of the volume auctioned every year per Member State.

3.5. Increasing professional qualifications and skills

The Regulation encourages companies to invest in the training and qualification of the European workforce in net-zero technologies.

In particular, the Regulation provides for the creation of “Net-Zero Academies”, with training programmes focused on the different net-zero technologies, with the objective of training 100,000 people per year after three years of implementation.

4. Next steps

Having agreed on the provisional version of the Regulation, the European Parliament and the Council must now approve and formally adopt it, followed by its publication in the Official Journal of the European Union and, finally, its entry into force.

As a European regulation, rather than a directive, the Net-Zero Industry Act will not have to be transposed into the national law of each Member State, but, rather, will apply directly in the legal systems of Member States.

However, Member States will play a crucial role in implementing the measures established in the Regulation, without which the policies and incentives provided for in the Regulation will not fulfil their potential.

CONTACT



Débora Melo Fernandes

Partner

deboramfernandes@perezllorca.com

T. +351 934 453 620



Rita Leandro Vasconcelos

Partner

rvasconcelos@perezllorca.com

T. +351 912 201 402

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