Resilient Wind Energy made in Europe – all components count

Introduction

The Net-Zero Industry Act (NZIA) aims to preserve the leadership of the Wind Energy sector by enhancing European manufacturing capacity for net-zero technologies ("to meet at least 40% of EU annual deployment needs by 2030[1]"), addressing barriers to scaling up production in Europe. It seeks to increase the competitiveness of the net-zero technology sector and value chain, attract investments, and improve market access for clean tech in the EU. However, as reported by IEA[2] the "non-binding nature of [the 40%] benchmark and the absence of clear policy instruments for its implementation" might put such ambition at risk.

This document outlines the recommendations from diversified actors of the EU Wind Supply Chain to reinforce the NZIA texts of secondary legislation to be adopted by March 2025.

1. **Environmental sustainability for public procurement (Article 25.5)**
2. **Non-price criteria in auctions (Article 26.3)**
3. **Primarily used and Main specific components (Article 46.7 and Article 29.2)**

Environmental sustainability for public procurement (Article 25.5)

- Sustainability criteria should be compulsory and not optional within the non-price criteria. It should be applied systematically at project level and to each major part of the value chain individually. This would support demand for "low emission" products/materials and bring certainty for investments in EU "green" manufacturing capacity. There is a trend of sourcing components increasingly further away from their final destinations, which has an immense impact on the CO2 footprint of these components. Transport emissions should be included in calculating the CO2 footprint, due to its consequential impact.

- Sustainability criteria should be quantitative and the assessment of a CO2 footprint should be based on a harmonized EU methodology (e.g. emerging standards defining low-emission steel in Europe) in which the circularity aspect (end of life material recovery and recycling) should not be omitted.
    - In any case, a lack of harmonized assessment method should not block implementation of reliable sustainability criteria.

[1] IEA, Energy Technology Perspectives 2024
[2] IEA, Energy Technology Perspectives 2024

Non-price criteria in auctions (Article 26.3)

- The NZIA states that at least 30% of renewable energies public auctions shall apply non-price pre-qualification and award criteria[3]. We believe this percentage is insufficient and underestimated and we encourage Member States to increase it considerably (ideally 100%).
  - Member States have sufficient flexibility in assessing the level of those criteria and their individual weight, knowing that the NZIA already enables to bypass the non-price criteria in case it leads to more than 15% cost increase[4].

- To prevent creating new critical dependencies, we would recommend limiting non-EU sourcing to no more than 25% per GPA country (as seen for example in the recent European Hydrogen Bank second round auction[5], where "projects have to limit the sourcing of electrolyser stacks with surface treatment or cell unit production or stack assembly carried out in China to not more than 25% (in MWe)").

- A level playing field should be ensured for NZIA technologies: consistency between the NZIA net-zero technologies and CBAM downstream products is needed to prevent any NZIA technology or critical component from benefiting from CO2 emission exemptions or importers from bypassing EU production by using CO2 dumping. Ideally this would be achieved by extending the scope of CBAM to the identified "primarily used components" under NZIA.

Primarily used & main specific components (Article 46.7 and Article 29.2)

- All elements that are crucial for the wind deployment such as towers, offshore foundations, offshore substations, generators, …, should be included to the list of "Primarily used components" of the Delegated Act and considered as "**main specific components**". Those components are today and to a large extent made in Europe: with a favorable legal and trade environment and a long-term healthy demand, new investments in European facilities would be made to create enough capacity and to be future proof: an increasing demand should be addressed in priority by the extension of the European production capacity rather than by increasing reliance/dependency on third countries.

- We do not agree with WindEurope that the list of main components must be limited, as it would leave many Europe-led industries unprotected.

