The Hague Centre
for Strategic Studies

The Draghi Report Revisited

HCSS Draghi Report Series

Expert Commentary

Ron Stoop and Berend Kwak
November 2025

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Authors: Ron Stoop and Berend Kwak

Contributors: Benedetta Girardi, Lucia van Geuns, Jilles van den Beukel, Irina Patrahau, Jesse Kommandeur, Sofia Romansky, Davis Ellison, Michel Rademaker and Patrick Willemsen.

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HCSS
Lange Voorhout 1
2514 EA The Hague

Follow us on social media: @hcssnl

The Hague Centre for Strategic Studies
Email: info@hcss.nl
Website: www.hcss.nl

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Introduction

By Ron Stoop and Berend Kwak

One year after **Mario Draghi's landmark report on Europe's economic future**, HCSS launches the second edition of its Draghi Report Series.

Despite political attention, Europe still struggles with dependencies in defence, raw materials, cleantech, and digital domains. Global tensions with both China and the US are mounting, and Europe's trade model faces unprecedented pressure. Progress has been uneven and often too slow due to coordination, financing and other internal barriers.

Last year, Ron Stoop and Berend Kwak examined the long-term implications of Draghi's recommendations in a series of interviews with our experts. Now, they return to **assess how far Europe has come in addressing his urgent call** to secure industrial, technological and economic sovereignty.

In this new series, HCSS experts revisit Draghi's warnings sector by sector, looking back at the concrete steps the EU has taken.

The entire HCSS Draghi Report Series can also be read online: **https://hcss.nl/draghi-report-revisited/**

Energy

By Lucia van Geuns and Jilles van den Beukel

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Lucia van Geuns: A year after Mario Draghi's competitiveness report, Europe faces even greater urgency to act on his recommendations to avoid economic decline. The top priority is completing the *single market*, which would remove significant internal trade barriers. This requires not just regulatory convergence but *strategic actions* in key sectors.

Energy policy is a prime example. While broadly aligned with Draghi's agenda, concrete steps are *scarce*. Joint gas purchasing and market integration remain limited; electricity–gas price decoupling has barely advanced. Tools such as PPAs (Power Purchase Agreements) and CfDs (Contracts for Difference) essential for long-term investment certainty, are still missing. Initiatives like joint procurement platforms have failed to leverage Europe's market power — even as the EU commits to buying $750 billion of US energy by 2028.

True electricity market integration will require substantial hardware and software upgrades, alongside centralised cross-border decision-making. Planned 2026 reforms must mark a decisive step toward a genuine EU electricity union — one that strengthens competitiveness, security and decarbonisation simultaneously.

Jilles van den Beukel: Key energy themes in the Draghi report were Europe's high energy costs, a large dependency on imported fossil fuels and a need to accelerate the energy transition. All in order to improve Europe's competitiveness.

Reducing the dependency on imported fossil fuels is a long-term project that has seen limited progress. Good developments have been the implemented sanctions on the import of Russian oil and oil products and the forthcoming sanctions on the import of Russian LNG.

Europe's energy costs (electricity, natural gas) have been decreasing but this is not so much the result of EU measures like a joint procurement of natural gas (a measure that is simply not effective and has been implemented for limited volumes only) but rather the large amount of LNG that is coming on the market in the 2025-2028 period.

The acceleration of the energy transition is stalling. Offshore wind and solar electricity generation has increased over the previous years but both sectors are now facing substantial financial difficulties. The reform of electricity markets, needed to ensure that decreasing costs of solar and wind reach end consumers to a greater extent, has not been implemented but some measures have been taken. Again, this is a long-term process.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

Lucia van Geuns: Across the board, Europe faces the same problem Draghi diagnosed: grand visions, but little coordinated action. In July 2025, the EU Commission gave countries more leeway to subsidise industrial energy use, tied to decarbonisation. But this carries risks: shifting costs to households, sparking subsidy races, and propping up energy-intensive production that should relocate to cheaper clean energy hubs. Fragmentation persists in energy,

industry and state aid. State aid rules block collective action; member states undercut each other, with Germany's car subsidies angering France, and the Netherlands lacking an industrial vision altogether. Member states often block one another's initiatives; strategic coherence is lacking. While the US and China deploy massive state support with clear priorities, the EU hesitates.

Jilles van den Beukel: Europe wants to be a front runner in the energy transition but its capacity to do so is limited in a world that is, de facto, lining up for a slower energy transition. Now, Europe's energy-intensive and petrochemical industries are struggling to survive; they need to be supported.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

Lucia van Geuns: Europe needs to build a unified, innovation-driven economic framework to boost competitiveness and growth. No more declarations but a new European economic model: more integration where it counts, smarter investment, and vertical economic coordination. Europe must focus its efforts, deploy real financial firepower, and build the strategic backbone Draghi called for.

In the Netherlands a new industrial policy with six growth markets have been presented: semiconductors, biotechnology, defence, AI, mechanical engineering and innovative chemistry. A concrete action perspective, however, is still lacking.

Jilles van den Beukel: A consistent strategy and consistent policies. Investments to alleviate issues like net congestion, without transferring the associated costs to industrial end consumers. A political and societal push to support industries, generating income for Europe in the long term, rather than to increase the income of European citizens, generating votes in the short term.

Scaling back industry segments at a national level may be acceptable, but care should be taken that strategic industry segments do not leave the EU altogether.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

Lucia van Geuns: EU struggles with fragmentation, slow implementation, and a lack of collective strategic direction. Europe is on the right track if it has removed internal barriers by pooling resources strategically and has modernized regulation.

Jilles van den Beukel: The single outcome that would convince me most is that industrial demand for green energy and products increases. It may be necessary to promote renewable electricity with short term measures like PPA's (Power Purchase Agreements) but I would prefer that renewable energy is helped by industrial demand (and vice versa industrial demand is helped by low-cost green electricity).

Critical Raw Materials

By Irina Patrahau and Michel Rademaker

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Irina Patrahau: The EU has been working to deliver the ambitions under the Critical Raw Materials Act – negotiating trade agreements with resource rich countries, selecting and promoting strategic projects, and trying to boost stockpiling. The European Commission is creating an enabling framework for companies to make investments and build new supply chains.

The biggest challenge remains cost. So far, the key determinant of whether this enabling framework has led to concrete outcomes is the commitment of national governments to projects. National governments have more leeway than the EU to offer direct investments or indirect financing support to companies, overcoming the initial cost challenge. France is emerging as a rare earths hub within the EU. The first European lithium refinery opened in Germany. It is no coincidence that France and Germany are seeing significant progress. They are also two of the European governments most committed to strengthening mineral supply security, supporting companies both legislatively and with funding.

