

Green Deal Industrial Plan of EU

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In news– In a bid to support and expand its green industry, the European Union on February 1 revealed the “Green Deal Industrial Plan” that aims to **cut red tape and provide massive subsidies**.

Key highlights of the plan-

- The proposal involves **building a simpler regulatory framework, providing faster access to funds**, enhancing skills and improving the EU’s trade network.
- The plan seeks to **formulate a “Net-Zero Industry Act”**, which will not only simplify rules but also speed up the issuance of permits for green projects, such as renewable energy generation arrays, carbon capture and renewable hydrogen production facilities.
- It also includes a **“Critical Raw Materials Act”**, which will **provide access to materials like rare earths that are crucial for developing net-zero technology**.
- According to the proposal, **state aid rules will be loosened** in order to help EU’s 27 governments with investing in the clean energy projects.
- Keeping in mind that every country doesn’t have deep pockets like France and Germany to provide subsidies to companies, **the plan allows countries to take money from existing EU funds**.
- Notably, the **proposal doesn’t involve any fresh cash and seeks to direct €250 billion to serve the green industry from the existing EU money**, which is around €800 billion.
- There is also a **provision for setting up a “European Sovereignty Fund”** in the future to “give a structural answer to the investment needs”.

- The plan aims to establish **“Net-Zero Industry Academies”** that will provide up-skilling and re-skilling programmes in strategic industries.
- According to the European Commission, 30 to 40 per cent of the existing jobs might get affected due to green transition. Therefore, the “Green Deal Industrial Plan” focuses on developing the skills needed for well-paid quality jobs.
- The plan **underlines the importance of open trade and seeks to further “develop the EU’s network of Free Trade Agreements** and other forms of cooperation with partners to support the green transition.”

Counter to the USA’s Inflation Reduction Act (IRA)?

- The move has come just a few months after the **United States announced its Inflation Reduction Act (IRA), which contains billions of dollars of tax cuts for clean energy and climate change programs** with incentives for US-based manufacturing.
- In August 2022, President Joe Biden’s administration unveiled its climate change legislation, which will direct \$390 billion towards clean energy projects.
- The IRA provides huge tax breaks and incentives to both customers and manufacturers. However, soon after the legislature was revealed, leaders of the European Union expressed concerns regarding its possibly “discriminatory” provisions.
- The EU members have claimed that IRA’s tax credits and subsidies to green product makers would put European companies at a disadvantage and might lure them to the United States.