European Semiconductor Industry Association

Brussels, 26 February 2025

ESIA position on the Clean Industrial Deal

Introduction

Semiconductors (or so-called 'chips') are indispensable for a clean and energy-efficient industry, contributing to achieve Europe's decarbonisation goals. Semiconductors are needed to harvest, convert, transfer, store, and manage energy. They are a key technology in the energy sector, including solar / photovoltaic inverters, wind turbines, electricity grids, electric vehicles, and recharging stations. Furthermore, smart semiconductor solutions help reducing the energy consumption of nearly every electronic device, from mobile phones to refrigerators.

ESIA welcomes the Clean Industrial Deal (CID), which seeks to contribute crucial building blocks for attaining the EU's net greenhouse gas emissions reduction goal of 90% by 2040 (relative to 1990), and to decarbonise and reindustrialise the EU economy. It contains important measures to strengthen the competitiveness of Europe's green industry. ESIA would thus like to comment on some elements of the CID, including energy security and prices, simplifying regulation, circular economy and global partnerships, as well as lead markets.

Energy Security and Costs

ESIA welcomes the Action Plan on Affordable Energy, as it aims at reducing energy costs for the industry in the short run and accelerates the necessary long-term structural reforms. Compared to other geographies, high energy prices are impacting European industry's growth and competitiveness. ESIA advocates for an EU energy policy that aims at lower energy prices and making Europe a more attractive region for production and investment. Today, diverging energy prices within the EU Single Market lead to competitive disadvantages, depending on where the companies are headquartered or where their operations are located. In addition, national differences in grid stability policies and the associated risks for chip companies equally affect the overall competitiveness of the semiconductor industry in Europe, its suppliers, and customers.

Simplification of Regulation

ESIA would like to re-emphasise the need for simplifying regulation. Examples of concern are exhaustive and partly overlapping reporting requirements, e.g. under the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), and EU Taxonomy Regulation. ESIA also welcomes the plan of the CID to improve the Carbon Border Adjustment Mechanism (CBAM). The reporting threshold should be revised and changed from "*cost*"-based to "*weight*"-based to keep compliance costs at proportionate levels. On Important Projects of Common European Interest (IPCEIs), ESIA welcomes efforts to

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ESIA is an industry association under the umbrella of
EECA: European Electronic Component Manufacturers' Association
EU Transparency Registry: 22092908193-23

make procedures simpler and more efficient. Potential new best-practice approaches should be equally applied to new IPCEIs in other industrial sectors – i.a. semiconductors – too, to make the instrument as impactful as possible.

Circular Economy and Global Partnerships

ESIA acknowledges the importance to reduce dependencies on critical raw materials. Reducing dependencies requires assessing new angles and approaches, such as joint purchasing, strategic stockpiling, strategic partnerships with third countries, and recycling of raw materials. Joint purchasing and built-up of strategic stockpiles as suggested in the CID could be impactful instruments, if designed in close alignment with industry. ESIA also wants to strongly emphasise the need for international partnerships on critical raw materials crucial for semiconductor production, e.g. with India. When it comes to recycling, techniques are currently being researched. However, it is important to recognise that recycling of processed raw materials as well as the use of these materials still comes with a lot of technical challenges. For this endeavour, additional and dedicated research & development programmes are needed. Furthermore, a consistent policy framework is required to enable industries to explore, innovate, and develop new techniques in the recycling of raw materials (e.g., chemical policy / REACH) and their use.

Lead Markets and Promoting EU Industry

Semiconductors power every single electronic device, from wind turbines, solar panels, and vehicles to smart phones, washing machines, and airplanes. They enable the optimisation of renewable energy generation and applications such as smart traffic management and advanced battery management solutions for electric vehicles. Strengthening the competitiveness of Europe's lead markets such as automotive, industrial, smart Internet of Things (IoT), and energy as part of the CID is highly appreciated by ESIA. Creating the right framework conditions for industry to invest, grow, and develop next-generation technologies in Europe should be the main goal of the CID.

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ABOUT ESIA

The European Semiconductor Industry Association (ESIA) is the voice of the semiconductor industry in Europe. Its mission is to represent and promote the common interests of the Europe-based semiconductor industry towards the European institutions and stakeholders in order to ensure a sustainable business environment and foster its global competitiveness. As a provider of key enabling technologies, the industry creates innovative solutions for industrial development, contributing to economic growth and responding to major societal challenges. Being ranked as the most R&D-intensive sector by the European Commission, the European semiconductor ecosystem supports approx. 200.000 jobs directly and up to 1.000.000 induced jobs in systems, applications and services in Europe. Overall, micro- and nano-electronics enable the generation of at least 10% of GDP in Europe and the world.