Energy Resilience Leadership Group: A Call to Action

Building Europe's energy resilience and technological sovereignty – one project at a time

Energy resilience is the defining challenge of our time. Its absence has not just profound economic but also negative geopolitical implications; we have felt it firsthand. And unfortunately, not for the first time. Learning from past mistakes – and better anticipating future challenges – is the only way to successfully tackle the simultaneous climate, energy, security, and industrial competitiveness crises in which Europe finds itself today. And that means keeping our eyes wide open and facing certain realities.

The energy crisis is not over. Policymakers should not become complacent because record-high natural gas prices have come down. Energy costs remain high, putting Europe at a global competitive disadvantage. And as a resource-poor geography, this is a permanent situation that makes Europe particularly vulnerable to price volatility and economic constraints.

Old dependencies are being replaced by new ones. As Europe moves away from fossil fuels, new dependencies on raw materials and clean tech supply chains are emerging. Therefore, diversification, substitution, energy efficiency, a circular economy, and trustworthy value chains have become matters of existential significance.

Manufacturing is the new name of the game. There is intense global competition for manufacturing and deployment capacity in wind power, solar PV, heat pumps, electric vehicles, and related sectors. It will be imperative for Europe to remain at the forefront of the industries that it leads today and to accelerate the catch-up process where it lags. The pursuit of strategic sovereignty without the accompanying manufacturing and deployment capabilities is a futile endeavor.

Energy resilience must become a guiding policy principle. Energy resilience means avoiding dependencies on one or a small number of fuels, technologies, or countries as we are pursuing our climate and energy security goals. Europe's trajectory on – and lack of resilience in – the ICT and digital domains should serve as a cautionary tale: These general-purpose technologies now permeate the entire economy and have made our continent a laggard. As a result, European companies are now on balance less profitable, have slower revenue growth, and spend less on innovation than their peers in other world regions. And they are largely dependent on non-European providers and technologies. If Europe misses out on the next frontier in transversal technologies, especially cleantech and materials, it could forgo approximately **30 to 70 percent**

of the forecast GDP growth between 2019 and 2040. That is equivalent to **six times** the capital needed for the region to transition to net zero emissions[1].

That is why we are saying that we need to use this period of crises to massively accelerate the energy transition. In the face of Europe's multiple ongoing crises the Energy Resilience Leadership Group (ERLG) was launched at the 2023 Munich Security Conference. The ERLG is a **coalition of the willing** comprising corporate CEOs, entrepreneurs, policymakers, and executives in the financial sector who want to demonstrate that Europe can boost its energy resilience by deploying emerging clean technologies at a faster pace. We are convinced that Europe can lead in the next generation of technologies – from industrial appliances and hydrogen production facilities to energy storage technologies – its dependency on fossil energy can be reduced and its techno-political sovereignty bolstered.

To do so, Europe needs **a constant stream of first-of-a-kind projects that will bring these new technologies to commercial maturity, help corporations modernize, and tap into the innovation frontier** that often resides in startups. The ERLG's overarching goal is to bring key actors together to drive these projects forward and share what we learn in order to trigger systemic changes in policy, finance, and corporate-startup collaboration. We ask our collaborators – in particular, large industry players and innovative startups – to team up with the goal of getting projects and new technologies off the ground at an accelerated pace. Based on recent discussions in the group we want to highlight the following conclusions and recommendations.

Five points for a clean and modern industrial strategy for Europe

1. **The innovation potential between corporates and startups at the technology frontier is underutilized**. Europe's industrial policy efforts, notably the Net Zero Industry Act, need to focus on getting emerging technologies from the lab to deployment through intensified collaborations and cross-fertilization between corporates and startups. This project-based, collaboration-focused approach has to become a core pillar of Europe's industrial policy. All the more so since 45 percent of the technologies required for the world to achieve net zero emissions aren't commercially available yet. By working in tandem – and building on the innovation prowess of startups and the scaling potential of large industry players – technology deployment will be accelerated and European energy resilience strengthened.
2. **Europe will not be able to scale emerging technologies without a solid industrial foundation.** If manufacturing industries like wind, solar, hydrogen, and batteries are lost to global competitors, there will be no industrial base to scale the next generation of technologies. Europe therefore needs a new approach to innovation that is focused on the key challenges at hand: going from slow to fast; from overly complex to streamlined and agile; from small to scale. The success of industrial policy will be measured not on the targets

[1] McKinsey Global Institute: "Securing Europe's competitiveness: Addressing its technology gap." September 2022: LINK.

proclaimed but the manufacturing capacities deployed, the number of successful businesses operating, and final investment decisions reached. As it is, current policy frameworks and incentive models are not sufficient to keep manufacturing here in Europe. Corrosive de-industrialization is now definitely in the cards.

3. **Private investments are key to building a robust clean tech industry.** Public finance cannot do it alone. Years of quantitative easing and some of the most sizeable public recovery programs in history have not led to an economic boom or to enhanced competitiveness. However, public finance *can* have an important multiplication effect, as the European Fund for Strategic Investments (EFSI) demonstrated in the past legislative cycle. But now we need a Plan of industrial scale and commensurate with the polycrisis that Europe is facing. That requires a laser focus on attracting investments, actively crowding in private funding, and leveraging instruments, including guarantees issued by public banks and standardization that will ease the deployment of technologies.

4. **Don't accidentally regulate emerging clean technologies out of the market**. Europe needs a fundamental debate about the purpose of regulation. Is it to unleash or curtail? To accelerate or slow down? To grow the pie or shrink it? Assuming that Europe aspires to be a leader in clean technology – and not just in its regulations but also in business success, breakthrough innovations, and global market penetration – then these are pivotal years that will irreversibly decide whether Europe will go the digital route or have higher aspirations. In our view, not having a single European company in the global digital Top 10 should be cause for reflection and concern, as well as a strong resolve to do better as we stand on the cusp of this new technology revolution.

5. **Enhance economies of scale and lower the cost of the energy transition with larger, more integrated markets.** The EU's single market continues to be too fragmented and under-prioritized politically. But even if this market was completed – as our leaders have vowed to do countless times – it would be far from the most sizable globally where the 1+ billion markets in China and India set a new benchmark. A Green Transatlantic Marketplace may be the answer, because it would enable greater alignments on trade, regulation, standards, and government support mechanisms between the EU and the U.S., and at a later stage potentially also the UK, Canada, and others. Emerging clean technologies would immediately find a larger, more hospitable "home" market with more integrated, resilient supply chains, and increased opportunities for energy trade at a lower cost. As a result, energy resilience would be enhanced, and the divergence we witnessed between both sides of the Atlantic in digital tech could be avoided. Instead, both the EU and U.S. could jointly spearhead a global race to the top in (emerging) clean technologies. We say with conviction: Together, we are stronger, all the more so in this vastly changed and contested world.

Designing a successful industrial strategy for an energy resilient Europe is a tall order. It requires strong leadership that is rooted in a close-knit collaboration between policymakers, industry, innovation leaders, startups, and the financial sector. Only by

working together can we identify, implement, and accelerate the key steps that will keep Europe at the clean technology frontier. The Energy Resilience Leadership Group stands ready to do our part.