Hertie School
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Policy Brief

Delivering on Draghi – How to finally get real about the EU's clean industrial strategy

20 February 2025

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With the Clean Industrial Deal (CID), the European Commission has pledged to finally get real about a common clean industrial policy. This would be a first. Previous attempts resulted in an industrial policy in name only. In practice, they suffered from a lack of sectoral focus, poor coordination across policy fields, and insufficient financial backing. New data from 280,000 state aid awards shows that of the €353 billion granted on the supply side since 2019, only 12% targeted sectors the EU identified as strategically important. To move beyond half-measures, the CID should now act fast and pragmatically on three fronts: First, it should clearly define what specific sectors to support and why. Second, rather than waiting for new coordination frameworks, it should deploy existing EU tools—such as trade policy, procurement rules, and regulation—to develop sector-specific strategies. And third, as our new data indicates that fragmentation risks in clean industries remain limited, it should make full use of state aid instruments to direct national subsidies toward priority industries.

The Clean Industrial Deal (CID) will test whether the European Union (EU) can make good on a central demand of the Draghi Report. Complementing Enrico Letta's call for a stronger single market a couple of months earlier, the former European Central Bank chief and ex-prime minister of Italy argued that to overcome its economic woes, the EU will need to design joint industrial strategies for key sectors of common European interest. The CID is designed to deliver exactly this for energy-intensive industries and clean tech manufacturing. Given the mounting competitive pressure from both the US and China Europe will have to make rapid progress in putting it to work.

A real common European industrial strategy would be a novum. During the last term, initiatives under the Green Deal Industrial Plan (GDIP)

amounted to an industrial policy in name only. In practice, they suffered from a lack of sectoral focus, little coordination across policy fields and scant financial support. Our analysis based on new data gleaned from 280,000 individual aid awards notified in the EU's transparency register shows that of the €353 billion in supply side state aid granted by member states since 2019, only about 12% targeted sectors the EU has identified as strategically important. Even less went to clean industries.

The good news is that delivering effective industrial policies does not require the EU to reinvent the wheel. The new European Commission does not need to wait for new coordination frameworks or additional central funding to act. The EU already has a robust set of instruments to design and implement sector-specific strategies. And, as our new data shows that fragmentation risks in strategic sectors for now remain limited, the Commission can make far more use of its state aid instruments to channel national subsidies into priority industries. The EU should therefore approach its strategy for clean industries with a healthy dose of pragmatism and focus on three key steps:

1. The CID needs to set out clearly what specific green (sub)sectors should be the focus of EU policymaking and why.
2. It should use the EU's trade policies, procurement rules and single market regulation to develop tailor-made sector-specific industrial strategies
3. It should draw on the EU's power over state aid rules to channel national subsidies into priority sectors.

2. Why the EU needs a new approach to clean industrial policy

CID ambitions square with industrial policy as a whole. The term is often invoked but rarely defined. Broadly, it refers to government strategies that "target the transformation of the structure of economic activity in pursuit of some public goal." These goals can include boosting productivity, innovation and economic growth but also driving the climate transition, creating or keeping good jobs or supporting lagging regions.

Like most industrial policies, the CID will blend horizontal and vertical measures. Horizontal policies apply across the economy and impact firms regardless of the sector they operate in or the technologies they employ. In the CID's case, this applies to expected proposals for reducing energy prices, cutting red tape and improving business conditions for green industries more generally. By contrast, vertical industrial policies focus on specific technologies or sectors and in the CID such policies will be especially relevant when it comes to supporting the decarbonization of energy-intensive industries or boosting Europe's clean-tech production capacity.

2.1 EU clean industries need industrial policy support

While experts and politicians alike can agree that horizontal improvements are needed, vertical forms of industrial policy are traditionally more contentious. However, since the Draghi Report, momentum has been building in EU policy circles around the need for a strong vertical dimension in a clean industrial strategy. The rationale is twofold. First, energy-intensive industries—and traditional European strongholds like automotive manufacturing—face steep decarbonization challenges that warrant sector-specific support. Second, EU clean-tech sectors are under mounting pressure from aggressive foreign industrial policies, particularly from China. The case for targeted industrial policy support for some clean industries has been made extensively elsewhere (e.g., here, here, and here), and we will not rehash it. What matters is that key economic and strategic sectors are at stake, and governments will not stand idly by. As Mario Draghi put it, the question is not

whether industrial policy will happen in Europe—but whether it will take the form of 27 fragmented national strategies or a coherent, common approach.

