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# Clean Industrial Deal, COP29 and beyond: integrating competitiveness and climate commitments

Integrating  
competitiveness  
and climate

Paper written with the collaboration of:



**ENERGIACLUB**  
CLIMATE POLICY INSTITUTE  
APPLIED COMMUNICATIONS

## Policy brief – Clean Industrial Deal, COP29 and beyond: integrating competitiveness and climate commitments

At the [Think2030 Dialogue Hungary](#) on 12 November 2024, IEEP hosted a webinar featuring high-level speakers to discuss *“The Clean Industrial Deal, COP29 and beyond: integrating competitiveness and climate commitments”*.

Janez Potočnik, co-chair of the International Resource Panel, opened the webinar with a keynote speech on “Industrial policy for the future we want”.

The first panel discussion, moderated by Luc Bas, Chair of [IEEP Strategic Advisory Council](#), focused on the **“Clean Industrial Deal between competitiveness and sustainable growth”** and had interventions by the following speakers: Sirpa Pietikäinen, former Minister of Environment and Finnish MEP since 2008; Tomáš Jungwirth Březovský, Head of Climate team, [AMO](#) – [Think Sustainable Europe](#) member; Viktoria Lilla Pato, Leading expert at the Hungarian Development Promotion Office and researcher; Jonathan Wilson, Communication specialist at UNEP’s One Planet Network.

The second panel, moderated by Pierre Leturcq, Head of Programme Global Challenges and SDGs at IEEP, focused on **“The external dimensions of the EU Green Deal, COP16 and COP29”**. The following speakers contributed to this discussion: Veronika Hunt Šafránková, Head of Brussels Office, United Nations Environment Programme; Anders Wijkman, Member of the International Resource Panel and Director of Climate-KIC International Foundation; András Huszár, Co-Founder & Director, Green Policy Center; Nathalie Bernasconi-Osterwalder, Executive Director, IISD Europe – [Think Sustainable Europe](#) member.

This policy brief is the result of the webinar’s discussions and the invaluable contributions of the panellists. This brief also benefits from the insights provided by [EnergiaKlub](#), the Hungarian member of [Think Sustainable Europe](#).

## KEY RECOMMENDATIONS:

- **Enhancing competitiveness** but not as an alternative to sustainability, while promoting Green Innovation to invest in research and development to drive eco-friendly technologies, enhancing the EU's competitive edge in global markets
- **Embracing systemic change** and new economic thinking
- Making better and longer **use of resources and raw materials**, encouraging resource efficiency and waste reduction in industrial processes to minimise environmental impact and boost competitiveness.
- **Aligning industrial policies with climate goals and EU values:** ensuring that the forthcoming Clean Industrial Deal complements the European Green Deal, promoting sustainable industrial growth without compromising climate objectives.
- **Implementing Carbon Border Adjustments but including exemptions** or financial support for developing nations, addressing concerns that the mechanism imposes unfair costs and hinders their development, and **prioritising standardisation of measurement and reporting systems** for greenhouse gas emissions to reduce compliance burdens, especially for small businesses.
- **Striving for stricter cooperation with third countries** and more involvement in the decision-making to reach climate targets engaging in transparent negotiations to rebuild trust with Global South countries, following the principle of "Common but differentiated responsibilities and respective capabilities".
- **Scaling up climate finance commitments:** aligning private and public financial flows with global climate goals, leveraging partnerships and innovative financing mechanisms to fill gaps in international climate funding. In doing so, even if insufficient, delivering on the \$300 billion annual commitment to adaptation finance under the New Collective Quantification Targets (NCQGs), and ensuring that funds reach the most affected communities effectively.
- **Reinforcing climate diplomacy at COPs:** use platforms like COP29 and Biodiversity COP16 to amplify the voices of developing countries and address geopolitical inequalities in climate governance, while at the same time continue pushing for ambitious updates to Nationally Determined Contributions (NDCs) and ensuring support mechanisms for adaptation and mitigation in vulnerable regions
- **Embedding trade and climate for a more coherent and just way**, providing assistance to regions and workers affected by the shift towards a low-carbon economy, ensuring equitable economic development across the EU.

# 1- Clean Industrial Deal – integrating competitiveness and sustainable growth

With the new European Commission taking office on 1 December 2024, a new chapter for EU environmental and climate policies opens up, offering the opportunity to ensure coherence and simplifications, while addressing internal issues and external spillovers. New priorities will be key for this legislature: the European Commission is expected to present on 26 February 2025 its plan announced as the new European Union's growth strategy, the **Clean Industrial Deal (CID)**, having the competitiveness of the European industry, but it remains unclear to which degree it will be compliant with the **European Green Deal's** objectives and spirit. The CID, aimed at boosting EU competitiveness and investments in clean technologies, will be decisive for the European Union to establish a competitive and sustainable economy, as well as its leading role in the world and, in the intention of the legislators, setting global standards for sustainable development.

