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The Competitiveness Coordination Tool



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Introduction

Across the European Union (EU), an increasing number of countries are adopting national industrial policies to respond to the dual challenges of competitiveness and the green transition. Germany's subsidy spree to attract chip manufacturing, France's green innovation plans and Sweden's low-carbon manufacturing hubs are just a few examples. However, the lack of EU-level coordination of these national initiatives can lead to inefficiencies and have negative cross-border effects, creating growing challenges at EU level from the fragmentation and duplication of industrial policies. Working in coordination as a unified bloc can also make the EU more competitive on the global stage, where larger countries like the US and China are currently much bigger players than individual EU Member States.

Current coordination tools for industrial policy, such as the Important Projects of Common European Interest (IPCEIs) and the EU Industrial Strategy, have improved collaboration, but remain too limited in scope to manage today's interconnected industrial landscape, ensure collective resilience and tackle external challenges. Promoting greater long-term competitiveness in the EU will require deeper integration and coordination across Member States.

The competitiveness agenda has been put at the centre of the current European Commission (2024–2029). It builds on the Draghi Report on

EU Competitiveness¹ published in the summer of 2024 and the Competitiveness Compass adopted in January 2025. In the Compass, the European Commission defines its vision of European competitiveness; one that will ensure the EU's capacity to raise productivity growth and ensure high living standards and strategic autonomy in a rapidly evolving and challenging global landscape. This concept extends beyond the traditional focus on cost-based competition and emphasises the need for innovation, investment, resilience and industrial strength – particularly in green, digital and other key critical sectors – to secure Europe's future.²

In the pursuit of greater competitiveness, addressing overlapping investments, supply chain dependencies and growing external competition requires a stronger, institutionalised coordination mechanism capable of aligning national industrial policies, pooling strategic resources and reinforcing Europe's capacity to act as a unified industrial power on the global stage.

As such, the Compass will include a Competitiveness Coordination Tool (CCT) in order to “join forces to maximise impact”.³ The CCT will aim to ensure the implementation at EU and national levels of shared EU policy objectives. Under the new Multiannual Financial Framework, it will be supported by the EU Competitiveness Fund, which will join funding from

¹ Draghi, M. (2024). *The future of European competitiveness: A competitiveness strategy for Europe*. https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

² SWD(2025) 556 final. Commission Staff Working Document. *Executive summary of the impact assessment report on the European Competitiveness Fund*. European Commission. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025SC0556&qid=1753802512014>.

³ COM(2025) 30 final. Communication from the Commission. *A Competitiveness Compass for the EU*. European Commission. https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en?filename=Communication_1.pdf.

multiple existing EU financial instruments to boost financial support for research, innovation, development and deployment of strategic technologies in Europe.⁴

While discussing coordination, there is a clear **question of leadership**. Some priorities should be set at national or even regional level for a bottom-up approach, while top-down coordination can be more effective in aligning, balancing and gaining an overview of those priorities. Effective prioritisation requires leadership at national level to determine regional and sectoral priorities, and develop policies and strategies for them. Effective coordination requires strong leadership from the EU to balance the objectives as described in the section above. The challenge is to enforce EU-level strategies and strategic priorities while acknowledging that Member States have priorities of their own that may not align perfectly within an EU-wide approach. Balancing the competencies of the EU as an institution with the needs of the EU as a bloc is no simple task, but increased coordination from the EU can help mitigate some of the shortfalls of uncoordinated policies like fragmentation, duplication and inefficiencies.

This paper outlines what the CCT could look like if a multilevel governance process was adopted and synergies were created using existing tools and processes to ensure the best possible outcomes for industries, workers, the EU and its Member States.

⁴ COM(2025) 570 1. Communication from the Commission. *A dynamic EU budget for the priorities of the future: The Multiannual Financial Framework 2028–2034*. European Commission. https://commission.europa.eu/publications/multiannual-financial-framework_en.

Why is coordination important

The need for coordination is at the heart of the EU construction. 75 years ago, Robert Schuman proposed the European Coal and Steel Community to ensure long-lasting peace and stability on the European continent and “provide all the member countries with the basic elements of industrial production on the same terms, [to] lay a true foundation for their economic unification”.⁵ Economic cooperation was strengthened over time to become today’s European Union and its Single Market. Since 1957, EU industrial capacity has evolved far beyond the production of coal and steel, and its membership has grown, adding new Member States and their many regions.

Enrico Letta’s 2024 report, ‘Much more than a Market’, demonstrates that there is still considerable untapped potential for European integration, which could further strengthen industrial competitiveness. One of the pathways is through greater cross-border coordination and collaboration across countries, sectors and disciplines.⁶ Further enhancing coordination between regions, nations and EU institutions will help to make the most of synergies within the Single Market, break down silos, address market failures and help the EU to act as a unified economic bloc, as Schuman proposed, rather than as fragmented

markets. Additionally, with enhanced coordination and a strategic steer to guide industrial policy across the EU, industries and governments can pool resources and knowledge to better respond to emerging challenges, enhancing their resilience and technological sovereignty. In recent years, Europe’s coordinated response to the energy crisis showed the EU’s capacity to rise as one when faced with a common challenge, leading to investment and the modernisation of the EU’s energy infrastructure.⁷

The added value of EU-level coordination

For this coordination to be effective and lawful, it must happen in line with the principles of subsidiarity and proportionality. The principle of subsidiarity (defined in the Treaty of the European Union) states that decisions should be taken at the level of government that is as close as possible to the citizen⁸ and that the Union should only act when Member States cannot achieve their objectives on their own, ensuring that action at EU level delivers true added value.⁹ Enabling the necessary coordination to strengthen efforts between goals, between countries and between sectors is

⁵ European Union. (n.d.). *Schuman Declaration May 1950*. https://european-union.europa.eu/principles-countries-history/history-eu/1945-59/schuman-declaration-may-1950_en.

