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Observatory on
Policy, Industry, Europe

European Industrial Policy Monitor

n.03, December 2025

Industrial policy has returned to the centre of Europe's economic and political agenda.
EU and national programmes, regulations, investments and trade measures are reshaping production systems and the scope of public action in the economy.
Promoted by the LUISS Centre on European Policy and Analysis (LEAP) and its Observatory on Policy, Industry, Europe (PIE), the European Industrial Policy Monitor tracks these developments each month, focusing on major policy decisions, funding instruments and strategic initiatives at both EU and national levels. It also bridges policy practice and industrial strategy with academic research and expert analysis in order to support an informed debate on the transformation of Europe's industrial landscape.

This issue is curated by Greta Micol Narsini and Michele La Bella under the supervision of LEAP and PIE at Luiss University of Rome.

European Industrial Policy in November 2025

EU – APPROVAL OF €450 MILLION CZECH AID FOR NEW CHIPMAKER FACILITY OPERATED BY ONSEMI

The European Commission gave the go-ahead for Czechia to grant €450 million in direct aid supporting Onsemi's new integrated Silicon-Carbide (SiC) power-chip manufacturing plant in Rožnov pod Radhoštěm. The facility, expected operational by 2027, will boost Europe's supply of semiconductors critical for EVs, renewable energy, and industrial electrification, strengthening EU technological autonomy.

European Commission

EU – AGREEMENT ON COORDINATED DEFENCE-INDUSTRY INVESTMENTS UNDER EUROPEAN DEFENCE INDUSTRY PROGRAMME (EDIP)

On 5 November 2025, the Council of the European Union and the European Parliament reached a provisional agreement enabling faster, coordinated investments in the European defence technological and industrial base (EDTIB) by amending five EU regulations. The co-legislators agreed to extend EU financial support within Horizon Europe to dual-use and defence-related companies. In addition, co-legislators agreed to associate Ukraine to the European Defence Fund

European Commission

EU – COMMISSION ANNOUNCES €2.9 BILLION INVESTMENTS TO BOOST NET-ZERO TECHNOLOGY PROJECTS

On November 3, 2025, the European Commission announced a total of €2.9 billion in funding to 61 cutting-edge net zero technology projects. The selected projects span 19 industrial sectors, 18 countries and different scales. The focus is on energy-intensive industries, renewable energy and energy storage, net-zero mobility and buildings, cleantech manufacturing and industrial carbon management.

European Commission

EU – CLEAN TRADE PARTNERSHIP SIGNED WITH SOUTH AFRICA

On 20 November 2025, the EU and South Africa signed the Clean Trade and Investment Partnership (CTIP), a flagship instrument under the EU's Clean Industrial Deal. The CTIP aims to align the EU's competitiveness and decarbonization goals with South Africa's localization and green industrialization strategy. In order to do so it will mobilize both public and private financing (including EIB funds) under the Just Energy Transition Partnership.

Directorate-General for Trade and Economic Security

European Industrial Policy in November 2025

EU – €600 MILLION EU FUNDING FOR CLEAN TRANSPORT INFRASTRUCTURE

The European Commission approved €600 million in grants for 70 projects under the Alternative Fuels Infrastructure Facility, accelerating deployment of zero-emission transport infrastructure across 24 countries. The large-scale investment will speed the roll-out of electric charging, hydrogen fueling and green ports in line with EU climate goals, boosting competitiveness in the shift to net-zero mobility.

European Climate, Infrastructure and Environment Executive Agency

SPAIN - €700 MILLION STATE-AID SCHEME FOR CLEAN-TECH MANUFACTURING CAPACITY

The Commission approved on 6 November 2025 a Spanish scheme offering up to €700 million in grants to support new manufacturing capacity for net-zero technologies (batteries, electrolysers, components, etc.). This marks a major push for Spain's industrial capacity in clean technologies, aligning with the EU's broader decarbonisation and competitiveness agenda.

European Commission

CHINA'S CATL AND STELLANTIS BREAK GROUND ON SPANISH GIGAFACTORY

On 26 November, Europe's second-largest carmaker Stellantis and Chinese EV battery giant CATL began construction of a €4.1bn battery gigafactory in Aragón, Spain. The project, expected to create 4,000 jobs, is backed by over €300 million in EU funding and Spanish subsidies.

Euronews

FRANCE – THE COUNTRY SECURES €9.2 BILLION IN NEW INDUSTRIAL INVESTMENTS

At a special "Choose France" summit in Paris, companies pledged €9.2 billion of new investments in France despite domestic political turmoil. The biggest single investment came from French utility EDF and OpCore, a joint venture between telecoms group Iliad and InfraVia Capital Partners, who have begun exclusive negotiations to develop a hyperscale data centre worth 4 billion euros. Other tech firms committed billions for supercomputing and cloud facilities.

