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Strengthening the Democratic Accountability of the EU's New Industrial Policy through Parliamentary Oversight

Sebastian Diessner¹ & Christy Ann Petit²

Executive Summary

EU industrial policymaking involves political choices and trade-offs with far-reaching distributive consequences. This working paper submits that EU industrial policymakers should be democratically accountable, particularly through oversight by the European Parliament over the European Commission, with input from the Council, Court of Auditors, and Economic and Social Committee.

Parliamentary oversight should be more stringent in areas marked by complexity and the need for democratic legitimation, both of which apply to EU industrial policy, especially in state aid control. To assess accountability, the working paper maps the activities of two key committees during the 9th legislative term (2019–2024): the Committee on Industry, Research and Energy (ITRE) and the Committee on Economic and Monetary Affairs (ECON).

Our mapping of ITRE activities shows that its scrutiny of industrial policy is limited and needs strengthening. Additionally, there were no joint procedures with ECON, which could be improved. For ECON, oversight has been limited, with its main activity—an annual report on competition policy—not fully addressing the fast-evolving competition and state aid policy field.

Based on this assessment, the working paper introduces four recommendations to improve democratic accountability in EU industrial policy during the 10th parliamentary term (2024–2029):

1. Establish a joint ITRE-ECON working group to focus on industrial policy and state aid control, tasked with conducting a dedicated Industrial Policy Dialogue.
2. Have the new working group produce bi-annual or quarterly EU Industrial Policy Reports to support detailed oversight.
3. Adjust ITRE's mandate by reallocating research and telecommunications files to another committee and adding state aid to ITRE's scope.
4. Leverage inputs from various stakeholders, including the Economic and Social Committee, the Court of Auditors, the Industrial, and the Joint European forums for IPCEIs, to strengthen legislative oversight.

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1. Introduction

Industrial policymaking, defined as ‘any targeted government intervention aimed at developing or supporting specific domestic firms, industries, or economic activities’ (Evenett et al., 2024), involves political choices and trade-offs at the executive level, given its stated intention to alter economic behaviour and to enhance the fortunes of some firms and industries over others. While seemingly technical on the surface, these choices can have far-reaching distributive implications, as they hinge on taxation and spending powers (including tax credits and subsidies). In representative democracies with checks on executive policymaking, industrial policymakers should therefore be held accountable by majoritarian institutions, particularly by the legislative branch (Crum, 2018).

The European Commission, as one of the quasi-federal executive authorities of the European Union (EU), has long monitored and restricted the conduct of industrial policy by national governments in the EU’s common market, especially through the enforcement of state aid control. Not least since the COVID-19 pandemic, however, the tension between a more flexible approach to state aid, on the one hand, and preserving the traditional approach to EU competition policy, on the other hand, has been thrown into sharp relief (Bora and Schramm, 2024). Moreover, the EU’s new industrial policy relies not only on member state funding via state aid but also on a host of own programmes and schemes financed from EU resources (Di Carlo and Schmitz, 2023).³ This suggests a ‘vertical’ turn in industrial policy in the EU (Bulfone, 2023), impacting a broad range of traditional policy areas – both internal, such as the common market, research and innovation, and external, such as trade (see also Dermine and Patrin on second-order provisions in this report). Taken together, these developments raise the question of who controls the controllers – *quis custodiet ipsos custodes?* – now that the EU formulates and pursues its own industrial policy objectives more actively.

This working paper contends that the EU’s renewed industrial policy needs to be held democratically accountable, in particular through more stringent oversight by the European Parliament. Drawing on the academic literature on delegation and accountability in multi-level governance systems, we suggest that legislative oversight should be most stringent in policy areas that are marked by two key characteristics: first, the complexity of the issue at hand, and second, the need for democratic legitimisation. We show that these conditions are met in the area of EU industrial policy in general and EU state aid control in particular. We then proceed to map the activities

³ In addition, the European Defence Industrial Strategy of March 2024 has seen accelerated developments recently, which are beyond the scope of this working paper.

of the European Parliament's Committees on Industry, Research and Energy (ITRE) as well as Economic and Monetary Affairs (ECON) in the area of industrial policy throughout the 9th legislative term (2019–2024) and assess the extent to which the EU's renewed industrial policy activism has been scrutinised by legislators. Based on this mapping, and the gaps identified therein, we develop several recommendations for the new parliamentary term (2024–2029). Our main proposal revolves around an ECON-ITRE working group on the scrutiny of industrial policy and state aid control, tasked with paving the way for a dedicated Industrial Policy Dialogue with the European Commission.