⁶ Letta, E. (2024). *Much more than a market: Speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*. <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

⁷ Letta, E. (2024). *Much more than a market: Speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens* (p. 62). <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

⁸ EUR-Lex. (n.d.). *Principle of subsidiarity*. European Union. <https://eur-lex.europa.eu/EN/legal-content/glossary/principle-of-subsidiarity.html>.

⁹ European Parliament. (n.d.). *The principle of subsidiarity*. Fact Sheets of the European Union. <https://www.europarl.europa.eu/factsheets/en/sheet/7/subsidiarity>.

one of the long-term potential benefits of EU action.¹⁰ At the same time, acting with respect to subsidiarity is more efficient, as EU capacities are not infinite, and Member States are better placed to know their own unique strengths and priorities.

In the case of industrial policy, many competitiveness challenges, such as energy security and supply chain resilience, are transnational in nature and justify the need for EU collaboration and coordination. For example, with regard to the transition towards renewable energy sources, an interconnected energy grid infrastructure helps balance variable production, reduce system costs and attract investment.¹¹ This prompted the EU to set an interconnection target for Member States.¹²

Regional and local governments often do not have structures and fora in place to coordinate across national boundaries to address transnational issues. A coordinated, transnational response that matches the EU's ambition on competitiveness is unlikely to be achieved by Member State action alone. Only coordination at EU level can ensure a strategic, pan-European overview that makes the most of national and regional strengths, and enhances synergies between policy goals.

Coordination at EU level would also reduce the fragmentation of resources and efforts, and facilitate knowledge exchange between Member States and sectors, from fundamental research to businesses.¹³ Additionally, several EU-level strategies and tools already exist to coordinate and support EU industries. However, these efforts also tend to work in siloes, focusing on

different policies, and are implemented and monitored within different Directorate Generals (DGs).¹⁴ The CCT could link these initiatives, acting as a centralised coordination structure to ensure horizontal as well as vertical coordination.

For all these reasons, the response to boost competitiveness needs to be coordinated at EU level to be truly effective. A multilevel governance approach can ensure that this coordination is successful while remaining in line with the principle of subsidiarity, and leaving national governments to decide on priorities and implement policies in line with their own national contexts.

¹⁰ European Parliamentary Research Service. (2023). *Mapping the cost of non-Europe report: Theoretical foundations and practical considerations*. European Parliament. [https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747436/EPERS_STU\(2023\)747436_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2023/747436/EPERS_STU(2023)747436_EN.pdf).

¹¹ COM(2025) 570 final. Communication from the Commission. *A dynamic EU Budget for the priorities of the future – The Multiannual Financial Framework 2028–2034*. European Commission. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52025DC0570&qid=1753978048542>.

¹² European Commission. (n.d.). *Electricity interconnection targets*. Retrieved on October 31, 2025, from https://energy.ec.europa.eu/topics/infrastructure/electricity-interconnection-targets_en.

¹³ European Commission. (2024). *Science, research and innovation performance of the EU 2024: A competitive Europe for a sustainable future*. Directorate General for Research and Innovation. European Commission. <https://apre.it/wp-content/uploads/2024/07/SRIP-2024.pdf>.

¹⁴ Bertram, L., Hafele, J., Kiecker, S., & Korinek, L. (2024). *A unified industrial strategy for the EU: Industrial policy recommendation to promote decarbonisation, competitiveness and cohesion in Europe* (p. 27). The Foundation for European Progressive Studies. <https://feps-europe.eu/wp-content/uploads/2024/12/A-unified-industrial-strategy-for-the-EU.pdf>.

What to coordinate

The EU faces many interconnected systemic challenges; while striving to increase its competitiveness in global markets, it is also facing geopolitical tensions, demographic shifts, social and regional inequalities, and the need to deliver a green and just transition. Successfully addressing these challenges will only be possible if the EU acts together, with coordinated national industrial strategies that reinforce, rather than undermine, each other. Coordination can ensure coherence, avoid fragmentation, and maximise collective strengths. This would require the coordination of three different dimensions: between policy objectives, between Member States, and between sectors.

Coordination between policy objectives

To ensure long-term competitiveness, the EU should not focus on price and cost competitiveness, such as cutting costs or reducing wages. Research shows that focusing on technological competitiveness (competing on quality) rather than cost competitiveness (competing on costs) is much more effective in ensuring long-term prosperity.¹⁵ Cost competitiveness can only lead to a race to the bottom that would be unsustainable, counterproductive (as poor quality can carry reputational risk) and incompatible with

delivering high standards of living for European workers. EU industries have traditionally been more successful in competing on quality rather than on prices¹⁶ and should continue to build on this strength. By fostering quality differentiation, the EU can also achieve greater diversification of its production,¹⁷ which helps make supply chains more resilient.

When coordinating on competitiveness in this context, multiple objectives must be pursued simultaneously. First, productivity and innovation are crucial for competing on quality. They enable firms to continuously improve products, processes and services, building competitive advantages and capturing market share away from lower-cost competitors. Second, advancing the green transition is an important condition and mutually reinforcing objective of the competitiveness agenda, as addressing environmental destruction represents both an existential challenge and an opportunity for EU economies.¹⁸ A successful green transition will give Europe a strong long-term competitive advantage on the global playing field. Additionally, the EU's goal of strategic autonomy is relevant as the EU can only be competitive when critical supply chains are secured and dependencies reduced. The EU's dependence on Russian gas exemplified this challenge, and the importance of this objective was demonstrated

¹⁵ Dosi, G., Grazzi, M., & Moschella, D. (2015). Technology and costs in international competitiveness: From countries and sectors to firms. *Research Policy* 44(10), pp. 1795–1814. <https://www.sciencedirect.com/science/article/abs/pii/S004873315000888>.