[3] Articles 26.7, Net Zero Industry Act, June 2024
[4] Articles 26.5, Net Zero Industry Act, June 2024
[5] Innovation Fund IF24 Auction, Terms and Conditions

- Resilience criteria must be compulsory and applied on all wind auctions (offshore and onshore) as pre-qualification criteria. It should be applied in every project and should be assessed on **component-level**. It must ensure that at least 60% of the financial value of each individual components (alternatively a majority of units of each component (per project)) listed below[6] are sourced from the EU in order to keep clean tech manufacturing in Europe and to be able to achieve energy independence in Europe:

    - Nacelle (HS 8502 or HS 8412)
    - Drive (HS 8483 or HS 8501)
    - Hub (HS 8412)
    - Laminations and stator and rotor cores, whether or not stacked for wind generators (HS 8503 00 20)
    - Tower (HS 7308 or HS 8502)
    - Blades (HS 8412)
    - Offshore foundations (HS 7308)
    - Inter-array and export cables, interconnectors
    - Anchoring systems
    - Maintenance and safety infrastructures
    - Offshore substation (topside)
    - Electrical and mechanical support structures

- Resilience criteria should not be applied on an aggregated financial value of components as it would risk covering only few components i.e. those with the highest financial value, thus diluting the effect and purpose of such criteria. The purpose should be instead to improve, for each project, resilience on a broader range of components, making EU wind segment really resilient. This is an essential step in keeping clean tech manufacturing and its supply chain in the EU.

- If the resilience criteria is applied to the sum of the financial value of the components, then a wind turbine with rotor and nacelles being produced in Europe might reach the criteria (even if tower, foundation, generator, …, are from non-EU origins). This means that critical components will be over-supplied by non-EU countries, jeopardizing the perennity of some key parts of the EU wind supply chain.

- All the “Primarily used components” listed in NZIA for Strategic Net Zero Technologies should be identified by a specific custom code. However, Customs codes may not be ideal to control the origin of products/components and to assess the compliance with the resilience criteria (example on the foundations where there is no specific HS code). It may also leave the door open to circumvention (e.g., steel wind towers with HS code 85 02 31 00). Therefore, a close cooperation between EU authorities and EU supply chain is required to ensure:

    - alignment on the definition of an "EU-made component”
    - robustness of the control of imports to prevent circumventions

[6] Note that this list should not be deemed as exhaustive and other critical components might be relevant to include.

Summary

In summary, the Net-Zero Industry Act aims to boost Europe's manufacturing of net-zero technologies by removing production barriers and enhancing competitiveness. To ensure its efficiency and to keep European competitiveness in the manufacturing of Net Zero technologies and its suppliers, it requires a strong and watertight Delegated Act including the below elements:

Systematic Implementation of Sustainability Criteria
Sustainability criteria should be compulsory, quantitative, based on harmonized EU methodologies, and should not be bypassed by supposedly lack of production capacity or potential cost overruns if the CO2 playing field has not been leveled (NZIA and CBAM components lists aligned).

Supporting Development of EU Manufacturing
An ambitious, reliable and long-term vision on the deployment of EU wind capacity combined with a real level playing field would constitute a breeding ground for the development of the European Wind Supply Chain. With the right support in place, it would not only stimulate the much-needed investments to meet the internal market demand, but it would also give the necessary strength to look beyond, ensuring sovereignty and prosperity of the European Wind industry overall. Raising the 30% threshold (ideally to 100%) of non-price pre-qualification and award criteria in renewable energy public auctions, will drive forward the energy transition and stimulate the uptake of low-CO2 products and the transition of energy-intensive industries.

Prevent Out-Balancing Resilience Among the Supply Chain
To avoid loopholes and create a fully resilient supply chain, resilience criteria should not be aggregated across components, and all critical components should be included in the list of primarily used components of the NZIA Delegated Act. An essential step to keep clean tech manufacturing in Europe.

Signed by the following associations and companies:

EUROFER

Offshore Wind Foundations Alliance (OWFA)

European Wind Tower Association (EWTA)

Europacable

ArcelorMittal

Sif Group

GRI Renewables Industries

Chantiers de l'Atlantique

AG der Dillinger Hüttenwerke

DONAKO Ltd

Salzgitter AG

Westlake Epoxy BV