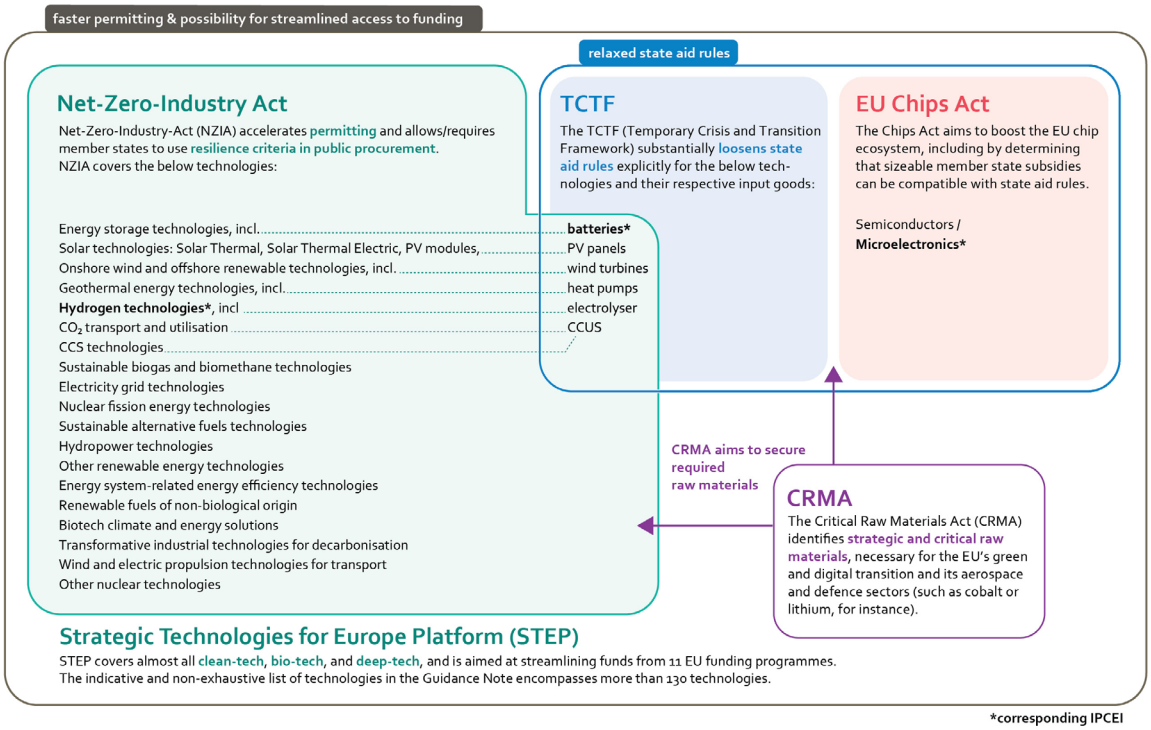
There are good reasons to be optimistic that with a well-designed strategy the EU could defend and develop its traditional competitive edge in clean industries. Despite the challenges, the EU is in a strong starting position to take a global lead in decarbonizing heavy industry, like steel, as well as in many clean tech areas. It remains a global frontrunner in patenting sustainable and clean technologies, it ranks second only to China as a low-carbon technology exporter, and its production base remains very well-positioned to capitalize on expanding markets in areas like hydrogen electrolysers, industrial electrification, and smart grids. Moreover, with the new US administration seeming hell-bent on ending support for the energy transition, the case for making Europe the more attractive destination for clean industries has only gotten stronger.

2.2. The EU has not really tried industrial policy yet

Despite a plethora of green industrial initiatives in recent years, the EU has not seriously tried its hand at industrial policy yet. While the last Commission touted its Green Deal Industrial Plan (GDIP) as the EU's response to the global clean tech race, the result was an industrial policy in name only. In practice, it fell short on at least three fronts.

First, the GDIP never clearly defined where to focus the EU's industrial policy efforts. The various initiatives under its umbrella—including the Temporary Crisis and Transition Framework (TCTF), the Net Zero Industry Act (NZIA), and the Strategic Technologies for Europe Platform (STEP)—produced an expansive set of clean technologies deemed strategically important. Yet, all this failed to specify what exactly the EU aims to achieve with them and why. Taken together, these policy instruments designate a confusingly long list of technologies as priorities (see Figure 1), ranging from sectors where Europe already holds a competitive edge—such as wind component manufacturing—to low-cost, mass-produced goods like solar panels, where the EU has little industrial footing. A strategy claiming to cover the entire policy waterfront is hardly a strategy.