¹⁶ Varnavskii, V. G. (2025). International competitiveness of the European Union's high-tech sector. *Sovremennaya Evropa*, 3(131), 43–55. <https://rjraap.com/0201-7083/article/view/689106>.

¹⁷ Schetter, U. (2024). Quality differentiation, comparative advantage, and international specialisation across products. *European Economic Review*, 170, 104869. <https://www.sciencedirect.com/science/article/abs/pii/S0014292124001983>.

¹⁸ EU CO 18/25. Note from the General Secretariat of the Council to the Delegations. *European Council meeting (23 October 2025) – Conclusions*. European Council. <https://www.consilium.europa.eu/media/d2nhnqso/20251023-european-council-conclusions-en.pdf>.

when Russia invaded Ukraine in 2022. Finally, though this is not an exhaustive list, social and regional cohesion is another objective connected to competitiveness. To be competitive globally, the EU needs to untap the potential of all its regions, invest in the education and skills of people living in those regions, and reduce inequality to foster internal demand for strategic industries.¹⁹

These objectives – extending from the necessities identified in the Draghi report – are interdependent and interrelated, and can have both positive and negative effects on each other.²⁰ Synergies can be found and enhanced where policy objectives can support each other. For example, supporting innovation through research and development can drive the green transition by generating new green solutions, such as renewable energy technologies. At the same time, possible trade-offs should be mitigated. Exploiting the low prices of importing green technologies from outside the EU can accelerate the green transition, but at the same time can deepen geoeconomic dependencies.

A one-dimensional prioritisation of goals will only enhance the risk of harmful trade-offs while failing to harness and enhance potential synergies. Coordinating policy objectives helps address duplication and fragmentation across policy domains, ensuring that industrial, social and environmental goals reinforce rather than contradict each other. This alignment would create clearer signals for innovation and investment by targeting shared priorities. To make the most of the possible synergies, and to find and mitigate the possible trade-offs as much as possible, the CCT should provide a platform to map, align and balance goals and objectives across EU industrial policies.

Coordination between Member States

Twenty-seven separate strategies for national competitiveness and industrial policy risks fragmentation, duplication of effort and inefficiencies. While respecting national specificities and the principle of subsidiarity, the CCT should serve as a common strategic platform to guide national strategies. EU-level coordination will generate significant benefits that will enhance the EU's overall competitiveness and strengths, by ensuring its Member States make the most of their own.

Without additional EU coordination, national initiatives will continue to have a fragmented and insufficient impact. This is particularly true, for example, in breakthrough technologies, which require substantial public investment and have large cross-border spillover effects. Unilateral industrial policies can harm trading partner countries through the impact of trade prices and even result in adverse effects on the country that implemented the policy.²¹

EU-level coordination would help mitigate these risks and strengthen the industrial capacities of Member States by creating economies of scale, where Member States can pool resources to achieve a critical mass in research and development, industrial projects and infrastructure (see section on TEN-E and IPCEIs below). This would also create efficiency gains by reducing overlaps between national initiatives as well as enhancing complementarities between them, such as strengthening value and supply chains between countries.

As a whole, this approach would also strengthen the EU as a bloc. Working in coordination would support internal cohesion, preventing subsidy

¹⁹ Rodríguez-Pose, A., & Dijkstra, L. (2024). *Cohesion and the competitiveness challenge in the EU* (JRC Working Paper Series for a Fair, Innovative and Sustainable Economy, No. 04/2024). European Commission, Joint Research Centre.

²⁰ Bertram, L., Hafele, J., Kiecker, S., & Korinek, L. (2024). *A unified industrial strategy for the EU: Industrial policy recommendation to promote decarbonisation, competitiveness, and cohesion in Europe* (p. 27). The Foundation for European Progressive Studies. <https://feps-europe.eu/wp-content/uploads/2024/12/A-unified-industrial-strategy-for-the-EU.pdf>.

²¹ Hodge, A., Piazza, R., Hasanov, F., Li, X., Vaziri, M., Weller, A., & Wong, Y. C. (2024). *Industrial policy in Europe: A single market perspective* (IMF Working Paper No. WP/24/249). International Monetary Fund, European Department.

races and policy divergences that undermine the Single Market on which the EU was founded. This would also put the EU in a stronger global position, as it could operate more strongly as a bloc to enhance bargaining power on the global stage.

Coordination between sectors

Challenges to competitiveness cut across entire value chains, not just single industries. By focusing solely on single industries in a siloed manner, blind spots could emerge around possible trade-offs between sectors, or around synergies that could mutually strengthen them. Competitiveness depends on the interconnections within the system, and these interconnections need to be seen, understood and maximised as much as possible. For example, decarbonising the automotive sector requires coordination with the energy production and storage, raw material and digital sectors. By working in coordination through these sectors that make up the automotive supply and value chains, sectors can ensure they have the supplies and skills they need to enhance efficiency.