Unfortunately, this is a short-term solution to a systemic issue. As of now, the effectiveness of the EU's actions, especially considering the lack of EU funding for mining, processing and recycling, is strongly dependent on member states' ability to provide credible long-term guarantees to their industry. Moving forward, it is essential for the EU and members to reduce energy costs, introduce non-price criteria for 'Made in Europe', and find innovative ways to develop offtake agreements, for instance through stockpiling.

Michel Rademaker: Since the Draghi Report, some CRM projects have been announced, but the progress is modest compared to the scale of Europe's needs. The Critical Raw Materials Act (CRMA) set ambitious targets, which are unlikely to be met. On paper, there is momentum: 47 strategic projects have been announced in Europe. However, so far it has not resulted in a functioning 'de-risked' supply chain, and there is no indication that this will change in the near future. The main critique on the CRMA is that it lacks financial incentives to actually push these projects forward. A few local projects are coming through, but they are modest in scale and more the result of national imperatives than successful EU-level coordination.

A slew of EU legislation and requirements have been announced to buttress the CRM (processing) and downstream industries in Europe. Nevertheless, a lot of basic industries in the EU are seriously struggling because of high energy prices and foreign dumping on the internal market. These developments do not support the development of robust CRM supply chains but will rather depress demand for CRM in Europe, further deteriorating the business case for additional recycling and processing.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

Irina Patrahau: Progress in building a robust European industry after a long period of neglect is inherently slow – not just when it comes to reopening a mine or building a recycling facility, but also, and especially when it comes to changing mindsets. In Brussels and some major European capitals, the geopolitical risks to economic security are

easily translated into the need to invest in the CRM industry. But the urgency is not equally felt in all European countries. Nor is it felt at all the provincial and municipal levels, where many decisions on industrial operations are made. There is still a major gap in understanding the challenge and matching it with the right solution, because geopolitical and geoeconomic risks were not something industry and policymakers had to deal with for a long time. Investing in awareness, education and up-skilling is essential to make the EU future-proof.

Michel Rademaker: The main problems in the European mining industry remain the same. Firstly, permitting remains too slow. We don't have decades to wait for the first mines to reopen. These frustrations are exacerbated by local opposition and lengthy procedures, stalling key projects. Recycling is still underdeveloped, and downstream demand is lacking. The lack of effective EU coordination for permitting fragmented financing and weak incentives for private investors to provide capital have frustrated progress in the EU. As it stands, Europe is still almost entirely dependent on China for refining rare earths and most other CRM.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

Irina Patrahau: Apart from finding systemic solutions to reduce costs and investing in education, which I mentioned above, having a European approach to supply chains is essential for the coming years. There is no need to have 27 lithium refineries or 27 mineral stockpiling systems. Considering the challenge ahead – building resilient supply chains for 34 CRM – the best choice is to combine efforts, taking advantage of each other's strengths and minimizing relative weaknesses. The Netherlands is a hub for scrap metal, but a lot of it is exported. The answer is not just to build more recycling facilities in the Netherlands. Rather, it is to collaborate with existing and emerging recycling facilities in other countries. This would not just bring more secondary materials for consumption in the EU but also create a business case for emerging recycling plants that may struggle with competitiveness. I cannot overstate the importance of thinking European to enhance supply chain security.

***Michel Rademaker*:** The top priority should be to accelerate projects already in development. The EU-identified strategic projects should receive more support to regain momentum. The second priority should be to strengthen the circular economy. Mandating the use of recycled critical raw materials in batteries and magnets would create significant local demand and scale up urban mining. The third priority is to build strategic stockpiles, as recommended in the Draghi and Letta reports, so that supply shocks cannot paralyze Europe's industries. Several countries are researching the possibilities, and the EU is preparing plans to do the same, but the speed at which it happens is not fast enough. Strategic stockpiles could be a relatively cheap life insurance in case more strategic raw materials will experience supply disruptions, severely impacting key downstream sectors within the EU.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

***Irina Patrahau*:** At least one cross-European mining-refining-production-recycling supply chain with a clear long-term plan to overcome cost challenges and reach commercial operations would be quite convincing to me.

Michel Rademaker: A key indicator for success is the development of projects in the EU itself. There are a few projects set to come online in 2026 in Finland, Germany and France. If these projects become operational, that would provide much needed momentum for the EU.

Artificial Intelligence

By Sofia Romansky and Jesse Kommandeur

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Sofia Romansky: The *Draghi Report* emphasised the multiple risks of the European Union (EU) falling behind in strategic technologies, especially artificial intelligence (AI) and related software, hardware, and cloud components, due to insufficient investment and an inclination towards overregulation. AI is a strategic technology in two key dimensions: first, as a rapidly expanding market in its own right; and second, through its capacity to enhance efficiency across a broad range of industrial and service sectors. These dual aspects underpin the priority that has been accorded to AI as a category of technologies within the EU's overarching competitiveness agenda.

While the *EU AI Act* remains a legislative cornerstone, the publication of the *AI Continent Action Plan* by the European Commission in April 2025 marks a decisive shift from a primarily regulatory to a more growth-oriented approach. The Plan identifies investment, infrastructure, and skills development as the essential pillars of Europe's envisioned leadership in AI. Its centrepiece, *InvestAI*, is a financial initiative which aims to mobilize €200 billion in combined public and private investment. Furthermore, the Action Plan outlines mechanisms for the establishment of at least 15 operational AI Factories across 17 member states during 2025–2026, designed to consolidate and productively direct the costly resources which are needed to facilitate sophisticated AI computing and data infrastructure. These facilities are expected to act as regional hubs for research, innovation, and the commercialisation of AI, strengthening Europe's global position. Complementary initiatives, such as the *Data Union Strategy* and the expansion of *Euro High-Performance Computing Joint Undertaking* supercomputing capacity, further support this ambition**.** At the national level, a growing number of EU member states have introduced or revised their national AI strategies and roadmaps. Collectively, these developments suggest that the EU is pursuing an integrated and iterative approach to ensure both competitiveness and the safeguarding of values.

Jesse Kommandeur: Despite the renewed urgency in the EU's AI initiatives, a gap remains between governmental ambition and industrial uptake. The EU and its member states have introduced many frameworks and policy tools, but the question is how these will translate into market outcomes. As of 2024, only about 13.5% of EU enterprises had adopted AI, showing Europe's struggle to move from pilots to large-scale integration. The AI Continent Action Plan is beginning to deliver more concrete steps. Its strength lies in its focus on (1) *skills*, (2) *research*, and (3) *diffusion*. AI Factories and Data Labs aim to build capacity for AI development and testing, while new degree programmes seek to expand the talent base. Fellowship schemes, apprenticeships for women in tech, and digital skills competitions further support this 'pipeline'.