2. Why parliamentary oversight of industrial policy in the EU?

This section briefly recaps some key insights from delegation theory as to why industrial policy in the EU should be held accountable through legislative oversight. The academic literature on delegation to executive agencies and bureaucracies examines the relationship between (elected) principals and (unelected) agents and makes several predictions about the kinds of policy areas for which we should expect the need for legislative control over the executive to be particularly acute (Kiewiet and McCubbins, 1999; McCubbins and Schwartz, 1994; Strøm, 2000; Blom-Hansen, 2013; Bundi, 2018; Akbik and Diessner, 2024). These predictions revolve around the two main characteristics of complexity and the need for legitimation highlighted above, each of which is briefly explained and then illustrated in the context of EU industrial policy.

2.1. Complexity

First, the legislature is likely to delegate more authority to – and, by implication, require more stringent means of control over – the executive in complex issue areas. On the one hand, higher complexity requires more specialised expertise, which represents one of the key motivations for delegating competencies to specialised executive agents (Haas, 1964; Majone, 1993). On the other hand, however, the greater the authority and discretion of the executive, the greater the risk that the executive agent will deviate from the preferences of the legislative principal (known as agency loss) (Bawn, 1995). To counter this risk, the legislature can install procedural controls in order to keep the wayward agent in check (McCubbins, 1985; McCubbins, 1989; Blom-Hansen, 2013).

In terms of EU industrial policy, policymakers routinely emphasise how little we know about how to design, implement, and monitor effective industrial policies. The

European Commission, for one, regularly highlights existing ‘knowledge gaps’ in its reports and notes to the Council of Ministers and to the Eurogroup (2024). In the same vein, the International Monetary Fund (IMF) stresses that ‘IP [industrial policy] is inherently complex and multifaceted’ and that its own evaluations are hampered by numerous ‘[d]ata gaps’, leading it to conclude that ‘IMF staff may not have sufficient expertise’ to assess industrial policy initiatives on their own (Evenett et al., 2024).

Moreover, the EU’s recent rediscovery of industrial policy is marked by a notoriously complex mix of different programmes and schemes, and it is commonly deemed to be hampered by a lack of centralised funding (Allan and Nahm, 2024). As a result, the European Commission predominantly coordinates – and increasingly directs – spending on industrial policy by the member states through the enforcement or relaxation of state aid control (López, 2024). Examples of flexibility granted to member states under the EU competition policy include the State Aid Action Plan of 2009, the COVID-19 Temporary Framework, the Temporary Crisis Framework after the Russian invasion of Ukraine, the Important Projects of Common European Interest (IPCEIs), the Temporary Crisis and Transition Framework in place until end-2025, and the amendment to the General Block Exemption Regulation (GBER) to support the green and digital transitions (also known as the ‘Green Deal GBER amendment’).⁴ On the whole, the condition of complexity – exacerbated by knowledge and data gaps – would seem to be amply fulfilled in the area of EU industrial policy, justifying both the need for delegation *and* for enhanced legislative oversight at the European level.

2.2. Democratic legitimization

Second, policy areas in which the need for democratic legitimization is perceived to be particularly high – for instance, due to their distributive consequences or their implications for national security – should attract more and more intense legislative oversight (Scharpf, 1999; Bundi, 2018; Den Boer et al., 2008). In the academic literature on the EU, the question of whether supranational policies are of a distributive as opposed to a regulatory nature – and therefore require more stringent democratic legitimization and oversight – is indeed one of the foundational debates (Majone, 1998; Majone, 2002; Moravcsik, 1998; Moravcsik, 2002; Follesdal and Hix, 2006). The fact that the EU has progressively integrated (re-)distributive ‘core state powers’ over the years – and has thus moved far beyond the technocratic confines of the regulatory state – is increasingly hard to deny, however (Genschel and Jachtenfuchs, 2014).

⁴ [Commission Regulation \(EU\) 2023/1315](#) of 23 June 2023 amending Regulation (EU) No 651/2014. These measures are thought to foster access to public and private funding both at EU and national level and are one of the four pillars of the EU’s net-zero industrial strategy (see Ragonnaud, 2024, pp. 3-4).

In terms of EU industrial policy, the recent push to revive this policy area is riddled with distributive dilemmas which, by implication, calls for enhanced democratic legitimisation. In its reports to the Eurogroup, for example, the European Commission recognises major trade-offs that are inherent in industrial policy decision-making, including ‘active industrial policy versus market incentives; fiscal trade-offs; free trade in a changing geopolitical context; and innovation versus market power’.⁵ The International Monetary Fund, in turn, cautions that industrial policy initiatives and the relaxation of state aid rules risk entailing ‘high fiscal costs, economic inefficiencies and distortions’ in the European single market, as stressed in its Article IV consultation for the euro area (IMF, 2023). Indeed, recent evidence suggests that ‘the lion’s share of State aid is awarded by large countries which can afford it’, whereas EU funds and measures ‘can hardly compensate for such disparities’.⁶ This raises doubts about the level playing field in the EU’s single market and, in turn, calls for enhanced democratic accountability.