The CCT should encourage a whole-of-supply-chain approach. This approach would help identify bottlenecks and dependencies along the supply chains, allowing for better mitigation of these bottlenecks. Connected to the point above regarding cross-Member State coordination, this would also help to identify which regions can contribute which skills, supplies and other strengths to support cross-border supply chains. This approach can also support cross-sectoral innovation ecosystems by linking complementary capabilities across industries and facilitating knowledge transfer. Finally, this approach will strengthen the EU's resilience, and thus also its competitiveness, by linking upstream, midstream and

downstream sectors in EU policy design. Taking the example of the automotive industry, this could look like coordinating battery production, electric vehicle assembly and charging infrastructure deployment across Member States to ensure a seamless and robust value chain.

Considering all of the above, the CCT must function as a bridge across goals, countries and sectors. As Mario Draghi emphasised in his report on the future of European competitiveness, this requires prioritising strategic sectors that merit targeted policy support.²² Hafele et al. (2024)²³ and Humphreys et al. (2025)²⁴ have illustrated practical approaches for identifying and selecting such sectors. The next chapter outlines some important governance tools and processes to ensure the CCT can enable such an approach and reconcile the different and potentially competing objectives and interests of policy goals, countries and their regions, and sectors.

²² Draghi, M. (2024). *The future of European competitiveness: A competitiveness strategy for Europe*. https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

²³ Bertram, L., Hafele, J., Kiecker, S., & Korinek, L. (2024). *A unified industrial strategy for the EU: Industrial policy recommendation to promote decarbonisation, competitiveness and cohesion in Europe* (p. 27). The Foundation for European Progressive Studies. <https://feps-europe.eu/wp-content/uploads/2024/12/A-unified-industrial-strategy-for-the-EU.pdf>.

²⁴ Humphreys, C., Schneider, E., & Henry, C. (2025). *The Competitiveness Coordination Tool: How to make better choices in clean industrial policy*. Institute for Climate Economics. <https://www.i4ce.org/en/publication/competitiveness-coordination-tool-how-make-better-choices-clean-industrial-policy-climate/>.

Governance of the CCT

To effectively coordinate between policy objectives, Member States and sectors, the CCT will need a clear and comprehensive governance structure that is capable of balancing all the needs and interests of these different aspects. Such governance should be multilevel, working both bottom-up and top-down, as well as participatory, taking in the viewpoints and needs of the stakeholders who will be impacted and who are actors within industrial policy (namely trade unions, industry representatives and citizens).

Multilevel governance approach

Considering all that needs to be coordinated as outlined above, a multilevel governance approach to industrial policy can ensure that a long-term, strategic, pan-European perspective can be enhanced through vertical collaboration between regions, Member States, and the EU. The competence for prioritisation and implementation sits with the national level, with both regional and national contexts taken into account. Coordination by the EU would ensure broader cross-border collaboration and that EU strategies and long-term priorities are included in national and regional decision-making. This way, coherence and complementarity as well as mutual reinforcement of industrial policy objectives would be ensured. A multilevel governance framework can also support innovation and mutual learning in policy.

Coordination at EU level could be institutionalised in practice through a dedicated operational

unit with country- or industry-specific teams in place. The EU's Future Competitiveness task force in the Secretariat General of the European Commission, charged with translating the Competitiveness Compass framework into action,²⁵ could serve as a good example where such coordination of industrial policy could happen. This task force has been in place since February 2025 and is intended to interact with national authorities, industries and businesses, and thus would be well-placed to coordinate between sectors and Member States as outlined above. As it sits within the Secretariat-General, it is also in a good position to coordinate the DGs responsible for the EU's numerous policies relating to industrial policy.

The proposed EU level coordination can build on existing coordination efforts, such as TEN-E, IPCEIs and the European Semester (more on this in the next section). However, it is very important to establish and maintain a clear mechanism of bottom-up input (from regions to Member States and to the EU) and top-down coordination (from the EU to national governments and regions).

Information and data sharing between regions, Member States and the EU is also important for effective coordination. This could take the form of enabling Member States to notify the EU Commission about their national industrial initiatives with cross-border implications. For example, national plans for developing strategic industries such as nuclear, hydrogen, electric vehicles, biotech or aerospace would benefit from an assessment of cross-border implications,

²⁵ Pub Affairs Bruxelles (n.d.) *New Competitiveness Task Force set up to operationalise the Competitiveness Compass*. Retrieved on October 31, 2025, from <https://www.pubaffairsbrussels.eu/eu-institution-news/new-competitiveness-task-force-set-up-to-operationalise-the-competitiveness-compass/#:~:text=The%20Commission%20has%20established%20a%20new%20Task%20Force,announced%20last%20week%20by%20President%20von%20der%20Leyen.>

