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NEW INDUSTRIAL POLICIES: LESSONS FOR THE EU AND THE CLEAN INDUSTRIAL DEAL

Case study: New industrial policy in Spain

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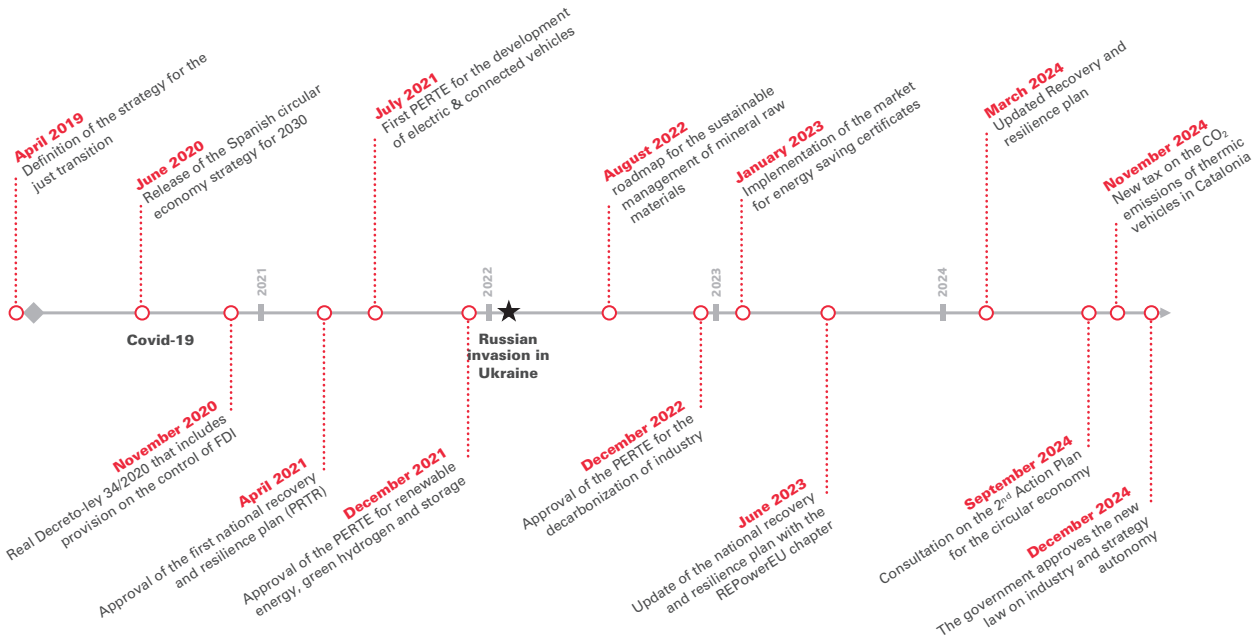
As evidenced by the success of Spanish projects during the first round of the European Hydrogen Bank auction, Spain has recently been gaining momentum around its industrial development, supported by the massive recovery and resilience plan (RRP–€163 bn) funded by NextGenerationEU. This opportunity has been seized to develop a coherent vision for the future of Spain around the national strategy España 2050, focused on Spanish competitiveness, energy efficiency and decarbonization in the industrial sector, circularity and renewable energy, with targeted investments in 12 key sectors. The RRP relies on a new instrument, the strategic projects for the industrial transition ("*proyectos estratégicos para la transición industrial*"—PERTEs) which are vehicles to organize competitive tenders around 12 key industries, enabled by an inter-ministerial body with a leading ministry for each PERTE. These instruments are complemented by additional support and coordination directed by regional government. A clear direction towards green technology and industrial decarbonization, supported by consistent targets established in the integrated National Plan for Energy and Climate and dedicated means. The Spanish strategy also innovated in defining a clear framework and dedicated means for the just transition. The current industrial momentum still has to translate into an increase in industrial output (especially in clean technologies). One of the difficulties highlighted in our interview is the long lead times due to the heavy European proceedings related to state aid regulation.