Figure 1: Technologies covered by EU industrial policies

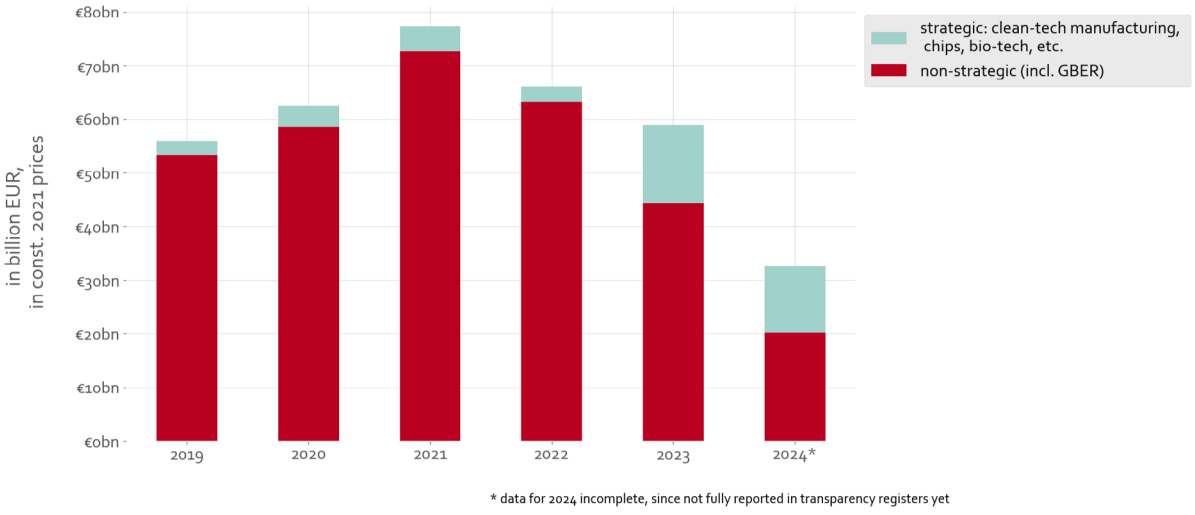


Second, the GDIP failed to develop coherent sector-specific industrial strategies. Effective industrial policy identifies market failures that hinder a sector's development and then tackles them coherently via different policy tools—trade, regulation, and fiscal support. The EU has yet to take this approach.

The bloc's handling of the electric vehicle (EV) sector illustrates the problem. On the trade side, the Commission raised tariffs on Chinese EV imports last autumn following an in-depth investigation into Chinese subsidies. This made sense: The car industry is central to the European economy, and its transition to green technologies requires space to compete without being systematically undercut by heavily subsidized Chinese rivals. These measures, however, were not accompanied by consistent policies in other areas. Discussions about weakening the EU's fleet emission standards and scrapping the ban on new petrol-powered cars cast doubt on the regulatory commitment to the industry's transition. And on the financial side, member states still pursue vastly different purchase incentive programs whose qualifying criteria vary widely, and which were terminated in some countries just before the EU started flexing its trade muscle. This patchwork of measures pulling in different directions hardly sets European carmakers on a sustained path to competitiveness.

Third, the EU has provided relatively little financial support for strategic sectors. During the last EU political cycle, there was a lot of discussion about the fact that national subsidies ballooned after the European Commission relaxed state aid rules both in response to the pandemic and the energy crisis following the Russian invasion into Ukraine. Other relaxations applied to strategic sectors through the EU Chips Act and parts of the TCTF. For example, both the Draghi and the Letta reports rightly point out that overall state aid spending increased: between March 2022 and June 2023, €141 billion was granted under the TCTF and its principles alone, on top of other state aid (for comparison, total state aid in 2019 was about €150 billion).