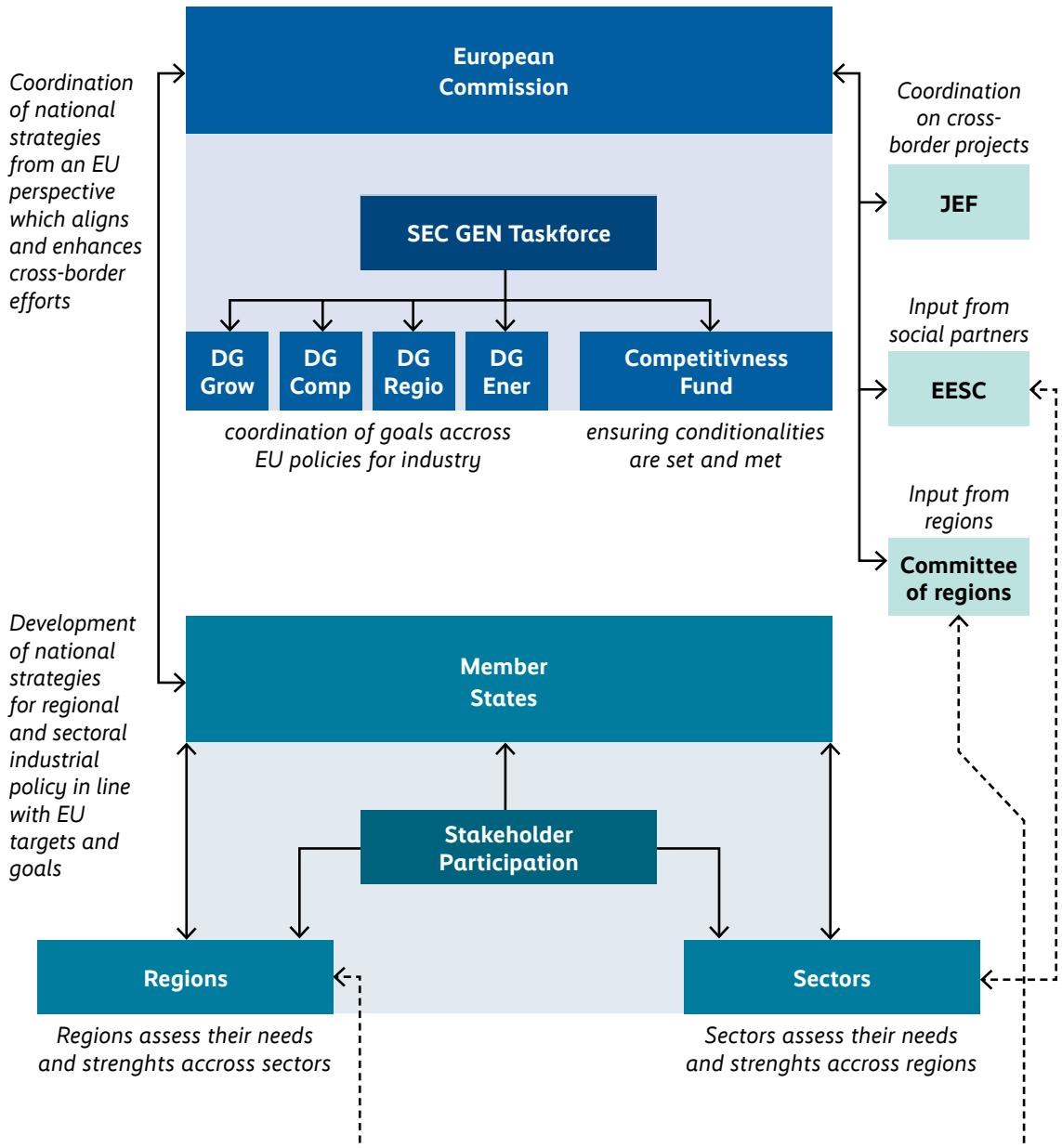
as well as information sharing between Member States and regions. The European Commission would help to ensure that the information and data sharing is performed in a coordinated way, which could help leverage potential synergies.

Stakeholder involvement

Industrial policy at all levels will impact many stakeholders in society: the citizens that live and work in European regions, the workers employed in the local industries, and the businesses that own

Governance of the CCT

Figure 1



and operate those industries. As they are all impacted by policy decisions, they should have a say in the decisions that will be made. They also all bring their own expertise and contextual knowledge to the discussion, which can in return help policymakers to shape these policies. An effective multilevel governance approach can be supported with the EU's existing practice of engaging stakeholders throughout the policy-making process. This would ensure comprehensive input and transparency, supporting effective and inclusive governance.

At regional and national level, public and targeted stakeholder consultations and stakeholder dialogues including labour and trade unions, business representatives, civil society and the public could be held to inform national priorities for industrial strategies. Member States would then communicate these priorities to the Commission to feed into the pan-EU strategy. To achieve this, the competitiveness task force would integrate the national priorities into this pan-EU strategy, which would take into account the different regional and national strengths²⁶ and priorities. Then the Committee of the Regions (CoR) could assess the regional perspective of the strategy at EU level, and the European Economic and Social Committee (EESC) could issue an opinion to assess how participatory the process has been.

The CoR represents the EU's local and regional authorities, ensuring their voices are heard and advising on EU regulation that will affect them.²⁷ The CoR could then issue a negotiated opinion for the Commission to review, one that reflects the views of the regions across Europe.

The EESC is composed of appointed members representing workers, employers and civil society

across all EU Member States. It provides a platform for them to represent their points of view on EU issues and policies.²⁸ The EESC is mentioned in the EU Treaties as a body that should act in an advisory capacity to assist the three EU institutions.²⁹ As the EESC represents these three types of interest groups across all 27 Member States³⁰, this is a well-established platform that can assist such multilevel governance for a pan-EU industrial strategy. Like the CoR, the EESC could then issue a negotiated opinion, to ensure that EU-level coordination represents the view of these different types of stakeholders.

Conditionalities

Conditionalities are an effective tool to align the industrial policies that the CCT will initiate with the various objectives it pursues. Conditionalities refer to requirements or criteria (e.g. reducing emissions or paying fair wages) that recipients of EU support (e.g. funding, state aid or regulatory benefits) must meet in order to access or retain that support. Setting these requirements and criteria in line with the overarching objectives that the CCT aims to coordinate ensures consistent alignment between EU objectives and Member State actions. For example, industrial sectors that are supported to promote strategic autonomy (e.g. steel production) could be required to reduce greenhouse gas emissions. This would allow the pursuit of two CCT policy objectives (in this case, strategic autonomy and decarbonisation) at the same time.