This case study is related to the *Study* New industrial policies: Lessons for the EU and the Clean industrial Deal

Figure A.1 Spain timeline



1. INDUSTRIAL STRATEGY – DIRECTION, PLANNING & GOVERNANCE

1.1. Political directionality of the national industrial strategy

The national industry strategy for Spain was adopted as part of its National Recovery and Resilience Plan (Plan de Recuperación, Transformación y Resiliencia – PRTR),[1] with the first version released in April 2021. However, this plan was adopted in a movement of larger strategic thinking about the future economic development in Spain, with the presentation in May 2021 of a National Development Strategy, *España 2050*,[2] developed by the National Office for Strategy and Prospective (ONPE), who defines the main challenges and policy response for Spain. In particular, it highlighted the need for improving the Spanish competitiveness in a context of rapid deindustrialization, but also the importance of energy efficiency in the industrial sector, circularity, renewable energy and the decarbonization of energy-intensive industries.

The 12th component (out of 30) of the PRTR was named "Industrial policy in Spain 2030" and received a total of €8.4 billion (5% of total funding), with 7 investment priorities. Other components in the PRTR also include budget lines relevant for industrial policy: it was estimated that about a quarter of the total recovery and resilience plan was directed towards the industrial sector,[3] a number that partially overlaps with the 40% of the plan dedicated to the green transition. The priorities of the plan specifically directed investments towards the circular economy, the development of electric vehicles value chains, and a digital strategy (investments in chips manufacturing and data centers). Green hydrogen is also strongly supported in the PRTR with a National Green Hydrogen Roadmap, with a total of €1.5 billion invested for the development and integration of the green hydrogen value chain.

1.2. Technological and environmental objectives of industrial policy

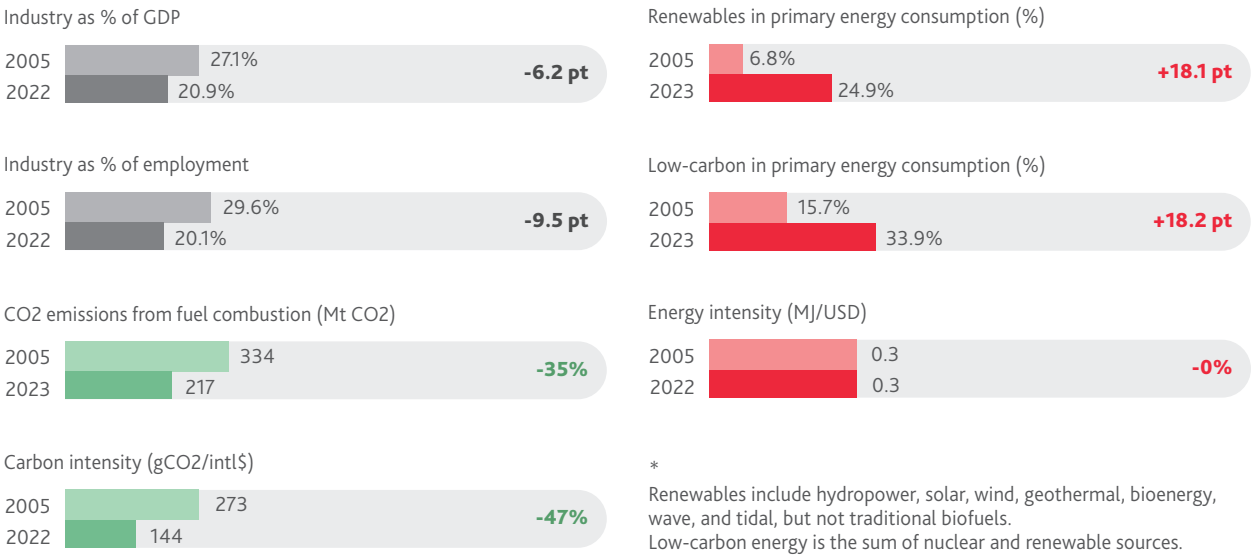
The NRRP does not define specific decarbonization objectives for the industrial sector. It does however define certain targets for sectors, for instance subsidizing at least 238,000 electric vehicles and recharging points, and renovating at least

