

COMMENTS

ITRE Draft Report to the “*Net-Zero Industry Act*”

Brussels, 26 June 2023

Introduction

The European Semiconductor Industry Association (ESIA) welcomes the “**Net Zero Industry Act**”^{1,2} and its goal to simplify the regulatory framework and improve the investment environment for net-zero technologies. ESIA fully supports the transition to a climate neutral, clean economy, and the corresponding redesign of the EU’s energy system. On 26 May 2023, rapporteur for the responsible Committee on Industry, Research and Energy (ITRE) Dr Christian Ehler published his draft report³ on the Act. ESIA would like to emphasise two key points below.

Include semiconductors

As already highlighted in [feedback F3411524](#) provided by ESIA on 3 May 2023, semiconductors play an essential and indispensable role in net-zero technologies and virtually all applications enabling low-carbon and energy-efficient innovative solutions. Given the differing scope from the “*EU Chips Act*”^{4,5}, semiconductors should indeed be in the scope of the “*Net Zero Industry Act*”. Accordingly, ESIA cannot endorse **Amendment 43** of the ITRE draft report as it expressly excludes “[r]aw materials, processed materials or components falling under the scope” of the “*EU Chips Act*”⁶.

To quote European Commissioner for Internal Market Thierry Breton: “Without chips, no digital transition, no green transition, no technological leadership.”⁷ ESIA concurs: without semiconductors, many of the technologies cited in the original proposal would simply not be possible. Whether it is power converters in wind turbines, solar inverters in photovoltaic panels, semiconductor-powered motor drives in heat pumps, or the plethora of efficiencies in energy storage systems and power consumption: chips play an irreplaceable role for the functionality & efficiency of net-zero technologies, and for lowering the carbon footprint at every step of the value chain. Most paths towards climate-neutrality involve significant electrification and digitalisation, both enabled by the use of innovative semiconductor technologies.

Ensure consistency with the goal of the proposal

The “*EU Taxonomy Regulation*” is a classification system and cornerstone of the EU’s sustainable finance framework. It defines criteria for economic activities to be identified as sustainable. The goal is to steer investments into these “*Taxonomy aligned*” activities. In principle, ESIA agrees with any effort to achieve consistency across different legislations. The rapporteur’s intention to reference “*the Taxonomy to rationalise the definition, thereby avoiding the creation of an additional list and ensuring policy coherence throughout the Union*”⁸ is therefore well understood. However, the implementation of the “*EU Taxonomy*” has proven to be extremely complex with uncertainties still to be resolved. Article 10(1) of the “*EU Taxonomy Regulation*”,⁹ as referenced in **Amendment 44**, does not stand for itself but is accompanied by Delegated Acts for each environmental objective, laying down the economic activities qualifying as sustainable thereunder.

It remains unclear whether these “*Taxonomy-aligned*” economic activities would then be “*net-zero*” under the Act. If so, it would make the selection process of eligible projects extremely complex since only endeavours in the “*Taxonomy-aligned*” field of activities of a company would qualify. Consequently, the scope of the “*Net-Zero Industry Act*” would become extremely narrow. Since the objective of the Act is “*innovating and scaling up the manufacturing capacity*” as well as creating a predictable and simplified regulatory environment, ESIA believes that Amendment 44 would lead to the exact opposite outcome.

For the sake of legal certainty, predictability, and effectiveness, the European semiconductor industry advocates to stick to an annex listing the eligible industry sectors and their supply chain, as proposed by the European Commission. Industries which are indispensable for the green transition, such as semiconductor manufacturing, should be added to this annex.

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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.

¹ EUROPEAN COMMISSION (16/03/2023). *Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act) (Text with EEA relevance), 2023/0081 (COD), EUR-Lex. URL: https://eur-lex.europa.eu/resource.html?uri=cellar:6448c360-c4dd-11ed-a05c-01aa75ed71a1.0001.02/DOC_1&format=PDF (retrieved 13/06/2023)*

² EUROPEAN COMMISSION (16/03/2023). *ANNEXES to the proposal for a Regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act), ANNEX, p. 1, EUR-Lex. URL: https://eur-lex.europa.eu/resource.html?uri=cellar:6448c360-c4dd-11ed-a05c-01aa75ed71a1.0001.02/DOC_2&format=PDF (retrieved 13/06/2023)*

³ European Parliament 2019-2024 (26/05/2023). ****I DRAFT REPORT on the proposal for a regulation of the European Parliament and of the Council on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act) (COM(2023)0161 – C9-0062/2023 – 2023/0081(COD)). Rapporteur: Christian Ehler, PE749.154v01-00, Committee on Industry, Research and Energy. URL: https://www.europarl.europa.eu/doceo/document/ITRE-PR-749154_EN.pdf (retrieved 13/06/2023)*

⁴ European Parliament (18/04/2023). *Semiconductors: EP strikes deal with Council on EU Chips Act, Press room. URL: <https://www.europarl.europa.eu/news/en/press-room/20230414IPR80111/semiconductors-ep-strikes-deal-with-council-on-eu-chips-act> (retrieved 13/06/2023)*

⁵ European Council | Council of the European Union (18/04/2023). *Chips Act: Council and European Parliament strike provisional deal, Press releases. URL: <https://www.consilium.europa.eu/en/press/press-releases/2023/04/18/chips-act-council-and-european-parliament-strike-provisional-deal/> (retrieved 13/06/2023)*

⁶ European Parliament 2019-2024 (26/05/2023). *Op. cit.*, p. 36.

⁷ European Commission (08/02/2022). *Digital sovereignty: Commission proposes Chips Act to confront semiconductor shortages and strengthen Europe's technological leadership, Press corner. URL: https://ec.europa.eu/commission/presscorner/detail/en/ip_22_729 (retrieved 21/06/2023)*

⁸ European Parliament 2019-2024 (26/05/2023). *Op. cit.*, p. 73.

⁹ REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance), OJ L 198, 22.6.2020, p. 29-30. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852> (retrieved 13/06/2023)