Figure 2: Granted state aid, estimated aid element, for amounts over €500k



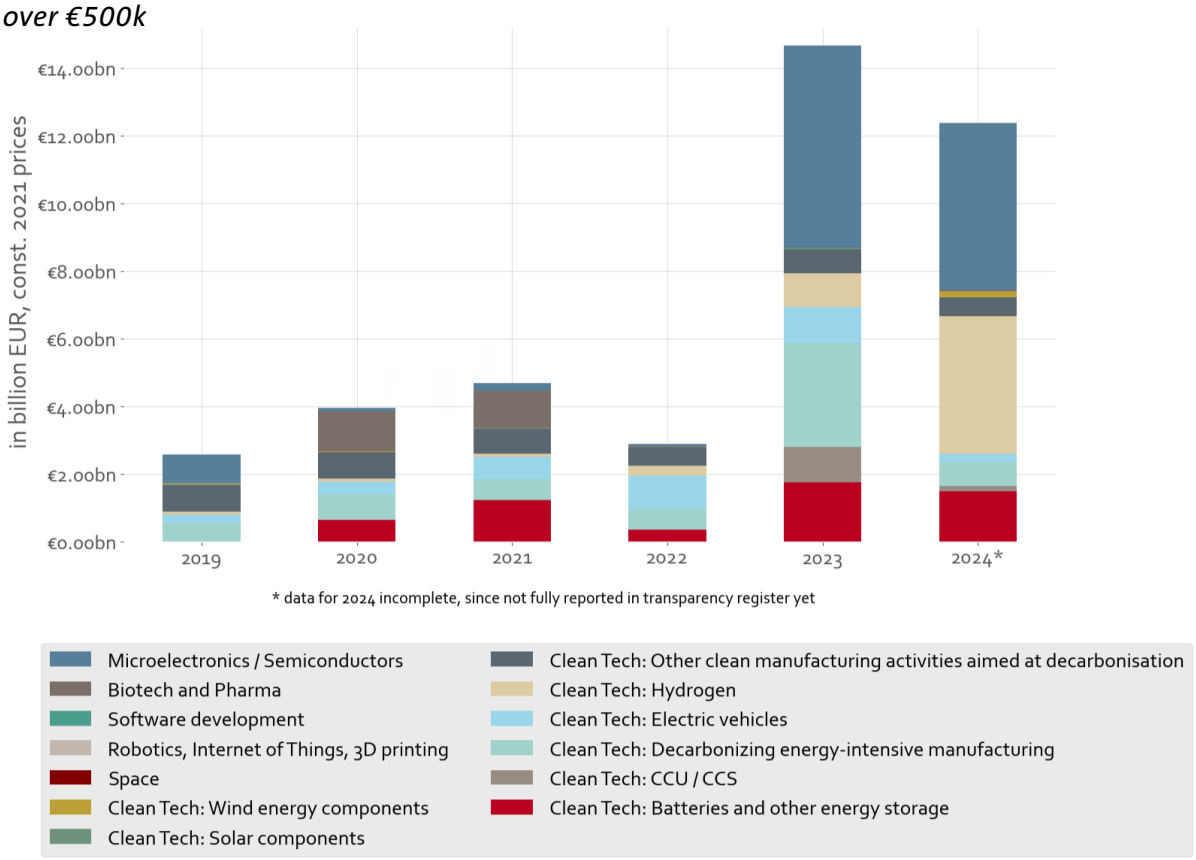
Note: For a list and description of which sectors are considered 'strategic', see Box 1 below and the methodology overview on our website

However, the headline figures tell us little about which sectors actually benefited from this support. Since the EU's official databases lack the necessary sectoral granularity, we built a new dataset based on the European Commission's State Aid Transparency Register and applied large-language models to classify aid cases by industry. The result is a dataset covering over 280,000 aid awards registered between 2019 and 2024, encompassing nearly

all relevant state aid above €500,000 across most EU countries. Given this threshold, the data captures only supply-side subsidies, excluding demand-side measures such as EV purchase incentives. For a more detailed methodology and key caveats, see Box 1.

This new data shows that supply-side support for strategic sectors, in fact, has remained limited. Since 2019, the Transparency Register records €353 billion in state aid spending. However, the bulk of this funding has gone toward general liquidity support and energy subsidies. Only about 12% of total subsidies have gone to strategic sectors such as battery manufacturing, clean hydrogen, semiconductors, software development, and biotech—designated critical to the EU's industrial future. While spending has increased over time—particularly in areas covered by the EU Chips Act and the TCTF—annual EU-wide public support remains below €15bn on the supply side (Figure 2). Further breaking this figure down reveals that sector-totals are small: cumulative state aid since 2019 amounts to just €5.5 billion for battery manufacturing, €3.6 billion for EVs, and a mere €200 million for wind energy components. By comparison, direct grants for „indirect emission cost compensation"—a little-known mechanism that allows member states to offset electricity costs for energy-intensive industries under the Emissions Trading Scheme—reached €3.8 billion.

Figure 3: Granted state aid for industrial policy priorities, estimated aid element, for amounts over €500k



Box 1: Methodology for data set on member state subsidies

The data set contains most state aid in the EU above €500 000 that has been granted since 2019. We retrieved the raw data, over 280 000 aid awards, from the publicly accessible transparency registers, in which member states are legally required to publish most types of state aid above certain thresholds. Since member states do not have to report granted aid immediately (in most cases data must be reported within six months), data especially for 2024 is incomplete (the data was downloaded on 08.01.2025). The data can be fully explored at delors-data.eu/subsidies.

To filter for state aid relevant for industrial policies, we use the state aid decision texts under which the individual aid award was approved. By employing a large language model (LLM), we can analyze decision texts to determine certain characteristics of the aid, including the supported sector. The sector categories were pre-defined (i.e. not self-learned) and designed to capture proclaimed EU industrial policy priorities (such as "semiconductors" or "batteries", for instance), and iteratively improved to increase accuracy. Based on a small random sample, the accuracy of the LLM in assigning the correct sector (i.e. assigning the same sector as a human evaluator) was about 92%.