[1] See the industrial policy in Spain 2030 in the componente 12: https://planderecuperacion.gob.es/politicas-y-componentes/componente-12-politica-industrial-espana-2030

[2] Oficina nacional de propectiva e estrategia. España 2050, https://futuros.gob.es/nuestro-trabajo/espana-2050

[3] Jean Lemierre (Sep 2021). Spain: The tortuous path to reindustrialization Eco Conjoncture n°7 BNP Paribas Economic Research.

Figure A.2 Spain indicators



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Renewables include hydropower, solar, wind, geothermal, bioenergy, wave, and tidal, but not traditional biofuels.
Low-carbon energy is the sum of nuclear and renewable sources.

40,000 residential buildings and 690,000m² of non-residential buildings.[4] However, the 2021 integrated national plan for energy and climate (PNIEC) has first defined an overarching objective of reduction of 14% CO_2 emission in the industrial sector between 2020 and 2030 and achieve 7 Mt of CO_2 emissions in 2050. This plan has been updated in 2024 with more ambitious targets: it sets an objective of a -32% reduction in total emissions (with respect to 1990) against 23% in the PNIEC 2021 and a -23% emission reduction on the 2020-2030 period for the industrial sector.

1.3. Institutional setup supporting the implementation of the industrial policy

The implementation of industrial policy is spread across different ministries: mostly the Ministry of Industry and Tourism and the Ministry of Ecological Transition, which are the most relevant bodies for the implementation of the *proyectos estratégicos para la transición industrial* (PERTEs).

However, a new Law on Industry and Strategic Autonomy, adopted in December 2024,[5] aims at improving the governance of the industrial strategy with the establishment of a National Industrial Strategy. This strategy includes a process of consultation every 3 years, and creates a State Council for the Industrial Policy, as well as a new consultative inter-ministerial body supervising the implementation of this plan. It also sets up a high-level forum for Spanish industry with functional autonomy supporting the Ministry of Industry for designing industrial policies with representatives of the government and of the private sector. The SEPIDES,[6] a state-owned company for industrial and entrepreneurial development, is set to be transformed into a public entity and to manage new tenders for the PERTEs.

The Spanish regional governments also play a key role in the coordination and implementation of industrial roadmaps. For example, the Net-Zero Basque Industrial Super-Cluster is heavily involved in the decarbonization roadmap of Basque industrial companies, providing support and connecting an ecosystem of relevant stakeholders. Multiple private initiatives also support the development of industrial roadmaps such as the Alianza Q-Cero or the Alliance for the competitiveness of Spanish industry.

2. DEVELOPMENT OF A CARBON PRICING MECHANISM

Spain is part of the EU-ETS market whose average allowance price in 2024 was about 70 €/tCO_2 and Spanish industries participate in the ETS. On top of the EU ETS, Spain has a carbon tax applied of 0.15 €/GJ of CO_2 for professional use and 0.65 €/GJ for other uses. This tax is levied mostly through the levy on hydrocarbons and on the carbon content of electricity. The Catalonia province has also

[4] European Commission. (2021). REVISED ANNEX to the Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Spain https://data.consilium.europa.eu/doc/document/ST-10150-2021-ADD-1-REV-2/en/pdf

[5] Proyecto de Ley de Industria y Autonomía Estratégica (121/000043).

[6] See the page about SEPIDES on the Sociedad Estatal de Participaciones Industriales website.

applied a new tax on the CO_2 emissions of thermic vehicles since November 2024 that aims to fund the Catalonia Climate Fund. The price of CO_2 is increasing (from 0 to 1.1 €/g CO_2/Km, up to 276 €) with the emissions of the vehicle class.