Taken together, there are compelling reasons for parliamentary oversight of industrial policy, given that both characteristics – complexity and the need for legitimisation – do appear to be fulfilled in this policy area. In reality, however, parliamentary oversight of EU industrial policy has frequently been found wanting, at least on the surface. As McNamara (2023, p. 15) suggests, ‘the lack of true electoral politics at the EU level means the European Parliament has only had a consultative and de-fanged oversight role necessary for democratic decision-making’. We examine this alleged contrast in the following two sections by means of reviewing the activities of the European Parliament’s ITRE and ECON Committees between 2019 and 2024 in order to arrive at a set of recommendations on how to strengthen the parliamentary oversight of industrial policy throughout the new legislative term (2024–2029).

⁵ European Commission, *Euro Area Competitiveness: State of Play, Challenges and Trade-offs for policy*, Technical note to the Eurogroup (2023).

⁶ ‘Editorial Comments: Paying for the EU’s Industrial Policy’, *Common Market Law Review* 60, no. 3 (1 June 2023), p. 623.

3. Assessing the accountability of the EU's new industrial policy throughout the European Parliament's 9th legislative term (2019–2024): controlling the controllers?

3.1. The Committee on Industry, Research and Energy (ITRE)

The ITRE Committee's mandate includes responsibility for 'the Union's industrial policy and related measures, and the application of new technologies, including measures related to SMEs'.⁷ The scope of ITRE is relatively broad, as it also covers research and innovation, space, energy, nuclear, and IT policies. Any funding programmes and schemes related to these areas are considered a type of industrial policy (and many fall under the Multiannual Financial Framework).

The ITRE activity report for 2019–2024, reflecting on actual committee practices, seems to prioritise (a) energy ahead of (b) industry, research and digital (including space), at least in the way the activities are reported.⁸ During the 9th legislative term, the Committee was responsible for 119 procedures, among which 42 ordinary legislative procedures⁹ (of those, 13 were related to industry, research and space).¹⁰ The legislative work included – with ITRE as lead Committee – the negotiation of the Chips Act adopted in 2023, the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA) in 2023, the Critical Raw Materials Act (CRMA) in 2023, the Net Zero Industry Act (NZIA) in 2024, the Act in Support of Ammunition Production in 2023, under an urgent procedure, and the Strategic Technologies for Europe Platform (STEP) in 2023. As lead Committee, ITRE also received opinions from other EP committees, including ECON (e.g. on the NZIA and Chips Act) in order to prepare draft legislative reports for the plenary and to determine the EP's first reading position.¹¹

When it was not the lead Committee, ITRE provided legislative and non-legislative Opinions to other Committees ('opinion-giving committee')¹² or acted as an 'associated

⁷ See Annex VI, Point IX (1.), European Parliament, 'Rules of Procedures, 9th parliamentary term - January 2021', available at: https://www.europarl.europa.eu/doceo/document/RULES-9-2021-01-18-ANN-06_EN.html

⁸ Committee on Industry, Research and Energy (ITRE), "Activity Report 2019–2024". European Parliament (2024a) 9.

⁹ The other procedures were: delegated acts (30), own initiative reports (19), consent and consultation procedures (17), oral questions and motions for resolutions (11).

¹⁰ Committee on Industry, Research and Energy (ITRE), "Activity Report 2019–2024". European Parliament (2024a) 7-8.

¹¹ Importantly, associated committees contribute to the negotiation process in case of a second reading, which is not the case for opinion-giving committees.

¹² Upon the request of the responsible committee or on its own initiative, with the EP President's authorisation, see Rule 210(2).

committee’ for a combined total of 73 Opinions (ITRE 2024, p. 8).¹³ Those Opinions matter in the legislative process as they can include amendments to be tabled in the responsible committee or – when ITRE acts as an associated committee and has shared competence with the lead committee – to be tabled directly in the plenary (e.g., for InvestEU). When a matter falls under ITRE’s exclusive competence, the lead committee must accept – without a vote – ITRE’s amendments already at the committee stage.¹⁴ The Joint Committee procedure ensures the participation of committees on an equal basis in the preparation of (single) draft reports to interinstitutional negotiations (examples include establishing the EDIRPA together with the sub-Committee on Security and Defence (AFET/SEDE) and the STEP together with the Committee on Budgets (BUDG)). However, there do not seem to have been joint procedures with the ECON committee throughout the 9th legislative term. This is surprising, given the important role both committees should play in holding the EU’s industrial policy to account. This marks an area for improvement in our view (as discussed further in Section 4 below).