At the same time, global developments in the AI race increase the urgency for Europe's to act fast and decisively. AI capabilities are advancing at unprecedented speed: between 2023 and 2024, model performance on major performance benchmarks such as GPQA and SWE-bench surged by up to 67 percentage points (meaning performance has improved considerably), while the computational cost of achieving a GPT-3.5-level quality response fell more than 280-fold. These trends are making advanced AI systems cheaper, more efficient, and more embedded in daily life. The Apply AI Strategy, focused on accelerating sectoral deployment and strengthening public–private cooperation, will therefore be crucial. The challenge now is to ensure that "AI made in Europe" moves beyond research toward high-impact applications. Whether Europe succeeds will depend on how effectively it can convert its expanding knowledge base into innovation that is not only compliant, but commercially and strategically useful.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

Sofia Romansky: Despite political momentum and an increasingly coherent strategic vision at the institutional level, key gaps exist between the EU's ambition and adoption of AI. The most fundamental of these gaps stem from enduring structural constraints within the European economy and governance system, issues symptomatic of broader patterns in EU policy execution. The Single Market remains fragmented, with inconsistent national approaches to AI regulation, data governance, and public procurement limiting cross-border scalability and the diffusion of innovation. Technological dependence on non-EU providers of semiconductors, cloud infrastructure, and large-scale models further constrains the Union's strategic autonomy. At the same time, AI uptake across European industry remains low, particularly due to insufficient data readiness, skills shortages, and uncertainty regarding tangible returns on investment.

These challenges are compounded by capacity gaps in national administrations and supervisory authorities, many of which lack the technical expertise necessary for effective enforcement of legislation found in the EU AI Act. This highlights a central truth: the barriers to AI adoption are not solely technical, but deeply human, relating to knowledge, risk tolerance, and institutional learning. Both public and private sectors face obstacles in change management, reflecting cautious organisational cultures and limited absorptive capacity for innovation. Yet, these same human and institutional characteristics also represent the EU's potential comparative advantage. By pursuing a human-centric approach that embeds trust, safety, and accountability into AI design and governance, the Union may be able to advance a model of technological integration that is not only competitive, but also socially sustainable and normatively legitimate.

Jesse Kommandeur: Next to the momentum generated by the Draghi Report, the gap between ambition and implementation remains. While Europe has advanced its legislative and strategic frameworks, it continues to struggle with converting these into deployment of models and competitiveness. The most persistent constraint could lie in the fragmentation of the European innovation landscape. Meanwhile, Europe's dependence on non-EU providers of semiconductors, cloud infrastructure, and top tier models undermines its strategic autonomy, being dependent on the more vertically integrated ecosystems of the United States and China.

In parallel, the pace of global AI development has laid these gaps bare. Over the past year, AI model performance has risen sharply, while computational costs have fallen by orders of magnitude, lowering barriers and accelerating adoption worldwide. Nearly 90% of frontier models now originate from private companies, primarily outside Europe, showcasing how innovation leadership has shifted from public research institutions to private ecosystems over time. Within Europe, however, adoption remains slow. Many national authorities still lack the technical expertise to implement the AI Act effectively. Yet these same human-centric attributes (Europe's emphasis on trust, safety, and accountability) can evolve into an advantage if embedded pragmatically into practice. The task ahead is to transform principle into performance: to pair Europe's ethical and institutional strengths with the speed, risk appetite, and technological capability to remain competitive.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

***Sofia Romansky*:** Looking ahead, the foremost priority of the EU should be the targeted and demand-driven deployment of AI within sectors where Europe already possesses comparative advantages and abundant industrial data resources, such as advanced manufacturing, renewable energy, and healthcare. Rather than pursuing the indiscriminate automation of work processes, the focus should rest on the augmentation of existing operations, using AI to solve clearly defined, high-impact problems across established value chains. Achieving this requires the

expansion of experimental environments and regulatory sandboxes, where public institutions, industry, and academia can test and refine AI applications.

At the same time, sustained investment in education and training is critical, not only to cultivate a technologically literate and skilled workforce but also to build the regulatory and ethical expertise needed to oversee AI systems effectively across member states. Therefore, any considerations of investment should include support for research networks and university-industry partnerships to cultivate Europe's human capital base. To maximise the benefits of such investment and effectively direct initially limited resources the Union should scale back symbolic or duplicative initiatives that promote "AI for AI's sake" without demonstrable utility.

Jesse Kommandeur: To remain relevant, Europe must focus on sectors where deep expertise, reliable data, and regulatory credibility intersect. Rather than replicating frontier model development, investment should target applied AI: adaptive systems, trustworthy data infrastructures, and interoperable platforms that enhance our industrial resilience.

A second priority is to strengthen Europe's *innovation metabolism,* the rate at which ideas move from conception to commercialisation. Europe's unique strength lies in linking technology to societal purpose; embedding AI into climate adaptation, public health, and defence preparedness would demonstrate that alignment. At the same time, it would make sense to scale back fragmented or prestige-driven initiatives that spread resources too thinly. Global competition shows that capability, not capacity, defines success: the United States produced 40 notable AI models in 2024 to Europe's three, yet the EU can still lead where trust, interoperability, and domain depth determine long-term value.

Yet the question remains to what extent these values will retain their relevance in a world where geopolitical competition is increasingly defined by power rather than norms, and where technological power itself is becoming an instrument of strategic influence. For Europe, maintaining credibility in such an environment will require demonstrating that its value-driven approach can also deliver technological capability and geopolitical weight, and that trust and accountability are not only constraints but can also be sources of resilience that might eventually contribute to autonomy.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

Sofia Romansky: Something to pay attention to in the coming year to evaluate whether Europe is on the right track would be the successful establishment and operationalisation of the planned AI Factories across member states. Their completion and effective use would demonstrate not only the EU's capacity to mobilise investment and infrastructure at scale, but also its ability to integrate research, innovation, and industrial application within a cohesive framework. As centres that combine data resources, computing capacity, skills development, and regulatory experimentation, functioning AI Factories would embody a holistic model of AI integration.