3. SUPPLY-SIDE SUPPORT TO INDUSTRIES

3.1. Support mechanisms for R&D&I focused on new green technologies

Spain has a generous R&D tax relief system for all companies of 25% of investment in R&D plus 17% of the wage for permanent R&D staff. Alternatively, companies may exempt 40% of the social security contribution for the research staff and R&D capital assets have an accelerated depreciation line.
The center for technological development and innovation (CDTI) also has a program for projects of technological transfer "Cervera" that allows the funding of projects for priority technologies, including energetic transition and circular economy, with up to 33% of subsidies and low-interest borrowing for SMEs and medium-cap companies.
Regional governments may also have specific support programs. The Catalonia province offers a subsidy of up to 90 000€ for SMEs for projects of green innovation for mature technologies (TRL >7), since July 2024.

3.2. Support mechanisms for the development of new green technologies production units

The main instruments developed with the PRTR for supporting industrial development are the *proyectos estratégicos para la transición industrial* (PERTEs). These instruments, inspired by the European IPCEIs, support 12 particularly strategic (although large) sectors including electric vehicles, agriculture, health, aeronautics, renewable energies, semiconductors, naval industry, industrial decarbonization and circular economy. Each PERTE is organized separately from the others. Many competitive tenders relevant for PERTE's thematic are organized, following actions defined in the PRTR, and are managed by an inter-ministerial body with a leading ministry in charge of selecting projects within these tenders. The largest PERTE is the one for renewable energy, green hydrogen and storage (PERTE ERHA) implemented since December 2021 and was granted with €6.8 billion. As part of this PERTE, the Institute for Energy Diversification and Saving proposes many competitive tenders[7] funded by the PRTR for the energy transition of companies and private entities (such as energy communities), for example the innovative renewable energy program for PV or heat pump installations or for the energy renovation of buildings.

The second main instrument is the Fund Supporting the Productive Industrial Investment (FAIIP). The FAIIP is a fund implemented since 2020 and managed by the SEPIDES, equipped with €1.8 billion for loans. Projects must not necessarily be directed towards sustainable investment but rather focus on the enlargement of capacities, change in products or services, or investment in fundamental transformations of the process.[8] So far 95 projects have been approved and granted with more than €1 billion. Spain also put in place the "FOCO", a co-investment fund aimed at promoting investment in environmental and digital transition.

3.3. Support mechanisms for the decarbonization of existing industrial production units

The PERTE for the decarbonization of industries has been implemented since December 2022 and was granted with €3 billion. The selection process for this PERTE operates on a "first-come first-served": support either takes the form of subsidies or refundable advance and can cover up to 80% of the total project cost. The project may be related with energy efficiency, renewable energies, environmental studies, carbon capture or any other innovative project related to industrial decarbonization. Projects must achieve a climate contribution of at least 40% and reduce direct emissions or allow substantial improvement in energy efficiency to save electrical energy.[9] Other local support mechanisms such as the Net-Zero Basque Industrial Super Cluster also exist. This initiative aims to accelerate decarbonization in high-emitting industries (pulp & paper, cement, refining, steel and foundry) with the intention of expanding it to other industries. This initiative relies on three steps: first, the definition of decarbonization roadmaps with industry representatives and identification of technological solutions (with a particular focus on technologies for energy efficiency and circularity, electrification, green hydrogen and CCS), then supporting decarbonization initiative with grants (up to €1.5 million for a decarbonization project, additional support also exists for R&D&I) and tax deductions (of 30% of the equipment investment cost for a list of clean technologies) and finally connecting project holders with Basque providers of decarbonization solutions.

[7] See the search engine of the Instituto para la Diversificacion y Ahorro de la Energia.

[8] See the Manual para la gestión y administración del fondo de apoyo a la inversión industrial productiva (faiip) y para el análisis y seguimiento de operaciones (26/02/2025).

