



Climate Action Network (CAN) Europe is Europe's leading NGO coalition fighting dangerous climate change. With 200 member organisations active in 40 European countries, representing over 1,700 NGOs and more than 40 million citizens, CAN Europe promotes sustainable climate, energy and development policies throughout Europe.

Under pressure, Europe's industry needs direction, not deregulation

Dear President of the European Council, Mr. António Costa,
Dear Members of the European Council,

Dear President of the European Commission, Ms. Ursula von der Leyen,
Dear Executive Vice-President, Ms. Teresa Ribera,
Dear Executive Vice-President, Mr. Stéphane Séjourné,
Dear Commissioner, Mr. Wopke Hoekstra,

As you will be meeting for the informal European Council, preceded by a gathering of Europe's biggest industrial players in Antwerp, **Climate Action Network (CAN) Europe** wishes to express its deep concern about the growing calls to roll back climate and environmental rules in the name of competitiveness.

At a moment when Europe should be securing the prospects for the industries of the future, the deregulation agenda promoted around these discussions risks repeating the mistakes of the past: delaying investment, deepening fossil fuel dependence, and leaving Europe behind in the global race for clean industrial leadership, while locking EU citizens into continued exposure to high and volatile energy prices and a deepening cost-of-living crisis.

Europe's industry is under real pressure. High energy prices, ageing assets, global overcapacity and delayed investments are already having serious social and regional consequences, including in major industrial clusters. These challenges are real and must be addressed. However, weakening climate and environmental policy will not solve them. On the contrary, it undermines the investment certainty Europe needs to modernise and decarbonise its industrial base - precisely the transformation called for in the Draghi report and repeatedly promised through the Clean Industrial Deal. It further means worsening the good environmental and social conditions that not only benefit European people, but are also a critical location factor for businesses.

This debate also cannot be detached from climate reality. Europe is the fastest-warming continent in the world and is already facing rising societal costs from extreme heat, floods, droughts and ecosystem loss. These impacts are no longer abstract future risks; they are affecting public health, infrastructure, food systems and economic stability today. Weakening climate action now would not reduce costs for society or industry - it would increase them, while further exposing Europe to fossil fuel price volatility (and political dependence) and climate-related shocks.

We would therefore like to underline that **deregulation is not an industrial strategy**. The claim that climate and environmental policy is the main cause of Europe's industrial difficulties does not stand up to scrutiny. The structural pressures facing energy-intensive industries are driven primarily by fossil energy prices and global market dynamics, not by climate regulation.

The real risk Europe faces today is not carbon leakage, but **decarbonisation leakage**. Undermining the EU carbon price and weakening other climate policy frameworks will push investment in clean

industrial production to regions that are moving faster, making Europe lose ground from a competitiveness perspective. Without a strong and predictable carbon price, the business case for clean steel, green chemicals, circular materials and electrified industrial production collapses - and with it, the effectiveness of future industrial policy tools such as the Industrial Accelerator Act. Calls to fundamentally dilute the EU Emissions Trading System would freeze investment decisions, penalise first movers and lock Europe into yesterday's industrial model at precisely the wrong moment.

Instead of deregulation, Europe needs direction. As set out in CAN Europe's [Clean Industrial Deal position](#), we respectfully call on you to prioritise the following:

- **Keep the core climate architecture effective**

Uphold a strong and predictable EU ETS by maintaining the agreed phase-out of free allocations and robust safeguards for a stable, credible carbon price aligned with Paris-compatible clean industry investment needs. Any reforms must preserve climate ambition, especially as rising ETS revenues strengthen governments' capacity to support climate action, including for scaling up net-zero industries. This must go hand in hand with keeping CBAM intact, avoiding broad or loosely defined exemptions that would undermine its effectiveness and environmental integrity.

- **Mobilise investment with conditionalities**

Use public finance to crowd in private investment for genuine industrial transformation, backed by strong environmental and social conditionalities - including through the European Competitiveness Fund and CISA state aid - to ensure public support delivers real societal value.

- **Create lead markets for clean products**

Complement carbon pricing with targeted demand-side measures through the Industrial Accelerator Act, creating predictable and sustained demand for clean products in sectors with the highest climate and economic added value, anchored in mandatory product standards. Circular products minimising Europe's dependence on imported raw materials and fossil fuels should be rewarded, additionally to low CO2 emissions.

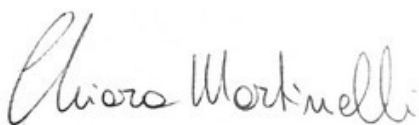
- **Strengthen governance for a mission-driven industrial policy**

Europe needs evidence-based industrial governance, not policy driven by short-term lobbying pressure. An independent EU-level capacity is needed to assess structural trends and industrial transition pathways and to align policy decisions with climate objectives, strategic autonomy and social outcomes - proactively, not through ad-hoc deregulation.

Industrial policy driven by deregulation has failed before. An industrial policy grounded in climate certainty, targeted investment and lead markets can still secure a competitive, resilient and future-proof European industry.

We urge you to ensure that the discussions in Antwerp and at the informal European Council strengthen - rather than undermine - Europe's capacity to lead the global clean industrial transition.

Yours sincerely,



Chiara Martinelli
Climate Action Network Europe