***Jesse Kommandeur*:** If we meet again in a year, the clearest sign that Europe is on the right track would be that AI has become both a visible and trusted part of daily life, much as it already is in other economies. In the United States, for example, the number of FDA-approved AI-enabled medical devices rose from just six in 2015 to 223 in 2023, while autonomous mobility services such as Waymo now provide over 150,000 driverless rides every week. A similar uptake in Europe, seen in for example AI-assisted healthcare in France, autonomous transport pilots in Denmark and Germany, or AI-driven city management in European cities like Amsterdam and Barcelona would show that Europe is on the right track. Success would mean that *'AI made in Europe'* is not only safe, but also improving how Europeans work, travel, and access services in their everyday lives.

Semiconductors

By Benedetta Girardi

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Over the past year, the EU has attempted to take concrete measures to advance the Chips Act and boost the Chips Joint Undertaking, especially with the aim of mobilising public-private funding frameworks. A notable Member States' initiative is the creation of the Semiconductor Coalition to push coordination on semiconductor matters. These steps have strengthened R&D pilots and improved alignment, but gains have overall been marginal. In 2025, we actually witnessed some harsh setbacks in the semiconductor sector, such as Intel pulling the plug on its planned chip fabs in Germany and Poland. Securing private co-investments has also proven more difficult than what the Draghi report let on last year, as we saw with the suspension of STMicroelectronics and GlobalFoundries' €5.7 billion plan to build a semiconductor fab in France. Overall, I would thus say that despite the push given by the EU to implementation of the Chips Act, the results have been mixed.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

I think the examples I mentioned above stress the fundamental gap between ambition and implementation: funding is still scarce, and Europe still lags behind in manufacturing with respect to other global giants. In particular, I think the difficulties in securing private funding are evident and drag the overall efforts down. There is thus a disconnect between the political ambitions of advancing manufacturing in Europe and the actual availability of funds to do so. Labour costs and slow regulatory processes make investment in Europe not as attractive as elsewhere in the world, and this contributes to the overall gap in capabilities.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

First, the EU should focus on boosting investment in the sector by promoting greater alignment between EU, national governments, and the private sector. This might mean having some harsh conversation and making uncomfortable decisions, but it needs to happen to patch up the disconnect between private and public sectors and thus encourage public-private funding. Second, it should invest in creating a skilled workforce with sufficient numbers to actually respond to demand needs on the production processes side. Lastly, the EU should further invest in partnerships with other small and middle powers who are drivers of the sector, such as the ROK and Taiwan. With growing uncertainty related to 'America First' policies, the EU needs to look elsewhere than the US to advance its semiconductor industry.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

I will be happy if I see a confirmed final investment decision for a major capital project in Europe (>€10bn) derived by public-private funding and accompanied by an EU-level fast-track coordination mechanism in operation. This would tell me that investments are finally coming in, and that EU bureaucracy and regulations are managed appropriately for such a strategic sector.

Energy-Intensive Industries

By Berend Kwak and Ron Stoop

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Berend Kwak: Brussels has been setting up new frameworks to try and nurture and protect EIIs in Europe. A landmark development was the Clean Industrial Deal (CID), launched in February 2025. This initiative supports Draghi's recommendations by explicitly creating a link between competitiveness and decarbonisation. As part of the CID, the Industrial Decarbonisation Accelerator Act (IDAA) was announced, which is expected later this year. This act is supposed to simplify permitting and improve security, both strong necessities for European industrial development and innovation. Additionally, the CID should unlock roughly €100 billion in clean-industry investment. Increased power purchase agreements (PPAs) and contracts for difference should improve energy cost conditions, as these long-term contracts could stabilise electricity costs for EIIs. This is much needed as power prices remain the most direct barrier to decarbonisation (next to permitting speed). In March 2025, the EU adopted a Steel & Metals Action Plan and launched the first review of the Carbon Border Adjustment Mechanism (CBAM), both initiatives geared towards supporting and safeguarding local EII production during a precarious phase of the energy transition. And support is needed: several flagship decarbonisation projects in Sweden and Germany have been delayed or scaled back, as companies like Salzgitter, ArcelorMittal and Thyssenkrupp suspend or delay expansions. Shell cancelled its biofuel plant development in Rotterdam. These decisions boil down to economics: costs are too high, and demand for sustainable heavy industry output is too low to be competitive with foreign suppliers or conventional energy sources. In the current setup, EIIs lack the necessary conditions for rapid decarbonisation.

Ron Stoop: Since the Draghi Report, the EU has started several reforms and initiatives. The Carbon Border Adjustment Mechanism (CBAM), that should protect Energy Intensive Industries (EIIs) from foreign carbon-intensive imports, was further prepared for implementation in 2026. Early 2025, The Clean Industrial Deal was introduced to help energy-intensive industries cut costs, deploy clean technologies, and stay competitive against cheaper imports. Moreover, sector-specific protectionist measures have been implemented, such as steel import agreements establishing long-term quotas and higher tariffs. Energy pricing policy has also proliferated in several member states. In Germany, France and Italy, public funds have been directed into initiatives to stabilize power prices for large consumers. While these measures have stabilized electricity prices, EU industrial power prices still stand at twice the US level. Chinese imports continue to undermine European producer margins, and major investment decisions in green steel and chemicals remain delayed by ongoing uncertainty and insufficient renewable energy infrastructure.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

Berend Kwak: The EU is improving on coordination but has a lot of work to do to close gaps to implementation. Industrial power prices remain more expensive and volatile than in other regions. In addition, demand is still low for sustainable EII-products. Those two factors alone explain much of the hesitation around clean steel, chemicals, and other large-scale decarbonisation projects. In addition, infrastructure is still a serious challenge. Connections to the grid and overall grid capacity are too limited. Investments need to happen across the value chain and move at the same time to avoid coordination failures. This means that subsidy coordination across EU member states should be improved. Shorter: Member states spend billions on industrial state aid through largely uncoordinated national programmes. A coordinated Union-wide approach would better serve Draghi's competitiveness agenda. As Von der

Leyen and Draghi emphasized at their September 2025 High-Level Conference, national schemes must be integrated into a coherent EU industrial strategy.

