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European “Net-Zero Industry Act” Regulation

1. Publication of the Net-Zero Industry Act and its objectives

The Net-Zero Industry Act Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2023 (the “**Regulation**”) was published in the Official Journal of the European Union on 28 June 2024.

The Regulation is part of the European Green Deal plan for the industrial sector, which also includes the Critical Raw Materials Act¹ and the European electricity market reform², and aims to intensify the manufacture of clean technologies in the European Union.

The Regulation establishes a framework of measures aimed at strengthening the European ecosystem for the manufacture of zero-impact technology products, a sector that the European Union aspires to lead, by creating simple and secure conditions for investors and promoters of projects related to the green industry.

The Regulation sets the following main goals:

- a) By 2030, 40% of the European Union’s domestic needs for carbon-neutral technologies must be met with technology produced on European territory.
- b) By 2040, Europe’s contribution to the world’s production of carbon-neutral technologies should reach 15%.

These goals are seen as essential to:

- a) Guaranteeing the European Union’s energy independence;
- b) Ensuring the supply of the technologies needed to decarbonise the economy;
- c) Ensuring the competitiveness of European industry; and
- d) Promoting the creation of skilled jobs.

2. Scope of application

The measures to promote and encourage production on European territory set out in the Regulation apply to “carbon-neutral technologies”.

According to the Regulation, this concept includes technologies that are final products, or specific components or specific machines used primarily in the production of a final product. Excluded from the scope are raw materials, which are covered by the Critical Raw Materials Act.

The carbon-neutral technologies covered by the Regulation include:

- a) Technologies for producing solar energy (e.g. photovoltaic panels) and hydroelectric or wind energy (onshore and offshore);
- b) Battery and energy storage technologies;

¹ Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020.

² Approved by Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union’s electricity market design.

- c) Heat pump technologies and geothermal energy;
- d) Hydrogen technologies (including electrolysers and fuel cells);
- e) Sustainable biogas and biomethane technologies;
- f) Carbon capture and storage technologies;
- g) Electric grid technologies, including electric charging technologies for transport and grid digitalisation technologies;
- h) Nuclear fission energy technologies, including nuclear fuel cycle technologies;
- i) Sustainable alternative fuel technologies;
- j) Renewable energy technologies not covered by the previous categories;
- k) Energy-efficient technologies related to the energy system, including heat network technologies;
- l) Renewable fuel technologies of non-biological origin;
- m) Biotechnological solutions for climate and energy;
- n) Transformative industrial technologies for decarbonisation not covered by the previous categories;
- o) Transport technologies and CO₂ utilisation;
- p) Wind and electric propulsion technologies for transport;
- q) Nuclear technologies not covered by the previous categories.

The Regulation also applies to decarbonisation projects in energy-intensive industry (in the steel, aluminium, non-ferrous metals such as lithium, chemicals, cement, lime, glass, ceramics, fertilisers, pulp and paper sectors) that are part of the supply chain of a carbon-neutral technology and that significantly and permanently reduce CO₂ emission rates.

3. Main measures and incentives created by the Regulation

3.1. Simplification of licensing procedures

In order to facilitate the conditions for investment in the production of carbon-neutral technologies and so that strategic carbon-neutral projects can be implemented or expanded as quickly as possible, the Regulation simplifies the inherent licensing procedures.

To this end, one of the measures required by the Regulation is that, by 31 December 2024, Member States designate one or more authorities as single points of contact. These single points of contact are responsible for facilitating and coordinating the licensing procedures for carbon-neutral technology manufacturing projects and for notifying the project promoter of the outcome of the overall decision. By designating these authorities, the aim is to avoid the duplication of studies, licences or authorisations, by obliging the Regulation to take into account studies, licences or authorisations previously carried out or granted for a given project, and to ensure that operators have access to information regarding ongoing procedures and possible funding mechanisms (special attention should be paid to small and medium-sized enterprises involved in the projects).

Licensing procedures for carbon-neutral technology manufacturing projects will also be subject to a maximum duration limit:

- a) A maximum period of 12 months for the construction or expansion of carbon-neutral technology manufacturing projects with an annual manufacturing capacity of less than 1 GW; or

- b) A maximum period of 18 months for the construction or expansion of annual manufacturing projects equal to or greater than 1 GW or for carbon-neutral technology manufacturing projects for which manufacturing capacity is not measured in GW.

It should be noted that Member States may, if they wish, set shorter maximum deadlines.

Where the permit procedure requires an environmental impact assessment, it is up to the Member States to ensure that a coordinated or joint procedure is applied, and the application of such a procedure may not affect the content of the environmental impact assessment.

3.2. Prioritised status for carbon-neutral strategic projects

Member States may recognise carbon-neutral technology manufacturing projects located in the European Union that contribute to the achievement of carbon neutrality objectives as strategic projects.