State aid disbursed to cushion the economic impact of Covid is considered not to constitute industrial policy in the context of this analysis and is hence not classified as such. Aid granted without a dedicated Commission decision analysis (such as aid granted under GBER, the General Block Exemption Rules) is not classified by the LLM, given lack of contextual information. Given that only state aid above €500 000 is included, demand-side schemes (say, EV purchase premia for citizens) are not captured. For some aid instrument types, such as guarantees, the aid element had to be estimated from the nominal amount (see website for method).

Beyond capturing a narrower set of state aid, there are additional reasons why the sums in our dataset are lower than those often circulated in the debate. First, the transparency register contains granted aid, whereas other figures are often based on approved aid. Approved aid is typically (much) higher than granted aid, because typically not all approved money is spent, for various reasons. On top of this, there is a time lag that explains part of the current discrepancies: recently approved aid schemes have not granted/disbursed (all) of the aid that will ultimately be spent. Given their respective limitations, both approved and granted aid volumes are useful metrics to illuminate the extent of industrial policies and should be considered in tandem.

Our dataset has two advantages over the "EU Scoreboard", the official dataset for state aid expenditures. First, the scoreboard categories, such as "environmental objective", are too coarse to identify and delineate industrial policy priorities. Second, the scoreboard has a long time gap: Data for 2022 was released only in April 2024; data for 2023 will be released in Spring 2025. This is too long to inform policy decisions and monitor the success of policy decisions.

A more detailed explanation of the methodology can be found on the methodology page on the accompanying website, including caveats, links to data sources, and additional information on the parameters and prompts used for the LLM.

3. A Pragmatic Plan for the Clean Industrial Deal

To deliver a real plan for clean industries, the EU needs a step change in the way it approaches industrial policy. This does not mean reinventing the wheel. The new European Commission can design effective sectoral policies by resolutely applying existing EU instruments with real strategic intent. This requires three key steps: First, the CID must define a set of priority clean-tech sectors that will shape EU industrial policy in the coming years. Second, it should develop sector-specific strategies that align EU instruments—across trade, regulation, and finance—with these strategic goals. Third, it should use state aid rules to steer national subsidies toward EU priorities.

3.1 Improve the sectoral focus of the EU's clean strategy

The CID needs to narrow down the EU's expansive list of strategic industries to a set of genuine priorities. As we have argued before (e.g. here, here and here), this selection needs to reflect a precise understanding of targeted outcomes in the sectors the EU aims to support. The big advantage the current Commission has over the last one is that the Draghi report has provided a model to guide this selection. Specifically, it proposes to differentiate

strategies across four distinct sectoral categories[1]:

- **First, the „let go“ category:** These are industries where Europe‘s cost disadvantage is too large for them to compete effectively or where the economic or strategic benefits of policy support are too marginal. If concentrated dependencies pose a risk in these industries, the focus should be on trade diversification. Otherwise, the EU should not intervene.

- **Second, the “resilience” category:** As with „let go“ industries, EU producers here have no realistic path to global competitiveness. However, unlike in the first category, relying solely on trade diversification would leave the EU vulnerable to geopolitical or supply-chain shocks. As well as diversifying supply, policymakers should therefore provide limited support to maintain a trunk production capacity that can be scaled up if risks materialize, effectively serving as insurance against sudden supply breaks.

- **Third, the “transform in Europe” category:** These sectors are under pressure from structural transformation or global competition but are of significant socio-economic importance—either because they provide large-scale employment or serve as critical suppliers for downstream industries. If these sectors have a viable path to competitiveness, policymakers should offer targeted support to regain competitiveness, including by aiding their transition to carbon neutrality, while shielding them from distortions caused by foreign industrial policies. Crucially, inclusion in this category should not be based on past economic contributions but on potential for generating future value.

- **Fourth, the “infant or emerging industry” category:** These are innovative sectors at an early stage of development that can drive significant future growth. They include classical infant industries but also sectors with ‘hard-to-abate’ emissions, for which new clean technologies need to be developed and scaled. Here, industrial policy should support innovation and deployment to boost competitive advantage and lower the global cost curve of clean technologies – and global emissions on top.

The Commission should apply this framework to define priority sectors for its clean industrial strategy. In practice, this will mean that some run-of-the-mill technologies that feature prominently in the NZIA or TCTF like certain parts of the solar PV or heat pump value chains will fall into “let go” or “resilience” category and should receive no support beyond measures to diversify supply sources or establish trunk capacities. The same holds for some energy-intensive products that are unlikely to remain internationally competitive and should therefore not receive costly support.[2] Making these decisions is no easy task but waiting for new governance frameworks will not make it any easier. Instead, the pragmatic way forward is for the Commission to provide a sound analysis, define a positive list of strategic sectoral priorities in the CID and negotiate them with member states and the Parliament in the Council.

