Ministero delle Imprese e del Made in Italy

Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique

Liberté Égalité Fraternité

A Shared Vision of the New EU Industrial Policy towards the Green and Digital Transition

Joint Declaration by Ministers Adolfo Urso and Bruno Le Maire

Rome, March 3rd, 2023

1. **We, Italy and France, stand together to cooperate towards a greener, more united and more sovereign Europe**. We are determined to strengthen European Union's leadership on the global stage and support its endeavour to ensure our competitiveness and prosperity in the long run.
2. **This declaration builds upon the Quirinale Treaty and crystallizes its ambitions**: deepening our bilateral cooperation and speaking together in favour of effective EU industrial policy. Our vision is that such policy shall foster green and digital transitions, uphold industry competitiveness and secure our strategic autonomy. We believe that the time is ripe for an updated EU industrial strategic vision that balances short and medium-term challenges and expectations with long-term ones. This vision would reflect on the structural transformations that are needed in the current geo-economic global context, in view of upholding EU industry competitiveness and securing strategic independence in key sectors.

<u>Funding our shared ambition</u>

3. **Acknowledging the potential of the Green Deal Industrial Plan, we are equally committed to work towards improving funding schemes for the twin transition.** Italy and France share the same vision: we must send a strong signal to the business community that Europe is and will remain an attractive continent for those who invest in the Single Market, in particular in the ecological transition and help us reach climate neutrality by 2050. Russia's invasion of Ukraine, the energy crisis and policies such as IRA were a trigger to update our industrial policies, upscale our environmental ambition, and generally be bolder and swifter as per implementation. We stand ready to fully support the work of the EU-US Trade and Technology Council to build a clear and transparent framework. We champion the European Commission to present an exhaustive screening and impact assessment of the financial instruments related to the ecological transition also in view of preventing distortive effects of State aid on the Single Market. We jointly underline the importance of a comprehensive strategy that includes the economic governance, the need to enhance European Union long-term competitiveness and productivity while preserving the Single Market and the level playing field. We are determined to accelerate as soon as possible the implementation of the capital markets union to mobilize private funds for investment in green industries.
4. **We are in favour of adjusting State aid rules in order to provide targeted, temporary and proportionate support to strategic industrial sectors identified by the Versailles Agenda, with a specific focus on the green transition (solar, wind power, batteries and critical raw materials).** We welcome a common European response to the IRA plan including the Commission's proposal for a "Temporary Crisis and Transition Framework" (TCTF), mindful of the need to preserve the integrity of the internal market and a level-playing field. Bearing in mind the relevant provisions of the conclusions of the extraordinary European Council on February 9th, 2023, an impactful strategic orientation of State aid is requested to support those industrial sectors. A possible revision of aid intensities and aid amounts, along with a temporary simplification of the matching clause, should be designed according to a balanced approach to support targeted and strategic projects. We welcome an additional effort on revising the "General block exemption regulation" (GBER) for the most strategic projects and long-term guarantees and the injection of further ambition in terms of simplification and reduction of administrative burden in the whole process of notification and authorisation for the green transition investment projects, especially those of common interest.
5. **We support the Commission in its willingness to simplify and clarify the rules applicable to IPCEIs by adopting specific exemptions and a Code of good practices, as presented by the Commission to all Member States on February 14th, 2023, at the Competition Working Party.** This Code will certainly be conducive to a smoother and more optimal functioning of IPCEIs and greater project quality. In order to further accelerate and simplify the IPCEI procedure, we consider that specific exemptions for SMEs, including start-ups acting as direct partners in the framework of IPCEIs, could be introduced in the GBER. We also support a specific exemption for larger projects which include a research and development and "first industrial deployment" phase, when the amount of aid requested is less than 50 million euros. We consider that these efforts could significantly reduce the administrative burden on the Commission in the context of IPCEI notification procedures. An increase in these thresholds would also allow the Commission to reserve its examination under the individual notification procedure for aid with the highest amounts and the greatest potential to distort competition within the internal market.
6. **We stress the need to complete the ongoing IPCEIs and the importance of considering future IPCEIs, where appropriate, in particular through the Joint European Forum for IPCEI.** Italy and France highlight the need to obtain the Commission's decisions on the two waves of IPCEI on Hydrogen (Hy2SupplyInfra and Hy2Move), the

IPCEI on Cloud and Infrastructure Services, the IPCEI on Microelectronics and Communication Technologies and the first wave of Health IPCEI (Med4Cure) by the end of 2023. We should also aim to pre-notify the second wave of Health IPCEI (Tech4Cure) by the end of this year. Finally, Italy and France fully support Austria's initiative to launch the Joint European Forum for IPCEI and will make every effort to actively participate in the discussions with the other Member States in this framework.