ITRE also drew up own initiative reports to provide political stances in 19 files, among which 8 in industry, research and space (e.g., A New Industrial Strategy for Europe and A New Strategy for European SMEs) (ITRE 2024, pp. 46-48).¹⁵ In particular, in an ITRE own initiative report, the European Parliament recalled the ‘role of the Industrial Forum and the Alliances in relation to [14] ecosystems’ and stressed the ‘adequate participation’ of civil society as well as consumer organisations and trade unions in defining general and sectoral industrial policies.¹⁶ As regards alliances, ITRE highlights two own-initiative reports in the field of energy industrial policy: one on small modular reactors,¹⁷ which ‘shaped the Commission’s decision to establish a new Industrial Alliance’ (ITRE 2024, p. 43),¹⁸ and one on geothermal energy,¹⁹ to ‘fast-track best

¹³ Committee on Industry, Research and Energy (ITRE), “Activity Report 2019–2024”. European Parliament (2024a) 8.

¹⁴ Handbook on the Ordinary Legislative Procedure, pp. 14-15.

¹⁵ Committee on Industry, Research and Energy (ITRE), “Activity Report 2019–2024”. European Parliament (2024a) 46-48.

¹⁶ European Parliament resolution of 25 November 2020 on a New Industrial Strategy for Europe (2020/2076(INI)), at 85. & European Commission “Annual Single Market Report 2021 Accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Updating the 2020 New Industrial Strategy: Building a Stronger Single Market for Europe’s Recovery”. European Commission (2021).

¹⁷ European Parliament resolution of 12 December 2023 on small modular reactors (2023/2109(INI)).

¹⁸ Committee on Industry, Research and Energy (ITRE), “Activity Report 2019–2024”. European Parliament (2024a) 43.

¹⁹ European Parliament resolution of 18 January 2024 on geothermal energy (2023/2111(INI)). This could replace the Implementation Working Group on Deep Geothermal, with a limited membership. https://setis.ec.europa.eu/implementing-actions/geothermal_en

practices and the effective implementation of legislation’ (ITRE 2024, p. 44).²⁰ While fora and alliances of this kind can be a valuable resource for the inclusion of civil society actors in the formulation of industrial policy priorities ex ante, the ITRE committee’s ex post oversight of these and other initiatives remains limited and should thus be strengthened further.

Finally, the Committee held 16 ‘structured dialogues’ and 22 exchanges of views or other meetings with Commissioners (ITRE 2024, pp. 50-52).²¹ While these do not reach the standard of other dialogues which are run more regularly in other policy areas (e.g. for the Banking Union or the Recovery and Resilience Dialogues as discussed hereinafter), the ITRE Activity Report does, overall, contain evidence of its legislative oversight. This includes inter-committee work, in contrast to ECON which does not report on joint committees to the same extent. Importantly, any standing committee that assumes responsibility as an associated committee should make this role clear in its reporting (for instance, ITRE was an associated committee to the Joint Committee BUDG-ECON for InvestEU).²²

3.2. The Committee on Economic and Monetary Affairs (ECON)

The ECON Committee’s mandate lists ‘rules on competition and State or public aid’ among ECON’s main responsibilities²³ (next to its better-known tasks of economic, financial and monetary policy, banking supervision, payments and capital markets, and taxation; for extant works on some of these latter tasks, see, for example, Collignon and Diessner 2016; Petit 2019; Akbik 2022; Diessner 2022; 2023; Ferrara et al. 2022; van ‘t Klooster and de Boer 2023; Massoc 2024). According to the committee’s website, ‘[a]lthough the Parliament’s powers are mostly of a consultative nature in the competition field (cf. Art. 103 and 109 TFEU), it is very high on the ECON Committee’s political agenda’²⁴ (ECON 2024b).

This commitment on paper needs to be matched with more concrete action, however. For instance, while the EP’s powers in taxation are also mostly of a consultative nature, ECON has nevertheless become very active in this particular policy area, including by

²⁰ Committee on Industry, Research and Energy (ITRE), “Activity Report 2019–2024”. European Parliament (2024a) 44.

²¹ Committee on Industry, Research and Energy (ITRE), “Activity Report 2019–2024”. European Parliament (2024a) 50-52.

²² As available on the European Parliament’s Legislative Observatory.