3.2 Design sector-specific strategies using EU tools

Building on this selection, the EU should craft sector-specific strategies that leverage its policy tools to achieve clearly defined industrial objectives. Skeptics sometimes argue that this would first require the EU to undertake some deeper structural reforms, to better

[1] The categories here are adapted and slightly modified versions of the Draghi report.
[2] Given predicted long-term clean energy prices, some highly energy-intensive products are expected to be uncompetitive in many of their current EU production locations. Providing long-term energy subsidies would be prohibitively costly for products with low added value-, and their re-location to regions in Europe with low energy costs can have benefits both for competitiveness and climate.

align efforts across the EU, given that competencies are scattered between the EU and member states. In line with this argument, the Draghi report proposed a Competitiveness Coordination Framework to oversee industrial projects spanning several countries. Building on this, the Commission's Competitiveness Compass has placed even greater emphasis on a new coordination tool, designed to work alongside the European Semester in steering national industrial policies.

But the focus on new governance frameworks is a distraction. Previous attempts to coordinate economic policy through the European Semester have largely failed—member states routinely ignore the Commission's recommendations. A new framework would most likely not fare any better. More importantly, the EU already has a broad set of instruments to shape industrial policy at the European level. It can define its foreign industrial strategy through exclusive competences on trade, create demand-side incentives by establishing lead markets through regulation, set binding public procurement rules, and direct financial support through state aid rules. Real progress depends not on reinventing coordination mechanisms for national policies but on better aligning existing EU tools. Specifically, the Commission should use three tools to draw up sector-specific strategies:

Trade policy

The EU should make strategic use of its various trade instruments. As Draghi advocated, the EU should refrain from using defensive trade instruments in sectors in which European producers have no realistic shot even with subsidies at gaining global competitiveness (i.e. which fall into the "let-go" or the "resilience" category). Instead, it should welcome the fact that European consumers can benefit from cheap foreign supply and where necessary reduce concentrated dependencies through new trade agreements, for instance via the new Clean Trade and Investment Partnerships.

In areas in which the EU can defend or develop a comparative advantage, however, it should employ robust trade defense. The recent countervailing duties on Chinese EV imports show that this can be done in a WTO compliant and competition friendly way. By opting for evidence-based anti-subsidy tariffs of up to 35 percent, the EU significantly addresses the unfair advantage of Chinese producers without imposing prohibitively high trade barriers, retaining competitive pressure on European carmakers to innovate and bring down costs. This can be a useful model for future cases.

In these sectors, the EU should also remain open to and even encourage Foreign Direct Investment. In fact, bringing in foreign technology in areas like batteries or EVs in many cases is quintessential for transforming European manufacturing. The EU should actively promote this, for example, by tying EU subsidies for foreign investors to technology transfers, as it cautiously has begun to do, and by employing the different tools it has to ensure that investments bring real economic value and are not just set up to circumvent import tariffs or covertly extracting European technologies.

Product standard setting

The EU should use its regulatory power to create strategic lead markets. This is especially relevant for sectors that fall into the "transform in Europe" or "infant industry" categories. By setting requirements for product characteristics such as carbon footprints, diversity in suppliers, or recyclability, lead markets create a predictable demand for producers in strategic industries and encourage scaling up innovation. Importantly, as demand side instruments, they do not discriminate between firms and are light on governance.

Lead markets can be established in two ways. For basic, energy-intensive materials like steel, aluminum, or chemicals, they can be created by gradually increasing quotas on, for example, green inputs in downstream industries. This approach makes particular sense when the cost share of these materials in the final product is relatively low and the necessary price premium is therefore limited (e.g., requiring a certain percentage of steel and aluminum to be emission-free in automotive manufacturing). For finished or semi-finished products, on the other hand, lead markets can be designed by creating product standards that serve as the basis for preferential treatment in subsidy schemes or public procurement procedures (see below).

In its mission letters and Competitiveness Compass, the Commission has already announced the development of lead markets. The potential of lead markets has long been established, but implementation has been slow, with efforts so far limited mostly to definitions and certifications. Fortunately, relevant legislation is currently under way for various products, which now can accelerate the pace of implementation. The EU's Battery Regulation and the upcoming "Battery Passport", for example, can be used to set criteria that serve as the basis for quasi buy-European clauses for EVs in public support schemes. Moreover, the new Ecodesign for Sustainable Products Regulation (ESPR), introduced in 2024, will allow the EU to set new sustainability standards for almost all physical products. It thereby only needs to align these ongoing procedures with a clear set of strategic industrial policy goals.