Reuters

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Headline Analysis

European Commission announced €2.9 billion investments to boost net-zero technology projects

In November 2025, the European Commission announced the allocation of €2.9 billion from the Innovation Fund to support 61 net-zero technology projects across the European Union. Financed through revenues from the EU Emissions Trading System (EU ETS), the initiative represents one of the largest funding rounds under the Fund since its creation and underscores the EU's strategy of recycling carbon-pricing revenues into climate-oriented industrial investment.

The scope of the measure is broad, covering 19 sectors in 18 Member States and targeting technologies ranging from renewable energy and energy storage to industrial decarbonization and clean mobility. According to Commission estimates, the supported projects could reduce emissions by around 221 million tons of CO_2 equivalent over their first ten years of operation, contributing to the EU's long-term climate-neutrality objective. At the same time, the strong oversubscription of the call, with applications far exceeding available resources, highlights both the growing maturity of clean-tech proposals and the structural gap between investment needs and public funding capacity.

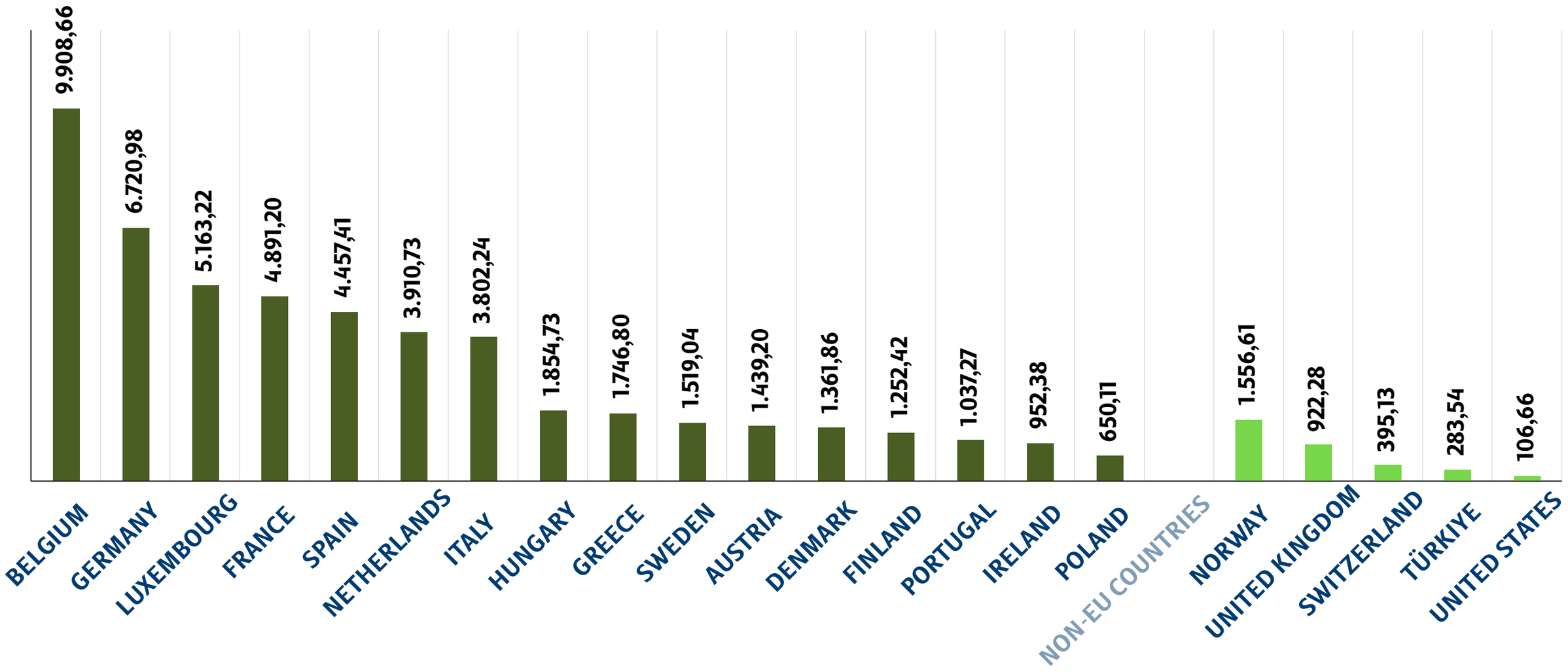
From a policy perspective, the initiative illustrates the EU's increasing reliance on financial instruments to steer the green transition, complementing regulatory standards with targeted investment support. The Innovation Fund's competitive selection process – based on emissions-reduction potential, technological maturity, scalability, and cost efficiency – aims to prioritize projects most likely to deliver measurable climate impact. However, this project-based approach also raises questions about geographical concentration and sectoral balance, as more advanced industrial ecosystems may be better positioned to absorb funding than less-developed regions, potentially reinforcing existing disparities within the single market.