Ron Stoop: The main gap lies between political ambition and market realities. The EU has created a rulebook for (state supported or -facilitated) long-term energy contracts, yet few long-term industrial power contracts have been signed because of lack of state guarantees and public budget constraints. Industrial power costs remain structurally high, with Italy around €100/MWh and Germany at €80/MWh. This makes competing in the global marketplace increasingly hard. Decarbonisation initiatives face lagging infrastructure investments, lack of feedstock and large cost differentials vis-à-vis traditional production methods. Projects in cement and lime lack access to carbon storage, delaying final investment decisions. Hydrogen infrastructure is advancing slowly. The gas and hydrogen costs still differ significantly between member states. CBAM and trade protection measures exist but fall short to fully shield European EIIs against the large global market shocks. Subsidized Chinese products such as steel, aluminium and cement are obliterating European profit margins, forcing production cutbacks or outright closures. State-aid remains fragmented, permitting is complex, and coordination between the Commission and national regulators is suboptimal. In short, Europe has a policy roadmap but trails in execution, capital mobilisation, and implementation speed.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

Berend Kwak: First, close the energy-price gap by accelerating grid development, reforming energy taxation, and expanding renewable incentives for industry. Second, strengthen CBAM by extending it to downstream sectors and addressing “dirty” imports from cheaper suppliers. Third, ensure vertical implementation by translating existing frameworks into practical, long-term industry expectations. The US demonstrates this approach through the IRA and CHIPS Act, which have successfully driven investment and competitiveness.

Ron Stoop: The top priority is to lower and stabilise industrial power prices. Member states should support initiatives (such as long-term pricing agreements and energy and infrastructure investment) to reach stable power prices around €50–70 MWh, ideally more towards the lower end of that spectrum to stay globally competitive. Second, Europe must build the required infrastructure for a decarbonised local heavy industry. Third, sectoral protection mechanisms (such as for steel) should be upheld and linked to decarbonisation targets. The EU should also pool funds into EU-wide decarbonisation infrastructure (e.g. circular supply chains, CO2 storage, adequate power grids). The implementation of CBAM remains a huge priority, since both its complexity and (unintended) side-effects warrant the closest possible scrutiny. This way, negative consequences for European producers can be mitigated before they damage the European industrial fabric.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

Berend Kwak: I would look for a significant increase in renewable PPAs, which would support both the rollout of renewable energy and the increase of sustainable industrial output.

Ron Stoop: If the EU can overcome fragmentation and slow implementation by pooling resources and streamlining regulation to create a unified strategic framework, it would be on the right track.

Clean Technologies

By Irina Patrahau, Ron Stoop and Berend Kwak

Since the publication of the Draghi Report, what concrete steps have been taken at the EU and member state level in this sector, and how effective have they been so far?

Irina Patrahau: In the clean tech sector, the EU has been moving from plans and ambitions to more concrete action. The Net Zero Industry Act established faster permitting and support for strategic projects across net-zero technologies. The Clean Industrial Deal introduced earlier this year mobilised over €100 billion and expanded measures on skills and education. The Innovation Fund has already channelled more than €12 billion into about 200 large-scale projects.

Early impacts are visible, but effectiveness remains uneven. Regulatory bottlenecks, private capital uncertainty, and a slow transition from planning to scaled deployment mean that most benefits will materialise towards 2030. The rapid movements of the US, China and India, which are taking an integrated supply chain approach by design, is also a risk for the future competitiveness and supply security of the EU clean tech industry.

Tenders for clean tech deployment across all member states should be created to support European industrial development. The EU's demand for clean tech to achieve net zero in the coming decades will be significant and can boost internal production, but these policy goals must be aligned between countries and within national governments. Don't punish those that are not buying fully European, but reward those that do.

Ron Stoop: The period after the Draghi report saw a few key developments. First of all, the further implementation of the Net Zero Industry Act (NZIA) regulation: the NZIA has set future targets for clean technology production, such as 40% of domestic clean technology production by 2030, and it outlined the eligibility criteria for 'net-zero' project. 2025 saw further implementation of this regulation into workable policy. Secondly, the Competitiveness Compass was enacted in 2025. This strategic document assessed Europe's position in key clean tech value chains by benchmarking industrial strengths and innovation capacity against global competitors. For example, the Compass showed how high energy prices and slow permitting make it harder for Europe to expand solar panel and battery production compared to other continents such as North America and Asia. After that, the Clean Industrial Deal, a policy and investment framework, was announced in February 2025 to support the EU's industrial decarbonisation strategy and mobilise over €100 billion in support. These investments should support clean energy, faster permitting, more renewable Power Purchasing Agreements (PPAs) and additional demand for low-carbon products via public procurement, as well as introducing a new state-aid framework and the inception of an Industrial Decarbonisation Bank.

Overall, these initiatives have not yet resulted in a renaissance of clean technology manufacturing in the EU. Europe remains highly dependent on foreign countries for clean technologies. Of course, one should account for lags between policy and their subsequent effects. But the market logic of China dominating most clean technologies has not been stopped or reversed. There is still a long road ahead for the EU.

Berend Kwak: The Net-Zero Industry Act (NZIA) was mentioned in Draghi's report and now moved into implementation. In June 2025, the Commission adopted rules for defining "strategic projects", which are granted priority access to permits and financing. This is a structural step forward. However, lack of grid capacity remains a large bottleneck for the clean technology industry. This should be the new main priority to incentivise clean

technology adoption. The NZIA also announced the adoption of more non-price criteria for procurement of clean technologies, designed to redirect European investment to domestic components for competitiveness and security reasons and increase resilience. Countries like India have been working with such non-financial criteria and boosted their clean tech industries. It's good that Europe has frameworks, now it needs to work on realisation.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

Irina Patrahau: The biggest gaps lie in financing, industrial scaling and national rather than European actions. Efforts to scale domestic manufacturing of batteries, electrolysers, and renewables lag behind targets. This is partly due to the slow offtake in consumers despite significant EU ambitions, regulations and directives (Net Zero Industrial Act, RePower EU, Renewable Energy Directive). Large EU funds have been made available, but private capital is still hesitant given high upfront costs, long payback periods, and policy uncertainty. At the same time, grid and infrastructure expansion is not keeping pace with electrification, hydrogen and e-fuel ambitions. These gaps persist because the EU is strong at setting ambitious targets but weaker at execution, constrained by complex governance and difficulties to create a European rather than national approach to implementation.

Ron Stoop: The EU has rolled out major clean-tech frameworks like the Net-Zero Industry Act (NZIA) and the Clean Industrial Deal, but results have not kept up with ambition. The 2030 goal of producing 40% of net-zero technologies within Europe is unlikely to be met, while capital mobilisation, permitting speed, and industrial coordination remain weak. Much of the promised €100 billion in cleantech investment has yet to translate into actual projects. The struggles of Northvolt, once the EU's promised battery champion, reveal Europe's failure to think strategically and plan for long-term industrial competitiveness. In contrast, countries such as India are advancing clean-tech manufacturing through clear regulatory tools such as domestic content rules and simple and clear policy incentives. Meanwhile China continues to expand its dominance: its turbine makers are winning bids not only in Europe (for instance, with Luxcara in Germany, which was later reversed) but also in third markets like the Middle East and Latin America. Europe now faces the risk of becoming a clean-tech importer rather than a producer. To counter this trend, the EU should prioritise increasing its investment capacity and coordinating cleantech policy across Member States.

