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# Lack of vision is also a choice

Investment climate for  
energy-intensive industries

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## A changing investment climate

The Netherlands has long been considered a good location for energy-intensive industries. Dutch greenhouse horticulture is very extensive, several industrial clusters have been established, and the port of Rotterdam has a strong attraction for chemicals and refineries, among others. This industrial capacity - with its high labour productivity - is of considerable importance for the Dutch economy in a broad sense. Not only because of its large indirect employment, but also because it forms the basis for the manufacturing industry, which makes products such as windmills and fertilisers. These products make an important contribution to the strategic autonomy of the Netherlands and Europe, making basic industry important for, among other things, the success of the energy transition and stability in the food supply.

Recently, we have seen a series of developments negatively affecting the Netherlands' favourable business climate, especially for energy-intensive industries. Dutch companies, as in the rest of Europe, face high gas and electricity prices as a result of the sanctions introduced after the Russian invasion of Ukraine. This is often as much as two to three times what US companies pay. While in our neighbouring countries the government is trying to accommodate these sectors with tax breaks, the Dutch government has decided to make gas and electricity more expensive for large consumers with some measures instead. The Dutch government has also shown, with varying policies in recent years, that it does not have a consistent long-term vision regarding the industry. Some measures are at odds with others. As a result, the energy-intensive industry does not really know what to expect. This leads to headquarters abroad postponing investment decisions or moving to locations outside the Netherlands.

While the Netherlands is becoming less and less attractive for industrial production compared to its neighbours, the same is true for Europe as a whole. Besides affordability, energy supply and/or security of supply is facing increasing risks for European companies. Europe is almost entirely dependent on imports for almost all fuels. In addition, other industrial powers have extensive government stimulus programmes, such as the *Inflation Reduction Act* (IRA) in the United States (US) and similar programmes in China. The European Union (EU) is less generous with such state aid and instead mainly comes up with obligations for companies (such as CSDD and CSRD), which require more administration and controls and thus create higher costs. This fits into a broader picture in Europe, where (fossil) energy-intensive companies slowly but surely risk losing their social *licence-to-operate*. The focus here is strongly on climate policy, with politicians giving affordability, availability, and strategic independence a lower priority than in other parts of the world.

In this report, we look at recent developments and describe the reasons for the changing investment climate. This overview is needed to arrive at the right strategic choices for the benefit of the Dutch investment climate. Not having a long-term vision is also a choice, but one with potentially major consequences.

## In conclusion

Both in Europe and in the Netherlands, the debate around the investment climate and industry retention seems to be increasingly on the agenda. With coalition building in the Netherlands in full swing, and with the European elections just around the corner, there are many choices to be made in the coming months that will have a crucial impact on the investment climate for companies in the EU and in the Netherlands.

Stable industrial policy starts with a stable cabinet. More broadly, it is not just the current political climate, but wider societal polarisation that is to blame for the ailing energy and industrial policies. The dialogue between politics and business is increasingly weakening. In the past, it was common for politicians to turn to the business community for advice on developing policy. Industry has practical knowledge and can be consulted for policy-making purposes. In a polarised and politicised society, it is no longer natural for politicians to seek knowledge from the business community.

Less regulatory burden, a long-term industry vision, stable politics, coherent EU policies and not too many changes to the EU ETS, are key principles that can restore companies' confidence to invest in Europe. The challenges for the coming years are enormous. Here, the climate goals are important, but security of supply must not be lost sight of. In addition, the costs of the transition to support must be shared among countries, sectors and thus citizens/voters.

Which products should be considered strategic, and whose underlying basic and manufacturing industry should therefore be kept within European or national borders, is a political decision. The choices made here should be tested against the Trias Energetica, with affordability, sustainability and security of supply as the most important policy conditions. Too much focus on one area carries unacceptable risks.

Companies want to invest in the Netherlands, but they have their own strategic interests to consider. The ball is in politicians' court, and it is important to act quickly. The energy-intensive industry will not leave soon, but it will make all new investments where there is the most certainty regarding returns. Both in shareholder value, and for the future-proofing of the company itself. Something that, with the increased focus on scope 1, 2 and 3 emissions, is already under greater pressure for Dutch companies than for their competitors in other countries due to recent court ruling. Their strategic considerations are different from those of European or Dutch politicians. Ideally, politics and companies will find each other in this, but then the current sentiment has to change.

By making decisive choices now as politicians as part of a long-term vision, the industry will know which sectors do have a future and which do not in the Netherlands and Europe. In other words, there is a need for clear industrial policy from the government. Because of the current uncertainty, investment in the entire energy-intensive industry will otherwise continue to diminish, including in the sectors that could later be classified as strategic.

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