Public Procurement Policies

The EU should make more strategic use of its public procurement policies. The overall value of government procurement in the EU amounts to about 14% of its GDP. For Germany alone, public sector contracts amount to about 300 billion euros per year. The EU can set binding rules for member state procurement, as it did for instance with the 2014 Public Procurement Directives, which provides a horizontal framework to ensure all tenders above certain thresholds are transparent, competitive and in line with environmental and social objectives. In addition, there are several regulations that directly impact sector-specific procurement rules, such as the Clean Vehicles Directive and Energy Performance of Buildings Directive.

EU procurement policies provide a useful tool to drive demand towards strategic industries and technologies but they remain largely underutilized. While the current rules allow member states to factor non-price criteria such as security of supply or long-term sustainability into their procurement decision, their application remains largely optional. As a result, procurement criteria differ vastly across member states and 60% of government contracts in the EU are still awarded to the lowest bidder. The Net Zero Industry Act marked a step towards more harmonized and binding provisions by introducing mandatory resilience criteria for clean-tech procurement. However, after lots of political wrangling these provisions were watered down to the point of little practical relevance.

A review of procurement directives is planned for 2026. The Draghi report suggested introducing binding low carbon and local content requirements in strategic sectors. The Commission's Competitiveness Compass mentions a "European preference" in public procurement for some areas. The question is, thus, not if a reform is coming but how smart the EU will be about it. A nuanced approach could differentiate by industrial policy objective. Where the goal is to reduce concentrated dependencies, procurement rules should incentivize diversification by favoring contractors that source inputs from a diverse set of countries. In sectors where the EU aims to establish a baseline level of domestic production that can be scaled up if needed, procurement requirements can mandate that a small share of publicly procured goods comes from EU-based producers. How big

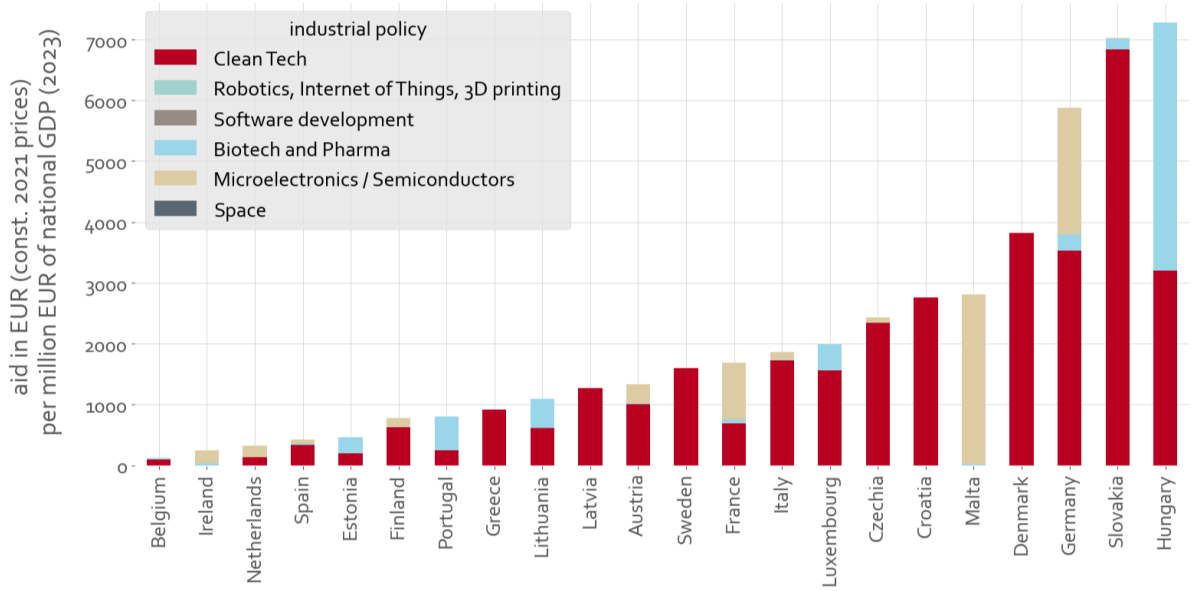
it needs to be is for the sector-experts to decide. But it should be way below the 40% of domestic deployment needs currently envisioned in the NZIA. And where the goal is to foster dynamic competitive advantages, procurement should be leveraged to create lead markets by progressively tightening sector-specific climate or innovation criteria that favor EU-based producers.

3.3 Coordinate fiscal support through state aid instruments

Finally, the EU should use its state aid rules to better coordinate fiscal industrial policies across member states. Managing the financial side is arguably the most complex aspect of the CID. The EU still lacks funds to support common industrial policies. The current budget is too small and inflexible to provide meaningful resources, and the Commission's initial proposal for a new "Sovereignty Fund" failed to gain traction among member states. While the idea has been repackaged as a „Competitiveness Fund," it is only slated to take effect in the next EU budget cycle starting in 2028. In the next three years at least, EU industrial policy will, thus, have to make do without new joint resources.