In terms of expected effects, the Commission frames the investment as a catalyst for scaling up strategic net-zero technologies and crowding in private capital. Yet the actual contribution to EU competitiveness will depend on factors beyond grant allocation, including permitting timelines, access to skilled labor, and coherence with national support schemes. Moreover, reliance on ETS revenues introduces a degree of financial uncertainty, as future funding volumes remain sensitive to carbon-price fluctuations and market conditions.

Overall, the funding decision strengthens the EU's role as an active investor in climate-critical technologies and signals continuity with broader industrial and climate strategies. At the same time, it illustrates the ongoing challenge of translating sizeable but finite public resources into systemic transformation, raising implementation and distributional questions that will shape the long-term effectiveness of the Innovation Fund as a pillar of EU climate policy.

Numbers
Horizon Europe Funding Distribution

Horizon Europe Beneficiary's contracted amount EUR million (2021-2024)



Horizon Europe is the Union's flagship framework programme for research and innovation, with a total budget of EUR 93.5 billion for 2021–2027. The graph shows the cumulative amount of Horizon Europe funding contracted with legal entities—such as universities, public research organisations, companies, hospitals, NGOs and public bodies—legally established in a country.

Funding is highly concentrated among a limited number of countries. Belgium is the largest beneficiary, reflecting the presence of EU institutions and major European-level research infrastructures that often coordinate multinational projects. Luxembourg displays a similar pattern, with very high contracted amounts relative to its size due to EU-oriented organisations headquartered there. Germany and France follow as the two largest national research systems, with approximately EUR 6.7 billion and around EUR 5 billion respectively. Spain and the Netherlands exceed EUR 4 billion, while Italy remains among the top beneficiaries with around EUR 3.8 billion. Participation is not limited to EU Member States: associated countries can access Horizon Europe funding, mainly for collaborative projects addressing major societal challenges such as the green and digital transitions. Norway, the UK, Switzerland and Turkey are among the main non-EU beneficiaries, while the United States records only marginal contracted amounts, reflecting more limited eligibility.

Overall, the graph highlights both the openness of Horizon Europe and persistent asymmetries in participation across countries, shaped by differences in institutional capacity and integration into transnational research networks. To address these asymmetries and simplify procedures, the European Commission has proposed a budget of EUR 175 billion for the Horizon Europe Framework Programme for 2028–2034.

Source: PIE elaboration of data from the European Commission, Directorate-General for Budget – Financial Transparency System (dataset "Financial Transparency System data from 2021 to 2024", accessed December 2025).

Recommended Reading

HOW DO COUNTRIES SHIFT THEIR EXPORT SPECIALIZATION? THE ROLE OF TECHNOLOGICAL CAPABILITIES AND INDUSTRIAL POLICY IN IRELAND, SPAIN AND SWEDEN (1995–2018)

Socio-Economic Review, Oxford University Press.

by Guendalina Anzolin, Chiara Benassi (2024)

This article contributes to the growth model and Comparative Political Economy literature by examining how industrial policies shape long-run shifts in national export specialization through the development and reconfiguration of sectoral technological capabilities. The article argues that industrial policy choices are not driven by politics alone: they are also constrained and enabled by pre-existing sectoral technological capabilities, understood as learning and innovation capacities embedded in firms, workers, and organizational routines. These capabilities are path-dependent but not deterministic. Their successful transformation depends on interdependence mechanisms and spillovers across sectors, particularly those generated by so-called "elevator sectors" which foster innovation and productivity gains creating deeper linkages across the broader economy.

Using OECD TiVA data (1995–2018), the authors map export structures for eight Western European countries, distinguishing between high and low-technology manufacturing industries and knowledge-intensive services (KIS) and less KIS. While most countries experienced an expansion of KIS, patterns of structural change differ markedly. The paper specifically focuses on the export transformations of Ireland, Spain and Sweden. In Ireland and Sweden, industrial policies largely reinforced continuity with pre-existing capabilities, enabling transitions toward higher value-added sectors. In Spain, by contrast, limited manufacturing capabilities constrained upgrading, leading the state to pursue a service-led trajectory centered on telecommunications while manufacturing was partially downgraded along value chains. Overall, the findings demonstrate that industrial policies can alter export specialization by deepening existing capabilities or fostering new ones, but always within constraints imposed by historical capability endowments.