Berend Kwak: Europe's power networks have become the new choke point. Projects can now be approved faster but connecting them to the grid still takes up most of the implementation time. Clean tech projects (especially hydrogen) still tend to not reach FID for a lack of demand and development capacity. The solar industry faces problems too: 2025 marked the first contraction in EU solar manufacturing in a decade (5% measured by employment). As we have seen before, Chinese overcapacity and falling panel prices have wiped out several European manufacturers well before Europe created policy measures to tackle these issues. It seems like Europe's financial and regulatory frameworks remain too slow to translate the stated ambitions into economically competitive reality, as the competitive landscape for companies moves faster than Brussels can keep up. This echo's Draghi's original diagnosis that while Europe has strategic clarity, it lacks operational speed and agility.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might it make sense to scale back?

Irina Patrahau: The EU should focus on developing a few supply chains with potential for leadership, like wind, electrolysers and batteries. Matching (emerging) supply of materials and components like permanent magnets with demand across Europe can boost decarbonization goals and create a stronger European industrial base. Within each sector, the EU can choose to focus on activities where it can become a technological leader – latest generation electrolysers or the nickel manganese and cobalt oxide (NMC) lithium-ion battery chemistry, for which the EU is also building CRM capabilities. Identifying these high potential sectors is essential, and it will also inform the decision of which sectors to scale back on.

Ron Stoop: Despite Draghi's view that solar manufacturing should perhaps not be prioritised in Europe, I believe we actually should invest in at least a solar manufacturing capacity base. While China dominates production, global demand for solar power is set to soar. It is becoming increasingly evident that solar will become one of the largest modes of electricity generation. Abandoning solar manufacturing capacity completely would mean giving up future competitiveness in a technology central to the energy transition. The EU should rebuild parts of its solar industry around innovative and circular technologies but also rebuild general wafer/ingot/cell/module capacity within its borders. Public procurement rules and local content requirements could play a role in this.

Moreover, onshore wind should be re-prioritised. It remains a good match with solar in terms of output patterns, and infrastructure costs are significantly lower than with offshore wind. Unfortunately, permitting and local opposition have slowed the development of the onshore wind industry. In the last years, offshore wind has been considered one of the key strategies for Northwestern European electricity generation (and by extension, the whole EU grid). However, due to high building and infrastructure costs, many building ambitions have been scaled back. Levelised Cost of Electricity (LCOE) estimates clearly show onshore wind being cheaper than offshore. Communication around the necessity for local, close-to-offtake onshore wind should be clear and decisive.

The EU must also move faster on next-generation batteries, particularly sodium-ion. These battery types not only offer lower future costs, but also more secure supply chains (partly depending on the exact battery chemistry) due to the higher availability of some of these materials. Also, these battery manufacturing initiatives should be integrated into the European electric vehicle supply chain.

Berend Kwak: A first priority should be to make NZIA implementation even more tangible, for example through a stronger combination of fast-track permitting, a guarantee of grid access, and attractive financial support for the EU's "strategic projects." This could be done through instruments like InvestEU and the European Investment Bank (EIB) combined with coherent policy drivers across the member states.

Second, Europe should focus on sectors where it has capabilities to succeed, such as offshore wind or grid technology. Concentrating funding and regulation in these areas will generate more competitive power than trying to revive or reshore sectors like solar. It hence comes down to a sufficient combination of the essential incentives. As mentioned in our commentary last year, this will likely force Europe to choose industries and let go of others. Another important priority should be securing supply of the essential raw materials needed to expand on these industries, which are sourced outside of Europe, as discussed in our commentary on critical raw materials (CRM).

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

Irina Patrahau: I hope to see more coherent tendering procedures for securely and sustainably produced clean tech across European countries.

Ron Stoop: If the EU can scale up its production capacity of LFP and Sodium-Ion battery manufacturing capacity, it would show that the EU can still compete in the cleantech game, whilst also rebuilding the European Industry around the sectors of the future.

Berend Kwak: A hard indicator showing that Europe is finally managing to realise its plans would be an increase in "strategic projects" under the NZIA officially designated and under construction. This would prove that the EU is turning policy into concrete sites and domestic productivity. Rather than measuring e.g. the output of clean tech power generation, this would show that the EU is succeeding in creating conditions for investment and implementation. In other words, not only expanding its capacity but nurturing and growing its industrial base across the Union.

Automotive

By Ron Stoop

Since the publication of the Draghi Report, what concrete steps have bene taken at the EU and member state level In the Automative sector, and how effective have they been so far?

When the Draghi Report was released last year, the EU was in the middle of the EV 'tariff war' with China. The EV tariffs, ranging from 27% to 45%, were just introduced a few months earlier, and several Chinese EV companies were prospecting for possible production sites in the EU to circumvent the tariffs. However, after 26 October, when the Chinese government strongly advised Chinese EV companies not to invest in countries that voted in favour of the EV tariffs, many prospecting operations ended. A few Chinese investments have come through in Europe, but less than in other regions such as in Southeast Asia and the MENA region.
For the domestic carmakers, the picture is mixed. Overall, EVs are still gaining ground in Europe, with a sales percentage of 15% (a 3% increase compared to the year before). Companies like Volkswagen and BMW are leading the charge on EV sales within Europe. Other companies, like Mercedes, have not managed to successfully shift to EVs.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

The EU wanted to stop the massive influx of Chinese cars on the internal market. However, when the tariffs on Chinese EVs were introduced, Plug-in Hybrid Vehicles (PHEVs) were not included. As a result, PHEV imports from China to the EU increased significantly. This not only led to increased penetration of Chinese vehicles on the European market, but also to some displacement of the sale of 'pure' electric vehicles.

Another worrying development is the lobbying of car manufacturers to weaken the emission goals that the EU has set for EU carmakers, which can result in fines if emission limits are exceeded. The emission goals provide a clear incentive for carmakers to decisively shift to electric vehicle production. Likewise, the push to revert the 2035 ban on the sale of cars that run on fossil fuels could seriously weaken the focus of European car companies towards electric mobility.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might It make sense to scale back?

Firstly, the EU should stay firm on emission targets and the 2035 ban on the sale of internal combustion engine cars. These pieces of legislation have been key in pivoting the EU market towards EVs.