## Pursuing a green transition while boosting competitiveness?

First of all, it is important to clarify that sustainability and competitiveness should not be seen as mutually exclusive, although decarbonising the industry without risking deindustrialisation is undoubtedly challenging. Indeed, in the past years, the EU has managed to reduce its [carbon emission footprint by over 8% every year](#), while industrial production stagnated. However, it is necessary and possible to pursue both goals simultaneously. There will be clashes and trade-offs at times, but with a **systemic change, new methods of measuring** and **more targeted approaches** sector by sector, it is possible. To aim for growth at any cost, following the model of other global powers is not sustainable and goes against the very values of the EU, which should be anchored in our society and in the economic model we want to aspire to.

The Commission has welcomed **beyond GDP initiatives** paving the way to new measurements of the state of our economy and the European Semester, which could reveal inefficiencies in subsidy, budgetary and production systems, potentially affecting overall productivity and credit ratings. Currently, subsidies often promote environmentally harmful activities; this should be reconsidered to support competitive and sustainable models that are committed to transitioning. In addition, risk assessments should incorporate the economic consequences of climate change and biodiversity loss, factoring in the costs of inaction.

Another important issue to tackle by the Commission in the CID legislative framework is the excessive use of **natural resources** and the need to shift our consumption patterns, addressing the demand side, rather than focusing exclusively on supply and security. As showed by a recent [report by the International Resource Panel](#), the total

global material use has increased more than 3 times in the last 50 years. If such trends continue, it is projected to grow by an average of more than 2.3% per year, exacerbating the consequences of the triple planetary crisis. Policymakers should acknowledge that the current ways of extraction and resource use are unsustainable and that a shift to circular patterns is needed to respect planetary boundaries. It is hoped that the CID and the new Circular Economy Act will include additional elements of circularity, encouraging the use of secondary material markets and promoting sustainable consumption.

[The social dimension is also a crucial aspect](#) of the success of the proposed transition at the European level, and it is perhaps what led to increased scepticism and weakened support for the transition. In order to effectively ensure a just transition and a social component in the CID, policymakers should strengthen citizens' rights at the same time. Important pieces of legislation could make a difference, such as the [minimum wage directive](#), which should be transposed ambitiously at the national level, but investing more in health and education policies would also highly contribute in this regard. Because social policies are a shared competence, Member States play a crucial role in decreasing inequalities, while enhancing acceptability. For example, the Social Climate Fund is an excellent tool, which however will be successful only if national authorities design and implement ambitious and inclusive National Social Climate Plans (NSCPs).

## Hungary's perspective

From the Hungarian industry's perspective, a systematic transformation is needed when building the CID, namely through a merged bottom-up and top-down policymaking, involving local stakeholders. The **twin (or triple) transition** is key for the industrial sector, where digitalisation serves as a tool to achieve climate and competitiveness goals rather than being an end goal itself. While the public sector's digitalisation is advancing, the industrial sector, in particular small and medium-sized enterprises (SMEs), lags behind and requires more support.

### More on the Hungarian Presidency of the Council of the EU

The [priorities of the Hungarian Presidency](#) came on the one hand, to no surprise (new competitiveness deal, defence policy, security), on the other hand, they were vague and not specific. Some might have thought that the Hungarian government would be at the centre of, or at least close to, the negotiations on the formation of the Commission; however, this was far from the case. The policy ambitions of the presidency were limited, and the results were in line, with most high-level events ending in disinterest.

In the face of war, climate and ecological crises, and given our long supply chains starting at critical continents, decreasing competitiveness of the continent seems to be not our hotspot to tackle. Water, food, energy, security and careful management of resources should remain the driving forces of any political actions.

**Energiaklub Climate Policy Institute**, the Hungarian member of **Think Sustainable Network**, believes that further efforts should be taken to:

- prioritise **sufficiency** and **secondary raw materials/markets**
- advance the implementation of the **REPowerEU** initiative with a strong accent on heat **decarbonisation in the building sector**
- ensure that prioritising competitiveness and security does not exclude **social and environmental implications of decarbonisation** from the debate, advocating for a just transition for European regions with the help of the Social Climate Fund and the Just Transition Fund.
- include policy measures to pave the way towards **clean mobility**
- spread **nature-based solutions** and increase biodiversity protection

## 2- The external dimension of the EU Green Deal

Reaching climate targets, as part of the European Green Deal, [have inevitably environmental and social external spillovers, in particular when collecting raw materials from developing countries](#) necessary for electrification and putting in place carbon-trade related measures, such as the Carbon Border Adjustment Mechanism (CBAM).