Under the terms defined in the Regulation, projects recognised as strategic carbon-neutral projects benefit from priority status, which will reduce the maximum time for the licensing process mentioned above and may not exceed 9 months for the construction or expansion of projects with an annual output of less than 1 GW and 12 months for the construction or expansion of projects with an annual output of 1 GW or more.

3.3. Development of net-zero acceleration valleys

Member States can decide to designate acceleration ‘valleys’ for net-zero emissions, i.e. designate specific areas of their territory to accelerate carbon-neutral industrial activities or to test innovative carbon-neutral technologies.

The aim of these valleys is to create centres of carbon-neutral industrial activity—attracting and aggregating companies in the areas of technologies critical to the energy transition—and to further simplify administrative procedures.

A Member State’s decision to designate one of these valleys must be accompanied by a plan that puts in place additional concrete measures to increase the attractiveness of the valley as a location for manufacturing activity, in particular by facilitating the development of the necessary infrastructure, supporting private investment, or retraining and improving the skills of the local labour force.

3.4. Development of regulatory sandboxes for carbon-neutral technologies

In order to promote the development of new carbon-neutral technologies, Member States are also encouraged to set up favourable regulatory sandboxes for the development, testing and validation of innovative technologies, always safeguarding the risks to the health and safety of people and workers.

3.5. Targets for CO₂ injection capacity

The Regulation states that by 2030, the European Union’s annual injection capacity should reach 50 million tonnes of CO₂. In order to facilitate the achievement of this target, the European Union and its Member States (possibly in collaboration with relevant companies) may make all reasonable efforts to develop a new CO₂ transport infrastructure, including cross-border infrastructure, taking into account the economic and environmental benefits of proximity to capture and storage sites.

3.6. Incentives for public procurement that focus on carbon-neutral technologies

The Regulation sets out rules aimed at stimulating the public procurement of goods, works and services related to carbon-neutral technologies, requiring contracting authorities to take into account their contractual choices based on sustainability and energy resilience criteria.

To this end, public contracts covering carbon-neutral technologies will be subject to minimum environmental sustainability requirements, to be defined by European Commission regulations by 30 March 2025.

Contracting authorities may, however, be exempt from applying the above criteria if:

- a) The necessary carbon-neutral technology can only be provided by a specific economic operator and if there is no reasonable alternative or substitute;
- b) No suitable tenders have been submitted in response to a similar public procurement procedure previously launched by the same contracting authority in the two years immediately preceding the start of the planned new procurement procedure;
- c) The application of the criteria would oblige the contracting authority to purchase equipment that would be disproportionately expensive or likely to cause technical incompatibility in terms of operation and maintenance.

It should be noted that, until 30 June 2026, these requirements will only apply to contracts awarded by central purchasing bodies and to contracts with a value of €25 million or more.

3.7. Auctions for the implementation of renewable energy sources

The Regulation stipulates that auctions organised by Member States to support the production and consumption of energy from renewable sources must establish requirements, both to enter an auction and be awarded a contract, relating to criteria of sustainability and resilience, contribution to innovation and integration into energy systems.

These criteria apply to at least 30% of the auctioned volume per year and per Member State or 6 GW per year and per Member State.

It should be noted that this provision of the Regulation only applies from 30 December 2025.

3.8. Strengthening skills to create quality jobs

The Regulation encourages companies to invest in the training and qualification of European labour in the carbon-neutral industries sector.

In particular, the Regulation provides for the creation of European academies of carbon-neutral industries, with training programmes focused on the different sectors of zero-impact technologies and with a view to becoming financially sustainable 3 years after their creation, notably thanks to financial contributions from the private sector.

3.9. Attracting investment through the Net-Zero Europe Platform

A Net-Zero Europe Platform will also be created, which will support and complement the actions of the Member States in investing in the deployment of carbon-neutral technologies, advising and assisting the European Commission and the Member States (including the competent authorities).

4. Entry into force and next steps

The Regulation entered into force on 29 June 2024, and most of its provisions have been applicable since then³.

As it is a regulation—and not a directive—the Regulation does not need to be transposed into the national law of each Member State, and applies directly in all Member States.

However, a significant number of the obligations imposed by the Regulation are addressed to Member States, which will have to adopt the necessary measures to fulfil their obligations internally and within the deadlines set by the Regulation.

³ Except for the following:

Until 30 June 2026, Article 25(1) (for public procurement procedures falling within the scope of Directives 2014/23/EU, 2014/24/EU and 2014/25/EU) only applies to contracts awarded by central purchasing bodies and contracts with a value of €25 million or more;

Articles 26 (auctions to deploy renewable energy sources) and 28 (other forms of public intervention) will only apply from 30 December 2025.

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