To maximise the effectiveness of conditionalities, they can be designed in a “progress-dependent” way.³¹ This means tying funding disbursement to

²⁶ Bertram, L., Hafele, J., Kiecker, S., & Korinek, L. (2024). *A unified industrial strategy for the EU: Industrial policy recommendation to promote decarbonisation, competitiveness and cohesion in Europe* (p. 27). The Foundation for European Progressive Studies. <https://feps-europe.eu/wp-content/uploads/2024/12/A-unified-industrial-strategy-for-the-EU.pdf>.

²⁷ European Committee of the Regions. (n.d.). *Our work*. Retrieved on November 27, 2025, from <https://cor.europa.eu/en/our-work>.

²⁸ European Economic and Social Committee. (n.d.). *About*. Retrieved on November 27, 2025, from <https://www.eesc.europa.eu/en/about>.

²⁹ Official Journal of the European Union. (2012, October 26). *Consolidated version of the Treaty on European Union (C 326/13)*. https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bf-a3f8-4ab2-b506-fd71826e6da6.0023.02/DOC_1&format=PDF.

³⁰ With 329 members, appointed for 5-year terms.

³¹ Hafele, J., Schneider, J., Schiefeling, M., & Hofmann, L. (2025). *Progress Over Promises - Rethinking direct public support through a progress-dependent conditionalities regime*. ZOE Institute for Future-fit Economies: Cologne. <https://zoe-institut.de/en/publication/progress-over-promises/>.

progress made towards social, environmental or economic goals. By rewarding the achievement of clear, measurable targets and milestones, public support becomes more effective by fostering a more outcome-driven, competitive and simple approach. The Commission has applied such a progress-dependent approach in the Recovery and Resilience Facility (RRF),³² which provides compensation for Member States implementing the reforms outlined in the European Semester.³³ The experience of implementing the RRF provides valuable lessons for establishing future progress-dependent performance regimes.^{5,34}

Without attaching conditionalities to industrial policies, there is a risk that these policies and their beneficiaries in the private sector will not contribute to the objectives the CCT aims to advance.

³² European Court of Auditors. (2025). *Performance-orientation, accountability and transparency – lessons to be learned from the weaknesses of the RRF*. https://www.eca.europa.eu/ECAPublications/RV-2025-02/RV-2025-02_EN.pdf.

³³ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R0241-20230301>.

³⁴ Begg, I., Liscai, A., Darvas, Z., Fiore, A., Krystyanczuk, M., Sekut, K., Bachtler, J., Kah, S., Mendez, C., & Van der Valk, O. (2025). *Performance-based instruments: How could their design be improved?* Directorate-General for Budgetary Affairs, Budgetary Support Unit, European Parliament (PE 769.432). https://cdn.ceps.eu/wp-content/uploads/2025/05/BUDG_STU2025769432_EN.pdf.

Learnings from other mechanisms

The EU already has several mechanisms in place for multilevel governance and cross-border cooperation that can serve as inspiration for the CCT, or as existing mechanisms the CCT can plug into. The Trans-European Networks (for energy, transport or telecommunications, though here we focus only on energy), Important Projects of Common European Interest, and EU Semester are all presented below as such mechanisms to learn from and build on.

TEN-E

The Trans-European Networks for Energy (TEN-E) is an instrument for connecting energy networks across EU countries. This is aimed at strengthening cohesion and solidarity while also improving market integration between EU countries. This policy was first enacted in Regulation (EU) 347/2013 and most recently revised in Regulation EU 2022/869 to align with the objectives of the European Green Deal and help improve the affordability of energy prices.³⁵

The governance of TEN-E involves establishing regional groups that propose and review potential

projects of common interest to establish regional lists of projects. The regulation calls for this to be done in cooperation with national governments and relevant stakeholders, including civil society, to ensure broad consensus and project success.³⁶ The regulation also states that the Commission should play an important role in facilitating cooperation between regional groups to mitigate impacts between regions, and that a “competent authority” should coordinate permit-granting processes for overall efficiency and transparency.³⁷ The Letta Report also pointed to the potential of these regional groups to “spearhead significant action” through more active political engagement, with annual ministerial-level meetings.³⁸

Still, there are shortcomings in TEN-E. First, despite the EU’s decarbonisation goals, gas projects are still routinely identified as projects of common interest³⁹. Second, the project selection process is too slow and complex, and permitting procedures vary significantly between Member States, further slowing down the process and creating a gap between legally-required timeframes and the reality.⁴⁰ In 2025, a call for evidence on the European Grids Package was published to

³⁵ European Commission. (n.d.). *Trans-European Networks for Energy*. Retrieved on October 31, 2025 from https://energy.ec.europa.eu/topics/infrastructure/trans-european-networks-energy_en.

³⁶ European Parliament and Council. (2022, May 30). *Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013 [Arts. 31, 38] (OJ L 152/45)*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32022R0869>.

³⁷ European Parliament and Council. (2022, May 30). *Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure, amending Regulations (EC) No 715/2009, (EU) 2019/942 and (EU) 2019/943 and Directives 2009/73/EC and (EU) 2019/944, and repealing Regulation (EU) No 347/2013 [Arts. 32, 39] (OJ L 152/45)*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32022R0869>.

³⁸ Letta, E. (2024). *Much more than a market: Speed, security, solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens* (p. 62). <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

³⁹ Cross-border infrastructure projects which link the energy systems of EU countries. These projects qualify based on meeting certain criteria.