The [United Nations' Conferences of the Parties \(COPs\)](#) are important occasions where to make the voice of all the world's countries heard in the fight against global challenges, but also to address negative spillovers and finding common ground. This

year's COPs took place amidst significant geopolitical shifts, such as the re-election of Donald Trump as President of the US, and the nomination of a new European Commission with many members coming from parties with an approach traditionally more conservative towards sustainability policies. In this context, the main challenge was to rebuild trust and convene partners to define and set ambitious targets, while at the same time conducting technical negotiations. At **COP29 on climate change**, one of the main issues on the agenda was climate finance and the establishment of the New Collective Quantification Targets (NCQGs), eventually agreed upon with the commitment of developed nations to contribute at least \$300 billion per year to support adaptation. In addition, this edition was crucial to raising the ambition for setting the Nationally Determined Contributions (NDCs): the first update was in 2020, and the deadline to update these commitments again is February 2025, with a target to achieve them by 2035. crucial to reduce gas emissions by half by 2030. On the other hand, the **Biodiversity COP16**, held in October in Cali, Colombia, was seen as an implementation conference, a stocktaking moment of the Global Biodiversity Framework, looking at the biodiversity national strategic plans, submitted by 44 countries (while 119 countries have at least defined their national targets).

## **Reinforce international cooperation and climate diplomacy**

In the fight against climate change, decarbonisation in developed countries is happening at the [expense of the Global South](#), where extraction of new **materials and resources** is intensifying, affecting local biodiversity, water quality and pollution levels. Balancing EU climate ambitions with equity, international collaboration, and the practical challenges faced by the Global South needs to remain at the core of the EU action. There is a significant disparity in the level of emissions and regarding natural resource use, and that most imports from the Global South consist of raw materials rather than processed goods, creating further disadvantages for their sustainable development. This poses a challenge for achieving agreements on resource efficiency and circularity. To address this, the Global South should be more integrated and supported in improving resource use, but this requires addressing issues such as trading rules, intellectual property rights, and financial flows, where the International Monetary Fund has provided limited support.

A systemic approach and enhanced **development cooperation** is crucial. Western countries should take more responsibility and ownership of climate action, while supporting and involving properly developing countries. The principle of "*Common but differentiated responsibilities*", (recently expanded to include "*and respective capabilities*") lies at the core of the United Nations Framework Convention on Climate Change (UNFCCC) climate framework. This principle asserts that while all countries have an obligation to address climate change, the burden of responsibility should be

distributed according to each country's capabilities and historical contributions to emissions. This principle should also rebalance some EU policies, such as the Carbon Border Adjustment Mechanisms (**CBAM**), which has been criticised because of the additional costs it entails for developing countries importing into the EU, which are not responsible for climate change, but have to pay a higher price for their development, which is inevitably hindered. Such unilateral measures have proven to lead to inefficiency and will make trading unworkable. Trading measures should be made as interoperable as possible to minimise compliance costs, particularly for small businesses, for example by standardising the systems that countries use to measure and report emissions of different greenhouse gases.

The importance of multilateral cooperation and **climate diplomacy** is highlighted by the fact that although the EU share of global emissions is declining, its territories are severely hit by climate change impacts and the 1.5°C goal is becoming increasingly challenging to reach, as well as securing adequate funding. With international climate finance struggling, there is a need to focus on aligning private and public financial flows with global climate goals, as outlined in the Paris Agreement.

## Conclusions

Trade-offs are inevitable in policymaking, but it is possible to pursue different goals at the same time. When designing new policies and strategies to increase competitiveness, it is extremely important that the EU provides **coherence and overcomes identified gaps** in previous legislation. The issue of overuse of resources and unsustainable consumption patterns is certainly one of them, as is the integration of industrial and climate policies, as well as trade and climate policies in a **more equitable** way, to the benefit of the EU and third countries. Simplifications and cutting red tapes can be acceptable, also in order to cope with legislative fatigue, but deregulation can lead to serious consequences and undo all the efforts made so far, especially in environmental and climate policies. A **new systemic approach, new economic thinking and new ways of measuring** are necessary to face the challenges ahead and to be ready to tackle unexpected ones.

Lastly, the discussion surrounding climate policy often overlooks the values that should guide the society the EU claims to aspire to create. Civil society organisations (CSOs), including think tanks have a critical role in proving the **benefits of the transition for the society** to both citizens and policymakers. As Co-Chair of the International Resource Panel Janez Potočnik highlighted in reference to Mario [Draghi's report on the "Future of European competitiveness"](#): *"everything begins with values"*. **Shifting the narrative** is key: focusing not just on the costs and disruptions associated with climate policy, but also on the many co-benefits that come with transitioning to a more sustainable future. By emphasising these positive outcomes, we can foster a more



desirable vision of a better society that climate action can help build. As highlighted by the [European Environmental Agency](#), *"a renewed narrative should see competitiveness align with a more holistic understanding of a 'just transition' together with the implementation of high environmental standards. [...] By highlighting the co-benefits of investing in climate, health and nature protection, a sustainable wellbeing approach can enrich and complement more traditional GDP-centred economic thinking. Such a narrative could inspire other countries and enhance the EU's global leadership role."*



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## About Think2030

Launched by IEEP and its partners in 2018, Think2030 is an evidence-based, non-partisan platform of leading policy experts from European think tanks, civil society, the private sector and local authorities.

By focusing on producing relevant, timely and concrete policy recommendations, Think2030's key objective is to identify science-policy solutions for a more sustainable Europe.

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