[9] Intelectium, The first PERTE call for Industrial Decarbonization for the manufacturing industry, see here.

4. DEMAND-SIDE SUPPORT TO INDUSTRIES

4.1. Support mechanisms incentivizing private demand in green markets

Spain also develops demand-support mechanisms, especially for the transport and building sectors. Spain has developed, as part of the PERTE for electric and connected vehicles, the plan MOVES III to incentivize zero-emission mobility. The program is managed by Spain's regional governments and coordinated by the Institute for Energy Diversification and Saving (IDAE). Buyers of EVs or charging infrastructure can benefit from a 15% income tax deduction up to 3,000 € and an aid of up to 7,000 € if they scrap a vehicle older than 10 years (5,500 € without scrapping). This is among the highest support in the EU and it has been renewed for 2025.[10]

Similarly, the PRTR funds subsidies for the energy renovation of buildings for individuals. Subsidies can fund 40% of the cost, up to 3,000 €, for actions reducing heating demand by at least 7%, or lowering energy consumption by at least 30%. Additional support also exists for the installation of heat pumps, energy storage and the installation of renewable thermal systems (although these are limited to innovative projects and not open to individuals).[11]

4.2. Public procurement strategy favoring green products and local content requirements

Public procurement is not central in the National Industrial Strategy but does nonetheless play a role through other pieces of legislation. The 2017 Law for the Contracts in the Public Sector includes specific articles on the inclusion of environmental aspects related to the object of the contract with the inclusion of a life-cycle analysis as a possible criterion of alternative profitability (art. 146) and the incorporation of special conditions of environmental nature (art. 202). The National Strategy for Public Procurement 2023-2026 (which also applies to regional governments' administrations) published in February 2023 sets the objective of clarifying and developing the use of these environmental criteria, whose interpretation (according to the document) has led to legal insecurity. It therefore recommends the production of guides, catalogues and the professionalization for public procurement environmental conditions. In that respect, the Ministry of Ecology has published in September 2023 a Manual for the "Ecologic Public Contract" directed to the general public administration.

[10] For details about the measure see the dedicated page on the European Alternative Fuels Observatory (see also this article for comparison with other European countries).

[11] Programa de Incentivos de proyectos innovadores de energías renovables y almacenamiento, así como de sistemas térmicos renovables available on the website of the IDAE.

4.3. Regulation and norms favoring green industries

Spain relies on European regulation on products. To our knowledge, there were no notable additional Spanish initiatives to reinforce regulation in order to support specific green industries. The PRTR was complemented by new regulation aimed at simplifying and accelerating the administrative proceedings for the development of renewable energy projects. The REPowerEU chapter in the PRTR cites 8 key simplification Royal Decrees for the acceleration of RE projects in Spain (pp. 12-13). These were complemented with the development of the prosumer and energy communities' status in Spain.

5. LABOR AND SOCIAL POLICIES FOR A JUST INDUSTRIAL TRANSITION

Spain has produced in 2020 a National Strategy for Just Transition, to be updated every 5 years.[12] The strategy is also part of the PRTR with a dedicated component (component 10) providing 300m€ for the Just Transition Strategy. The strategy defines 8 axes of measures for a just transition and proposes large sub-actions (such as "measures for the renovation and improvement of energy efficiency in buildings belonging to the General State Administration") in line with the support to sustainable transition. The strategy relies on the definition of "Just transition agreements" that aim to propose a comprehensive territorial action plan based on objectives and criteria of the Just Transition Strategy.[13] They focus on territories negatively affected by the green transition (mostly former coal mining areas or localities with coal power plants). Just transition strategy also leverages other instruments of the PRTR through bonuses for investments located in just transition areas. The overall implementation of this strategy is conducted by the Institute for Just Transition (ITJ) which is responsible for developing these agreements with regional and local governments and allocating subsidies. There are currently 15 contracts of just transition including 197 municipalities and 8 regional governments.