⁴⁰ Ahamad, H. & Lotito, A. (2025). *European grids package: Lessons learnt from the implementation of the TEN-E framework* (PE 774.695). European Parliamentary Research Service, Ex-Post Evaluation Service. European Parliament. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/774695/EPRS_BRI\(2025\)774695_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/774695/EPRS_BRI(2025)774695_EN.pdf).

inform an implementation report on the performance of the TEN-E Regulation since its revision in 2022. This call for evidence points to several problems with energy grids across the EU: a significant gap between needs and projects to address them, the slow pace of implementation of renewable energy projects, and security problems relating to cross-border infrastructure.⁴¹

Still, this structure could serve as a model for the CCT, or a potential structure to tap into. Combining three levels of governance (regional and national energy infrastructure needs, and priorities with EU-level coordination) helps to ensure that local needs are met while also ensuring pan-EU cooperation, which increases overall delivery efficiency by connecting networks across borders. Including stakeholder input in the process also makes sure people are supportive of the decisions being made by their governments. As industries across Europe will need to develop, expand or make use of existing energy infrastructure and networks, tapping into the TEN-E governance process could also enhance synergies between the energy needs of industries and of regions.

IPCEIs

Since 2018, the European Union has fostered the development of large-scale, collaborative cross-border projects known as Important Projects of Common European Interest (IPCEIs). Through this mechanism, EU Member States come together to finance transnational Research and Development and Innovation (R&D&I) projects in sectors strategic to Europe's future to promote breakthrough innovation. This coordination mechanism specifically finances projects that need support to overcome market failures, which prevent advanced

technology projects from being taken forward at national or company level because of their high costs and/or risk. This means that to access funding, beneficiaries have to demonstrate their 'funding gap'. IPCEIs are now one of the main tools for EU industrial coordination. For example, as of January 2024, of the 60 existing hydrogen, battery, microelectronics and connectivity sites in France, more than half were funded through an IPCEI.⁴² Additionally, IPCEIs promote convergence of legal, regulatory and market practices across Member States (e.g., licenses, environmental standards), supporting long-term coordination conditions, and improving the implementation of the Single Market.⁴³

Member States and the European Commission coordinate on IPCEIs through the Joint European Forum on IPCEIs (JEF-IPCEI). There, they define the next strategic priorities and coordinate the design, assessment, implementation and evaluation of existing projects. The whole process—from the creation of the initiative by Member States to launching an evaluation and open call for companies, and finally securing European Commission approval and signing financing agreements—takes between 12 and 24 months. By collaborating on the design of these projects, Member States stay informed and involved, which can help avoid both duplication and conflicting effects. The CCT can build on this experience of industrial coordination based on a multilevel governance framework.

In each IPCEI, at least four Member States and dozens of companies collaborate to develop projects across key value chains: batteries, cloud and edge computing, health, hydrogen and microelectronics.⁴⁴ Through the JEF-IPCEI, Member States set common priorities, but participation remains voluntary and based on the national

⁴¹ European Commission. (2025). Call for evidence for an impact assessment for the European grid package (Ares(2025)3806419). Have your say portal. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14672-European-grid-package_en.

⁴² Seux, J. & Spyros, C. (2024). *Important Projects of Common European Interest, a European industrial policy tool*. Ministère de l'économie, des finances, et de la souveraineté industrielle et numérique. French government. <https://www.entreprises.gouv.fr/files/files/Publications/2024/themas/2024-themas-dge-n17-piiec-eng.pdf>.

⁴³ Haddaoui, N. (2025, July 17). *IPCEI: The EU's Strategic Compass for Industrial Competitiveness and Resilience*. European Economics. Retrieved on October 31, 2025, from <https://www.europeaneconomics.com/en/ipcei-the-eus-strategic-compass-for-industrial-competitiveness-and-resilience/>.

⁴⁴ European Commission. (n.d.). *Background information for Important Projects of Common European Interest (IPCEI)*. Competition Policy. Retrieved on October 31, 2025 from https://competition-policy.ec.europa.eu/state-aid/ipcei/background-information_en.

interest in developing such value chains nationally. During this process, ad hoc public and targeted consultations of local stakeholders (e.g. industry, research institutions, academia) are carried out by national and regional authorities to identify local stakeholders, inform them about the IPCEI process and evaluate the potential of the IPCEI based on industrial interest and readiness.

However, the IPCEI framework also has some limitations. Because the Commission's role in the IPCEI process is limited to authorising state aid, this lack of central coordination does not allow for a complete alignment with EU-level goals nor funding to be linked to the actual implementation stage. Additionally, the complex procedure associated with developing IPCEIs require substantial capacities, which result in larger Member States leading, and potentially steering, the direction towards their national interests. This represents a risk for the functioning of the Single Market.⁴⁵ This experience suggests that greater involvement on the part of the European Commission in the CCT could facilitate better coordination and oversight. The CCT could support a larger scope of projects beyond highly innovative sectors, while maintaining alignment with EU objectives.

EU Semester

The EU Semester is a coordination tool that successfully enables Member States to converge towards common targets and objectives, while still leaving national governments autonomy with regard to the policies and reforms they will implement to get there. The European Semester is the main framework set up by the EU to coordinate Member States' economic, budgetary, employment and structural policies. It has several key objectives: ensuring sound public finances, con-

vergence and stability, and economic growth; preventing macroeconomic imbalances; and co-ordinating employment and social policies.

Every year in autumn, the European Commission monitors the evolution of the EU economy to determine priorities for the year to come and assesses potential macroeconomic imbalances that risk breaching the Stability and Growth Pact. In the spring, the Commission then makes a series of non-binding Country-Specific Recommendations (CSRs) tailored for each Member State on various issues such as education, employment or sustainable development. After their approval by the Council of the European Union, Member States then present national budget and reform plans taking into account these recommendations. Since 2021, the European Semester has also been used to validate funding disbursements for the Recovery and Resilience Facility (RRF).