7. **We strongly support the establishment of the EU sovereignty fund that would support industrial production capacity in strategic sectors to be deployed at first with existing available funding**. We stand ready to contribute to the EU's efforts on the topic with a joint proposal to the Commission, with the objective of setting an ambitious calendar. We are waiting for the Commission's propositions based on the ongoing needs assessment, with the objective of a two-step response, in the short and medium term.

8. **We welcome the conclusions of the extraordinary European Council on February 9th, 2023, for a greater flexibility in the use of European funds** (RRF, Repower EU, Cohesion Policy), to allow also the maximum possible synergies between them**.**

9. **We are equally supportive of a balanced and responsible trade policy.** In particular, our trade policy must be aligned with our sustainable development objectives. We support the full use of trade defence instruments, especially in emerging industrial sectors essential to the EU's green and digital transition.

Adapting our policies

10. **We support a swift and ambitious reform of the European electricity market design in 2023.** We consider that the wholesale electricity market, where the price is settled by the most expensive capacity (called marginal capacity) is allowing an optimal allocation of resources. However, the current market design fails to (i) ensure that consumers are fairly exposed to the full long-term costs of the low-carbon generation facilities that supply them and (ii) provide long-term incentives to invest in production capacities needed to ensure our security of supply. For these reasons, the latter design hinders investments in the decarbonization of our economies that are necessary to achieve our climate objectives. The new market design should complement in a structural way short term markets with long-term instruments such as Power Purchase Agreements (PPAs), Contracts for Difference (CfDs), Capacity Markets for storage and thermal capacity. Indeed, one of the objectives of this reform is to bring prices paid by all categories of consumers closer to production costs of electricity mix in order to promote decarbonisation and electrification. That is why it is important to ensure that CfDs and PPAs will be able to pass on the cost of production of electricity mix to consumers, and not the cost of marginal capacity.

11. **We will start a joint work on critical raw materials and securing supplies, a key factor in reducing our strategic dependencies.** As European supplies must meet a high level of sustainability, Italy and France will work on the conditions to raise ESG standards to their highest level for extractive and refining activities and the traceability on certain products, such as promoted in the future Batteries Regulation. We wish also to explore stronger cooperation between our respective economic and mineral intelligence agencies, our companies, as well as explore available options for joint investment in raw material production projects (mines, refineries, recycling) for securing strategic supplies, after identifying complementarities in certain value chains, including batteries. Italy and France will share best practices on supporting such projects through private and where necessary public investments. In the framework of the future European law on raw materials, we will advocate for minimum domestic production targets for those commonly agreed strategic raw materials to cover as much as possible of our industrial needs by 2030.

12. **We call for more sustainable public procurement practices, because *Made in Europe* can start with Government**. We are in favour of better promoting qualitative criteria and extending the mechanism preventing bid proposals from third countries that do not reciprocate the EU's openness. The directives on public procurement, which were adopted ten years ago and which are no longer in line with the priorities of the European Green Deal nor with the global context, need to be revised. Furthermore, we support a full enforcement of the EU International Procurement Instrument (IPI), Regulation (EU) 2022/1031 – in line with GPA/WTO obligations – which aims to promote reciprocity in access to international public procurement markets and of the Foreign Subsidies Regulation, as the non-declaration of foreign subsidies distorts competition within the internal market.

13. **We affirm our shared priority to cooperate on hydrogen**. We highly praise the fact that both our countries are well represented in the four waves of the IPCEI on hydrogen. We will strive to find new avenues for scientific and technological cooperation between Italy and France.

14. **We recognise the importance of the development of new technologies and the need to reinforce European digital sovereignty.** To this end, we intend to join our efforts on research projects for the development of European digital products and services. We also share the objective of a quick implementation of the European secure connectivity initiative IRIS2 leveraging on synergies between governmental and commercial European assets, for the benefit of European governments, businesses and citizens. At the same time, we recognise the importance of collaborating for a common vision on regulatory issues in the European legislation. At this end, we support the opportunity to create a specific forum to exchange best practices from respective national experiences and to discuss digital regulatory issues.

15. **We pledge to support our automotive industries and their competitiveness in their transition towards decarbonized mobility.** This transition implies a major industrial shift for the European automotive industry, which can only be achieved with a predictable regulatory and market environment, in particular to manage the economic and social impact of this transition. First, it should not lead to a massive influx of electric vehicles produced outside of the European Union where environmental and social constraints are less stringent. We will therefore be attentive to maintain the level playing field. Second, we should ensure that the new potential EU regulations, such as Euro 7, do not hinder the investments necessary to achieve the target of the European Fit for 55 package.

16. **We agree to strengthen our cooperation in the space sector.** As a testimony, France and the French industry will make the required industrial capacity available in the short term to ensure a speedy Vega C's return to flight and will work together with Italy to ensure a resilient exploitation of Vega C.

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17. **We are committed to deepening our cooperation, which is already at work through the established working groups launched between our administrations**. These groups pave the way for Italy and France to propose solutions at the European level in areas of common interest, promoting a productive and inclusive dialogue, open to all relevant stakeholders.