This strategy first materialized through the signing of an agreement on coal phase out with companies and trade unions. The three parties (government, companies and trade unions) entered a social dialogue and committed to specific actions. Agreements were signed for two sectors: coal mining activities, with the last mine closed in 2018, and the coal power plant companies. For the latter, negotiations were particularly successful, involving companies in the definition of just transition projects. For coal mining activities, some companies declared themselves in bankruptcy, and in consequence did not fulfill their obligations in terms of environmental restoration and just transition (depollution,

[12] Article 27 of the Ley 7/2021, de 20 de mayo, de cambio climático y transición energética.

[13] España, 4 años avanzando en una transición energética justa, Ministerio para la transicion ecologica y el reto demografico, May 2023.

relocation of workers). Our interviews highlighted the importance of anticipation for the success of just transition strategies for the territories: the lack of anticipation by previous administrations allowed coal mining companies to exploit fossil fuels until declaring bankruptcy to avoid responsibilities, thus significantly increasing the burden for the State to compensate for the lack of operational companies that could be part of the solution.

Multiple instruments were used to incentivize just transition in Spain. First, any projects including investments in former coal mining areas received additional bonus points within PERTEs competitive tenders, which was an efficient incentive to direct investments towards these regions. Additionally, innovative programs were developed: the "just transition nodes". The principle of this program is to organize a competitive allocation of grid capacity to renewable energy projects for nodes where former coal-fired power plants injected electricity, based on "just transition criteria".[14] Projects that had a maximum impact on local employment opportunities were selected in priority. This mechanism was particularly successful with the example of a competitive allocation in Mudejar that led to more job creations than the former coal-fired power plant.[15]

6. TRADE AND INTERNATIONAL POLICIES SUPPORTING INDUSTRIAL POLICIES

6.1. Policies aiming at improving resilience and de-risk global supply chains

Spain has traditionally a very open economy and has therefore not been particularly active at taking steps for de-risking global supply chains. Overall, recent legislative developments have followed the European legislation: the first instruments for control of foreign investment were developed at the end of 2020 by the Real Decreto-ley 34/2020 (November 2020), in application of the European regulation 2019/452 on the Control of Foreign Direct Investment, that limits the investment of foreign stakeholders or European companies with at least 25% of share belonging to foreign stakeholder, taking more than 10% capital share in Spanish companies operating in strategic operation. This framework has been streamlined and simplified by the Real Decreto 751/2023 (July 2023) that aimed at shortening the administrative proceeding period (from 6 to 3 months) and better define the strategic sectors.

Regulation on export control for dual-use products has also been updated with the Real Decreto 414/2022 (May 2022), which adjusts the previous framework to the new European regulation 2021/821 on the export control for dual-use products and to the changes in situations due to Brexit.

6.2. Policies supporting internationalization of national industries

Similarly, Spain has not taken major steps for developing new value chains and securing access to critical raw materials. The roadmap for the sustainable management of mineral raw materials established in August 2022 cites the development of an "action plan for the import and export of mineral raw materials to help access foreign markets" (measure 35). The strategy of international action 2021-2024 (Apr. 2021) highlights this moderate role stating that the "Spanish external action will analyze the opportunities related to the new configuration of global value chains and the redefinition of commercial and industrial policies of the EU" (p. 53).

The Director Plan for the Spanish cooperation for sustainable development and global solidarity 2024-2027, despite promoting the ecological transition and the economic transition as 2 of the 3 main goals of international cooperation does not cite any initiative around the development of industrial activities in less developed economies.

[14] Informe-resumen de las Zonas de Transición Justa, Instituto para la trancision justa (abril 2025).

[15] See the communication about the Mudéjar just transition node.

Monteiro de Macedo, P., Berghmans, N., Kauffmann, C., Lévy, P. (2025). New industrial policies: lessons for the EU and the Clean Industrial Deal - Case study: New industrial policy in Spain. IDDRI, *Note*.

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