



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Communication on "A New Industrial Strategy for Europe" {COM(2020) 102 final} and welcomes the Bundesrat's support to the main priorities of the strategy. The Commission agrees that the industrial strategy remains an important guiding framework for the EU industry's recovery after COVID-19.

The new Strategy aims to help Europe's industry lead the twin transitions towards climate neutrality and digital leadership while driving Europe's competitiveness and its strategic autonomy at a time of moving geopolitical plates and increasing global competition.

A deeper and more digital Single Market, upholding a global level playing field, working towards climate neutrality and a more a circular economy, fostering innovation, skills and investments will be essential to make this happen.

The objectives of the new industrial strategy also guide the European Recovery Plan presented in May, which is historic both in its volume and in its political, institutional and budgetary architecture. To ensure the recovery is sustainable, inclusive and fair for all Member States and regions, the Commission has proposed a new recovery instrument, NextGenerationEU, embedded within a revamped long-term EU budget. Together they will bring the total financial firepower of the EU budget to 1.85 trillion euros, to address the immediate economic and social damage brought by the coronavirus pandemic, kick-start a sustainable and prosperous recovery, and protect and create jobs.

To lead the twin transitions, the Commission has adopted a new approach with a focus on industrial ecosystems, taking into account all players within a value chain: from the smallest start-ups to the largest companies, from academia to research, service providers to suppliers. Ecosystems show the interdependence of our economies and our industrial value chains within the Single Market. We count on the support of Member States and their regions to develop strong, sustainable and resilient industrial ecosystems in the EU.

Mobilising private investment and public finance is acutely important where there are market failures. In this context, we welcome the Bundesrat support for Important Projects of Common European Interest. To help make the most out of this tool, the Commission has

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already started a fitness check of State aid guidelines and will put in place revised State aid rules for Important Projects of Common European Interest in 2021.

The approach of industrial alliances is also an important tool to bring all the stakeholders together towards common objectives and help finance large-scale projects with positive spill over effects across Europe. The Commission launched the new European Clean Hydrogen Alliance on 8 July, with a focus on renewable hydrogen, bringing investors together with governmental, institutional and industrial partners. The Clean Hydrogen Alliance will be open and inclusive, catering for participation of all stakeholders, including regions, civil society and small and medium-sized enterprises.

Implementing the new industrial strategy requires a renewed partnership between EU institutions, Member States, regions, industry including small and medium-sized enterprises, big companies, social partners, researchers and other stakeholders. In this context, the Commission will set up an inclusive and open Industrial Forum. The Commission counts on the active involvement of regions.

An independent EU competition policy has served Europe well by helping to level the playing field, driving innovation and giving consumers more choice. To ensure that competition rules remain fit for today's world, the Commission is currently reviewing the EU competition framework.

Although EU's industry is highly integrated in global value chains, and operates globally, the EU should not be naïve to threats to fair competition and trade. In this context, the Commission issued in June a White Paper on an instrument on foreign subsidies. Pursuing a model of open strategic autonomy for Europe, the Commission will make the most of its full toolbox of trade defence mechanisms to uphold a global level playing field and will undertake a trade policy review to ensure the continuous flow of goods and services worldwide.

The Commission welcomes the support of the Bundesrat for the European Green Deal as Europe's new growth strategy that should guide the transformation of European industry. At the heart of the Green Deal is the goal of becoming the world's first climate-neutral continent by 2050. It also sets the objective of creating lead markets for climate neutral and circular products, such as steel, cement and basic chemicals. At the same time, the Commission will support clean steel breakthrough technologies leading to a zero-carbon steel making process. The EU Emissions Trading System Innovation Fund will help deploy other large-scale innovative projects to support clean products in all energy-intensive sectors. The proposal for the new Just Transition Fund {COM(2020) 22 final} and the public sector loan facility under the Just Transition Mechanism {COM(2020) 453 final} will ensure a fair transition for carbon intensive regions as they continue to transform their industries and economies. Moreover, the Commission issued a new strategy for smart sector integration and for hydrogen on 8 July 2020.

With its "Strategy on Shaping Europe's Digital Future" {COM(2020) 67 final} in February, the Commission set out its vision for how Europe can be a global digital leader. The Commission will issue a follow-up to the European Data Strategy to develop an EU data economy, including the launch of common European data spaces in specific sectors and value

chains. It will also propose a Digital Services Act to update and strengthen the legal framework for a single market in digital services. The Commission has opened a public consultation until 8 September 2020 to identify issues to address in the Digital Services Act.

The Commission shares the Bundesrat view on the key role of small and medium-sized enterprises in Europe's industrial fabric. It will incentivise and support small and medium-sized enterprises to innovate and bring ideas to market, and to participate fully in future industrial alliances and Important Projects of Common European Interest. To help small and medium-sized enterprises to lead the twin transitions, the Commission published in March "An SME Strategy for a sustainable and digital Europe" {COM(2020) 103 final}.

The Commission will take the remarks of the Bundesrat into account for the development of measures to implement the New Industrial Strategy for Europe and looks forward to continuing the political dialogue with the Bundesrat in the future.

Yours faithfully,

*Frans Timmermans
Executive Vice-President*