The Semester helps balance pursuing EU priorities with flexibility for domestic priorities. The Semester process is also an example of multi-level governance, as it creates regular dialogue between the European Union institutions and national governments.⁴⁶ By coordinating EU-level bodies, such as the Employment Committee (EMCO) or the Social Protection Committee (SPC), it allows for knowledge sharing, the adjustment of goals and guidance between the EU and national ministers. The Commission also organises bilateral meeting and fact-finding missions with national actors, creating feedback loops.

The involvement of other stakeholders has improved over time. For example, the Semester process was lengthened to allow national governments more time to involve stakeholders, and specific working groups were created to connect with social partners.⁴⁷ Still, the development of

⁴⁵ Folkman, V. & Lausberg, P. (2025, May 13). *Making IPCEIs a new vanguard for EU industrial policy*. European Policy Centre. Retrieved on October 31, 2025, from <https://epc.eu/publication/Making-IPCEIs-a-new-vanguard-for-EU-industrial-policy-650b30/>.

⁴⁶ Bekker, S. (2020). The European Semester: understanding an innovative governance model. In *Research handbook on the politics of EU Law* (pp. 67–81). Edward Elgar Publishing.

⁴⁷ Eurofound. (2025). *National-level social governance of the European Semester and the Recovery* National social partners and policymaking series, Publications Office of the European Union, Luxembourg. <https://data.europa.eu/doi/10.2806/2118040>.

the national plans generally remains a centralised process and the involvement of stakeholders at lower levels of government remains limited and unilateral in practice.⁴⁸

Additionally, while the European Semester enables countries to agree on common goals, their effective translation into action remains challenging. CSR implementation has been quite low since its early years⁴⁹ and has continued to decline in recent years: the share of 'fully implemented' CSRs has dropped from 18.1% (in the period 2011–2018) to 13.9% (in the period 2019–2023).⁵⁰ Similarly, the enforcement of the Stability and Growth Pact has been uneven: although several countries have breached its rules over the years, this has never led to financial sanctions.⁵¹ This highlights a key lesson: coordination mechanisms alone are not enough to drive action if they are not accompanied by strong incentives, robust oversight and commitment. The anchoring of the RRF in the European Semester through a conditionality system is intended to improve this modest implementation.⁵²

The European Semester can thus deliver various lessons for the design of the CCT. Similarly to how the European Semester was created to answer the need for further coordination in the EU following the 2008 economic crisis, the CCT is now necessary to respond to the common challenge of competitiveness and industrial coordination. Additionally, through the progressive inclusion of social and green goals in the Semester process, it coordinates EU action beyond short-term economic goals, but also ensures convergence towards resilient and sustainable EU economies.

The TEN-E, IPCEI and European Semester experiences illustrate how the EU can align national action towards common strategic goals. They show the value of clear multilevel governance and structured stakeholder involvement processes. TEN-E shows how EU-level coordination can ensure efficient regional cooperation and cross-border project implementation. IPCEIs demonstrate the ability of EU action to address market failures, through pooling funding resources and co-designing mutually beneficial projects. Finally, the EU Semester proves the benefits of regular multilevel dialogue and central coordination towards multidimensional EU-level goals. All three tools also show the value of carefully designing policy interventions with regard to sub-national stakeholder involvement, implementation burden and speed, and finding the balance between central coordination, Member State-led engagement and autonomy.

⁴⁸ European Committee of the Regions: Commission for Economic Policy, Spatial Foresight, t33, Zillmer, S., Gløersen, E. et al. (2023). *Effective decentralisation in the context of the European Semester and beyond*, European Committee of the Regions, 2023, <https://data.europa.eu/doi/10.2863/9041>.

⁴⁹ Darvas, Z. & Leandro, A. (2015). *The limitations of policy coordination in the euro area under the European Semester* (Bruegel Policy Contribution No. 2015/19). Bruegel.

⁵⁰ European Parliament. (2025). *Report on the European Semester for economic policy coordination 2025* (2024/2112(INI)). Committee on Economic and Monetary Affairs.

⁵¹ Kirchsteiger, G. & Larch, M. (2023). *In for a penny, in for a pound: The enforcement dilemma of EU fiscal rules*. Center for Economic Policy Research. Retrieved on November 27, 2025, from <https://cepr.org/voxeu/columns/penny-pound-enforcement-dilemma-eu-fiscal-rules>.

⁵² Fromont, L., & Van Waeyenberge, A. (2025). The European Semester as a Governance Mechanism for Rule of Law Risks in the EU. *European Journal of Risk Regulation*, 16(3), 872–881. doi:10.1017/err.2025.29.

Conclusion

The CCT presents an opportunity to strategically align regions, Member States, sectors and policy priorities through EU-level coordination. Acting as a coordinated bloc rather than solely individual countries can boost the EU and its long-term, industrial competitiveness on the global stage. Without this coordination, there is a risk of fragmentation and duplication of efforts, which can result in Member States competing rather than boosting each other's efforts through synergistic approaches and cross-border strategies.

A multilevel governance approach centred on the EU's role as a coordinator with a national-level definition of priorities and implementation based on regional and sectoral strengths and stakeholder involvement at all levels can help the EU to become a global player. There are many existing tools and structures within the EU to learn from and build on, as well as bodies within the European Commission's organisational structure, such as the EU Future Competitiveness Task Force, which have the necessary oversight to carry out such coordination.

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The Competitiveness Coordination Tool

As EU Member States are adopting national industrial policies to boost competitiveness and support the Green Transition, a lack of coordination risks fragmentation, duplication and missed opportunities. To address this issue, the European Commission plans to introduce a Competitiveness Coordination Tool (CCT). This paper outlines what it could look like.

Further information on the topic can be found here:

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