WHY IT MATTERS

This article enriches current debates on European growth models by integrating industrial policy and technological capabilities into explanations of structural change. It shows that while coalitional politics remain central, technological path-dependence critically shapes what states can realistically achieve. For policymakers, the analysis underscores that successful industrial strategies require alignment between policy instruments and sectoral capabilities, as well as coordinated demand- and supply-side interventions. In the context of renewed European activism on industrial policy, the paper offers a nuanced framework to understand why similar policy ambitions produce divergent outcomes across countries.

Expert's view

EUROPEAN INDUSTRIAL POLICY IN 2025

CONSOLIDATION, ACCELERATION, AND OPEN QUESTIONS

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By 2025, European economic policy no longer merely reflects a return of public intervention: it decisively confirms and consolidates a trajectory that began more than a decade ago. What distinguishes the current phase is not the novelty of public intervention, but its scale, persistence and institutional normalization. After fifteen years marked by successive shocks, state intervention has ceased to be exceptional or temporary. Even as emergency frameworks introduced during Covid and the energy crisis are formally wound down, public action in the economy continues to expand, becoming a stable feature of the European economic landscape.

This transformation is not limited to national governments. The European Union has increasingly assumed an active role as financier, coordinator and strategic planner. The boundary between regulation and intervention has blurred: public authorities now shape markets not only through rules, but also through ownership stakes, targeted subsidies, procurement, and industrial alliances. This marks a qualitative shift in the political economy of Europe, where public actors openly seek to influence production structures and trajectories.

The global context reinforces this trend. In the United States, large-scale industrial policies launched under previous administrations, most notably in semiconductors and clean technologies, have not been completely dismantled but reoriented. Further, they have been complemented by a more assertive and explicitly geopolitical approach under the Trump administration, which has coupled (partial) domestic industrial support with an aggressive use of tariffs and tariff threats. Industrial policy, trade policy and national security considerations are now tightly intertwined. This evolution has strengthened the perception, in Europe, that market openness alone is no longer sufficient to safeguard economic interests in a world of power-driven competition.

Against this backdrop, the European Union's industrial strategy has evolved less as a reaction to a "race" and more as a response to structural vulnerabilities. The relaxation of state aid rules in key sectors reflects a political judgment: certain strategic investments might not occur at the

Expert's view

necessary scale or speed without public support. At the same time, this flexibility has accentuated long-standing asymmetries. The overwhelming majority of industrial subsidies still originate at national level, enabling fiscally stronger member states to intervene far more forcefully than others. The result is a persistent tension between national industrial activism and the integrity of the single market.

This tension has not yet been resolved. While EU-level initiatives and coordination mechanisms have expanded, they remain limited relative to national efforts. The debate over common financing instruments, shared debt, and genuinely European industrial projects has intensified but remains politically contested. As a consequence, Europe's industrial policy architecture appears ambitious in its state objectives but incomplete.

Trade policy developments in 2025 further underline this transitional moment. The use of trade defense instruments has intensified. At the same time, the EU has actively pursued and concluded new preferential trade agreements, particularly with partners in the Global South. These agreements serve a dual purpose: mitigating exposure to hostile trade actions while securing access to critical raw materials, energy sources and growing markets. Trade policy has thus become an integral component of industrial policy, rather than a separate domain governed solely by efficiency considerations.

Regulatory policy has also undergone recalibration. By the end of 2025, the European Commission initiated reviews of several regulatory frameworks, including elements of the Green Deal. This does not signal a retreat from climate objectives, but rather an attempt to reconcile environmental ambition with industrial feasibility. Despite uneven reactions to these initiatives, particularly from environmentally-conscious groups, they show growing concern that regulatory overload may undermine competitiveness.

Underlying all these developments is a broader thrust: reducing excessive dependencies and strengthening Europe's capacity to act autonomously in critical sectors, from defense to digital infrastructure and energy. Strategic autonomy has moved from an abstract concept to an operational objective, yet still politically and institutionally unfinished. Europe is, in effect, midstream: past the point of return to a purely market-led model, but not yet equipped with a fully coherent framework capable of aligning competitiveness, cohesion and strategic ambition. The central political question ahead is no longer whether to intervene, but how to govern intervention in a way that preserves unity within the Union while responding to an increasingly contentious global economy.