But while the EU itself lacks deep pockets for industrial policy, it can call the shots over national subsidies. Competition policy is an exclusive EU competence, and the Commission has broad discretion in deciding which state aid measures comply with EU rules. This gives it considerable leverage to direct national investments toward strategic priorities. The obvious downside of financing EU industrial strategies via national budgets is the risk of market fragmentation and subsidy races between member states that distort competition in the single market—a concern we have often highlighted in the past.

Figure 4: State aid for selected industrial priorities, scaled by GDP, estimated aid element for amounts over €500k, since 2019



However, our new data shows that at least for now, the risk of member states outspending each other in their support for strategic sectors is limited. Spending on priority sectors is not skewed towards wealthier member states. Countries typically considered to be 'subsidy heavyweights' like France or Germany are in fact providing fewer subsidies in areas like clean tech, semiconductors or biotechnology than member states like Hungary and Slovakia relative to their GDP (Figure 4). For instance, France and Denmark spent about €1.9 and €1.5 billion respectively on clean tech manufacturing which means Denmark outspent France about 5:1 relative to GDP. While Slovakia spent about €840 million on clean tech, i.e. only a

small fraction of Germany's €14 billion, relative to GDP that is almost twice as much. So, the real problem does not seem to be an intra-European subsidy race but that too little is being spent on the sectors deemed critical for the EU's industrial strategy overall.

Given that fragmentation risks in clean industries appear manageable, the EU has leeway to rely on steering national state aid towards priority sectors in the coming years. This entails maintaining flexibility in state aid rules for a narrower set of priority sectors when designing the successor of the TCTF, which is due to run out this year. The CID should moreover boost specific aid tools that ensure that national aid is directed at strategic sectors only and disbursed in ways that are least distortive to the single market. Three such tools are especially promising.

First, the EU should simplify and accelerate its procedures around Important Projects of Common European Interests (IPCEIs). This is especially important for the development and deployment of emerging technologies that require scale and division of labor across member states. The Commission should use the new Joint European Forum for IPCEIs to ensure that upcoming projects are linked to the CID priorities, and implement the many proposals that are already around on how to improve their administrative workings (e.g. here).

Second, the Commission should build on the hydrogen bank model and establish EU-led support schemes that allow co-financing through national state aid. Here, the Commission sets up an EU framework, organizes beneficiary selection, and provides initial funding. Member states can then contribute additional funds, which are allocated to projects within their jurisdiction. It comes with two benefits. The Commission gets to steer money toward strategic priorities while ensuring proper oversight. Member states, in turn, could win from the fact that national contributions funneled through EU mechanisms could benefit from simplified notification and approval procedures, significantly cutting red tape (for more details see JDC, 2024).

Third, the Commission should push for harmonized qualification criteria for national purchase subsidies to boost demand for strategic technologies. This is most relevant for sectors that fall into the "transform in Europe" or "infant industry" category as, for example, already discussed for EVs. Where needed, common criteria should not shy away from restricting support to European producers and strategic allies without breaching WTO rules. The approach brings two major benefits. First, as demand-side instruments, purchase subsidies do not favor specific companies, avoiding the pitfalls of picking winners. Second, aligning national schemes would expand the market for all EU-based producers meeting the criteria and actively reduce fragmentation in the single market.

None of this absolves the EU from tackling its funding problems. For one, national budgets are stretched and there is no guarantee that lifting state aid requirements will drive up investments. Moreover, while fragmentation may not be today's chief concern, distortions might increase when national aid expands, making EU-level funds more necessary. And, of course, the more subsidies are allocated directly at the EU level, the more certain it is that support flows to the most competitive projects across the single market. Relying solely on national aid, therefore, remains a second-best solution. For the next 7-year (MFF) budget, the EU needs a convincing model for more common industrial policy financing. However, if Brussels can demonstrate that models like IPCEIs or the hydrogen bank deliver tangible results, it will make the case for stronger EU-level funding much harder to ignore.

Conclusion

The EU needs a robust clean industrial strategy - and it needs one fast. Rather than getting bogged down in debates over new coordination mechanisms, it should focus on what matters: making clear strategic choices about where to dircet industrial efforts and then committing the EU's different policy levers to this strategy.

Early leaks of the CID suggest it could move in the right direction. But the sector-specific approach needed now cannot be captured in a single document. What's needed now is first a clear communication that maps out all available instruments, details how they will be applied strategically, and identifies the necessary tweaks to make them effective; second, strong political backing from the European Council on the strategy's necessity and urgency; and a rapid follow-up with concrete sectoral plans to put EU instruments work.

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