Secondly the EU and its member states should support deployment of charging infrastructure across the whole continent. Impressive gains have been made, but there is still uneven coverage across EU-member states. Plugging these gaps will be essential to support further EV adoption.
Finally, the EU should prioritise business fleet decarbonisation. Companies that lease large amounts of cars have been leading the EV transition in several countries. Within that prioritisation, it would be wise to include 'buy European' clauses, to make sure these investments will also generate European jobs and know-how. Likewise, when grants and subsidies related to electric mobility are given, 'buy European' clauses should be included.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

I would look at the EV sales numbers of the European carmakers to see if they have decisively pivoted away from ICE cars and whether they have proven they can compete in foreign markets.

Source: © European Union, 2025. EC – Audiovisual Service. Photo: Dati Bendo.

Defence

By Dr. Davis Ellison

Since the publication of the Draghi Report, what concrete steps have bene taken at the EU and member state level In the Automative sector, and how effective have they been so far?

Since the Draghi Report, most defence-related activity is focused on implementing earlier measures. Around 90 percent of current work is about carrying through the “big bang” reforms of 2022, when initiatives like the European Defence Fund (EDF) and EDIRPA were launched. Discussions continue on streamlining EU funding tools, but no major breakthroughs have followed. The ReArm/Readiness 2030 plan, while important, was more of a continuation of earlier policies than a completely new direction.

Progress has been plagued by chronic industrial fragmentation. Member states still act nationally, which weakens efficiency and scale. Many have turned to off-the-shelf U.S. systems to meet readiness targets quickly. While faster, it undercuts Europe’s ability to build its own capabilities. Also, the U.S. ‘buy American’ push adds pressure and complicates transatlantic cooperation. Pan-European procurement remains limited. The EU still lacks a real mechanism to coordinate or enforce joint acquisition. If there’s one area of progress, it’s space. Programmes like Galileo and Copernicus, and institutions such as the European Space Agency, show that member states can act collectively when frameworks already exist. Space may therefore offer the clearest path for the EU to build genuine European capabilities.

Where do the biggest gaps lie between political ambition and practical implementation, and why do they exist?

The biggest gap lies in fragmentation. Defence remains largely outside the EU competences, so ambition often exceeds what Brussels can actually deliver. As Mario Draghi noted at the Rimini conference earlier this year, the EU has a vision but not the means to act on it. There has been a slow build-up of EU-level capacities, but when it comes to defence matters, NATO still dominates.

Additionally, much of the EU’s approach is backward looking, focused on improving existing capabilities, rather than building new strategic capabilities. What is certainly disappointing is that defence policy and procurement by and large remains national. This is reinforced by the single market’s broad carve-out for defence, which exempts the sector from most internal market and competition rules. These protectionist exceptions were meant to preserve sovereignty but now limit integration. Even within the EU institutions, defence responsibilities are scattered and often overlap.

Looking ahead, what should be the EU's top two or three priorities to stay competitive, and where might It make sense to scale back?

A first priority has to do with the gap signalled above. More cross-border innovation and capability development programmes constitute a crucial area for improvement. This is best done in mini-lateral formats of trusted partners that also have a deep, or at least intensifying, operational working relationship.

Another priority should be to rationalise the EU's defence governance. A stronger role for the Director-General for Defence Industry and Space (DG DEFIS), Andrius Kubilius, could help coordinate efforts. The relationship between DG DEFIS and the European Defence Agency (EDA) is still not clearly structured. The current setup of offices and initiatives does not yet form a coherent system. Creating a more streamlined chain of coordination would make EU defence efforts more effective.

A third priority is to maintain and deepen coordinated exercises with NATO. Aligning schedules and objectives between the EU and NATO would strengthen readiness and avoid duplication. EU Frameworks such as the Permanent Structured Cooperation (PESCO) and the Coordinated Annual Review on Defence (CARD) already offer a platform for this. In the near future, coordination rather than compulsion will likely continue to define the EU's defence posture. Again, mini-lateral formats within the EU could help bridge the gap between ambition and capability.

If we meet again in a year, what single measurable outcome would convince you that Europe is on the right track in this sector?

Genuine rationalisation of EU defence planning. If DG DEFIS and the EDA managed to align PESCO, the EDF, and ReArm under a single, coherent framework, that would be a clear sign of progress. Even a pause on new initiatives could be considered if it meant consolidating what already exists.

Source: © European Union, 2025. EC – Audiovisual Service. Photo: Dati Bendo.

Conclusion

By Ron Stoop and Berend Kwak

One year after the publication of the Draghi report, progress on EU competitiveness remains uneven across sectors as well as limited overall. While significant new policy initiatives have been launched, such as the Competitiveness Compass and the Clean Industrial Deal, and the implementation of the CHIPS Act and the Critical Raw Materials Act are ongoing, Europe faces persistent problems with slow and fragmented implementation. Our HCSS experts have identified the developments and shortfalls of EU competitiveness on a sectoral level as they stand a year after Draghi's publication.

Semiconductors

The EU invested in strengthening its semiconductor industry by installing the Chips Act and creating a Semiconductor Coalition to improve coordination between the Member States. These initiatives increased coordination and alignment of research and aimed to support public-private cooperation to boost Europe's semiconductor economy. However, real measurable progress remains limited. Major projects have had to be cancelled or suspended due to cost pressures and regulatory constraints. Examples are semiconductor fabs in Germany and Poland planned by Intel. As our expert Benedetta Girardi noted, funding gaps and labour shortages also continue to undermine Europe's ability to compete on a global scale. Private investment remains inadequate and permitting processes are too slow to attract sizeable new manufacturing capacity. The EU should prioritise streamlining its regulatory systems and improving labour availability. In addition, it should find ways to mobilise joint funding mechanisms with national and private partners to improve the business environment for high-tech manufacturing companies.

Automotive

Europe's automotive sector has undergone a turbulent year since the Draghi Report. While EV sales continue to rise and some European carmakers, notably Volkswagen and BMW, are advancing their electric transition, the pressure from Chinese automakers is mounting. According to our expert Ron Stoop, the EU's tariff response to the influx of Chinese EVs has had mixed effects, partly because Plug-in Hybrid Vehicles (PHEV) were excluded, enabling continued growth of Chinese imports. At the same time, lobbying efforts to weaken emission targets and the 2035 combustion-engine ban threatens to slow Europe's shift toward electric mobility. Looking ahead, the EU must hold firm on emissions policy, accelerate charging-infrastructure rollout and prioritise decarbonisation of corporate fleets with "buy European" provisions to secure industrial benefits. Real progress over the next year will depend on whether European carmakers truly pivot away from internal combustion engines and prove competitive in global EV markets.

Defence

Since the Draghi Report, EU defence efforts have mostly advanced earlier reforms rather than breaking new ground. The exception was the ReArm/Readiness 2030 plan, but in terms of substance it was more of a continuation of the 2022 'big bang' defence reforms after the full-scale Russian invasion of Ukraine. According to our defence expert Davis Ellison, despite these developments, fragmentation and nationally driven procurement persist. These bottlenecks have pushed EU states toward fast U.S. purchases that in the long run can weaken Europe's industrial base. EU-wide ambition currently outstrips EU competences because defence remains largely national and exempt from EU single-market rules. Priorities now should include deeper cross-border capability development, streamlined governance between DG DEFIS and the EDA and closer NATO coordination. One of the key objectives of EU defence

policy rationalisation would be the unifying of defence agencies and initiatives such as PESCO, EDF and ReArm into one coherent pan-European framework. This would increase coordination, effective decision-making and would prevent conflicts of interest and the doubling of efforts between EU bodies.

Critical Raw Materials

The Critical Raw Materials Act (CRMA) set out ambitious targets for European self-sufficiency and trade diversification. However, as our experts Irina Patrahau and Michel Rademaker pointed out, the level of implementation of these targets remains largely dependent on national level action, lacking concrete EU-wide steps. Individual Member States such as France and Germany host specific strategic CRM projects, but EU-level financing and coordination mechanisms remain insufficient. High costs and slow permitting processes, as well as local opposition, continue to impede progress. Recycling capacity and other circular economy investments show some growth, but still far below what Europe needs. The EU should focus on further accelerating strategic projects that it already identified under the CRMA, as well as introduce financial incentives to attract more developers. This should be combined with the development of shared stockpiling and refining capacities at the European level. Without these measures, the EU risks deepening its dependence on external suppliers.

Energy

While the EU has made some progress on energy diversification and reducing its import dependence on Russian fossil fuels, the fundamental challenges highlighted in Draghi's report remain. As our experts Lucia van Geuns and Jilles van den Beukel observed, the combination of high energy costs with fragmented state-aid limit European competitiveness. A lack of market integration across the EU plays a major role. Several important initiatives such as collective procurement have been slow to materialise. Desired reforms in the electricity market and investments in the power grid lag behind as well. With the upcoming electricity market reform in 2026, the EU must focus on improved integration of the power grid and stabilising energy prices for industrial use. Additionally, it could promote incentives for long-term purchase-power agreements (PPAs). Ultimately, Europe's competitiveness and decarbonisation goals are interdependent. Both require an integrated approach rather than competing national schemes, which is why Europe-wide coordination is specifically important for these sectors.

Clean Technologies

The Net Zero Industry Act (NZIA) and Clean Industrial Deal represent the EU's most ambitious attempts so far to improve the conditions for a competitive cleantech ecosystem. However, as our experts Irina Patrahau, Ron Stoop and Berend Kwak noted, the transition from planning to measurable results has continued to progress slowly. Europe remains heavily dependent on imports for solar panels, batteries and electrolysers. Domestic production capacity upscaling is met by high costs and regulatory complexity. Permitting processes have improved, but in practice the development of new capabilities still lack speed. Moreover, grid congestion has grown into one of the main bottlenecks for industrial electrification, hampering the rollout of cleantech manufacturing. To stay competitive, Europe must focus on improving such infrastructure for the cleantech industry and shift its focus onto (sub)sectors where it still has capabilities to act. These sectors include wind power, grid infrastructure and possibly next-generation batteries. In addition, implementation of the NZIA should be done in a way that includes better guarantees for grid access and fast-track permitting. It should also focus on a coordinated state-aid framework to translate these plans into actual investments.

Energy-intensive industries (EII)

Energy-intensive industries, such as steel, chemicals, cement and plastics are at the core of any industrial base, including for Europe. Decarbonisation is essential for these industries to remain their license to operate and become fit for the future. However, despite the Clean Industrial Deal and Carbon Border Adjustment Mechanism (CBAM), progress on decarbonisation is still lacklustre. As our experts Ron Stoop and Berend Kwak argued, high industrial energy prices and a lack of consistent demand for low-carbon EII-products are the main problem, continuing to delay the necessary investment decisions. Projects in green steel and sustainable chemicals have been postponed, and national subsidy schemes remain uncoordinated across the EU. This complicates levelling the playing field for industrial companies within the EU. The top priority for the EU should therefore be to lower and stabilise industrial power prices and improve the investment climate for energy infrastructure companies.

Artificial Intelligence

Europe has shifted from a purely regulatory approach to more investment-driven steps on AI through the AI Continent Action Plan and InvestAI initiative. As our experts Sofia Romansky and Jesse Kommandeur noted, the new framework represents meaningful progress with plans to mobilise up to €200 billion in AI investment. In addition, the goal is to establish 15 AI Factories across Member States. As it is still in its early phases, adoption for now remains low: only around 13.5% of European enterprises have actively integrated AI into operations. Fragmented regulation as well as skills shortages and limited access to the necessary infrastructure and computing power create practical obstacles for the uptake of AI. The EU should now focus on applied AI within sectors that grant it a comparative advantage, such as manufacturing and healthcare. At the same time, simplifying regulatory standards for SMEs and investing in education can help improve the entrepreneurial climate and close the skills gap.

Conclusion

Europe's central competitiveness challenge remains effective implementation. Policy frameworks are being developed, which is a good step and part of the answer to Draghi's report. The next step is to overcome the constraints on progress caused by fragmented national execution, lack of funds and slow decision-making. The EU has set ambitious targets and is rolling out the policies to make those happen but struggles to translate them into industrial outcomes. As Draghi's report emphasised, European competitiveness requires more scale, speed and coordination.

To move forward, the EU and its Member States must accelerate permitting and scale up funding to improve the delivery speed of strategic projects, particularly for clean energy, infrastructure and strategic industries such as semiconductors. In addition, they should expand financing models that allow the EU to leverage private funding to enable large-scale investment projects and ensure more stability for the industrial players. More finance needs to be directed towards priority sectors where Europe has potential for technological leadership.

One year after the Draghi Report, Draghi's diagnosis still largely stands. Europe knows what to do but has failed to set the market conditions to realise its ambitions. Without addressing these problems, the EU risks staying a regulatory power instead of than an industrial one; capable of setting rules, but not of competing in the global economy.