²³ Committee on Economic and Monetary Affairs (ECON), “Activity Report 2019–2024”. European Parliament (2024a) 5.

²⁴ “EP Report on the Annual Report on EU Competition Policy”, ECON, European Parliament (2024b) Last access 14 August 2024, <https://www.europarl.europa.eu/committees/en/econ/econ-policies/tax-competition-statistics-ifrs?tabCode=competition-wg>

setting up a dedicated sub-committee (FISC) in 2020 (with its own activity report detailing those sub-committee's activities).²⁵ It would be fruitful for ECON to commit a similar degree of attention to competition policy and state aid as well, given the recent and ongoing important developments in this policy field, as outlined above. In reality, however, the ECON activity report on competition is very sparse and lists only one single item (related to two categories of aid in the transport and public sectors for which the Parliament 'was consulted and approved the Commission proposal').²⁶

The annex to the activity report suggests two further kinds of activities that ECON engaged in over the period 2019–2024 which are worth noting. First, ECON provided 9 legislative and non-legislative Opinions to other committees on industrial policy files (such as the 'industrial package' including the Chips Act and the Net Zero Industrial Policy Act) and on 'macroeconomic files' that include several industrial policy-related funds (such as the Just Transition Fund and the Social Climate Fund) (see sub-section 3.1. for an explanation of the role of EP Opinions).²⁷

Second, the ECON committee hosted a Competition Working Group for 'discussions and exchanges of views (...) on issues related to antitrust measures, merger control and compatibility of State aid with EU competition law'.²⁸ Importantly, the group lays the groundwork for an annual own initiative report on competition policy to which the Commission responds in writing (typically about six months later) and on which the Commissioner in charge is supposed to be heard in-camera by ECON (up to twice a year). This suggests a regular and structured dialogue on competition policy and, as such, is a relevant basis for the oversight of state aid control. However, an *annual* report (with a response from the Commission another half a year later) can hardly do justice to the dynamic developments which the competition and state aid policy field has been and continues to be undergoing.

Last but not least, ECON has taken a leading role in the formulation and oversight of the Recovery and Resilience Facility (RRF) of NextGenEU and RePowerEU. Together with the EP BUDG Committee, ECON runs a 'Scrutiny of the Recovery and Resilience Facility Working Group', whose main task is to prepare and follow-up on bi-monthly

²⁵ Committee on Economic and Monetary Affairs (ECON), "Activity Report 2019–2024". European Parliament (2024a) 36.

²⁶ 'The Commission proposed to exempt two categories of aid from the notification requirement of Article 108(3) TFEU: (i) aid for the coordination of transport and (ii) aid for the reimbursement for the discharge of certain obligations inherent in the concept of a public service. These categories fall under the scope of Article 93 TFEU' Ibid.

²⁷ Committee on Economic and Monetary Affairs (ECON), "Activity Report 2019–2024". European Parliament (2024a) 57.

²⁸ Committee on Economic and Monetary Affairs (ECON), "Activity Report 2019–2024". European Parliament (2024a) 52.

Recovery and Resilience Dialogues (RRDs) with the Commission.²⁹ This set-up could serve as a blueprint for the oversight of industrial policy more broadly, which should not be limited to RRF activities alone and which could involve the industrial policy expertise of ITRE as well, as explained in the following section. On the whole, while some promising elements for the oversight of state aid control are in place in the ECON Committee, these seem to be employed too sparingly thus far and should therefore be beefed up considerably in order to do justice to the ongoing transformations in this policy field. The ECON-BUDG working group in charge of organising the RRDs may provide relevant inspiration for this.

4. Conclusions and policy recommendations

Recommendation 1: ITRE-ECON working group on industrial policy and state aid

We propose the creation of an ITRE-ECON working group on the scrutiny of industrial policy and state aid control, tasked with laying the groundwork for a dedicated Industrial Policy Dialogue.³⁰ This working group, composed of an equal number of MEPs sitting in the ITRE and ECON Committees, would primarily be concerned with ex post oversight over the Commission in the areas of industrial policy and state aid.³¹ Structured dialogues held by EP Committees usually take place with different Commissioners whose portfolios may overlap, and they can also involve other EU institutions or even member state representatives. As the substantive focus of the Industrial Policy Dialogue may lead to crossovers with other economic issues, a consistent approach through constructive collaboration with other working groups and Committees will be essential. The most obvious synergies lie with the existing Economic Dialogues between ECON and the Commission. However, these dialogues have increasingly been complemented or even replaced by the RRDs since 2021.³² As

²⁹ *Ibid.*

³⁰ It must be noted that the establishment of an Industrial Policy Working Group was decided ‘in principle’ in a meeting of ITRE Committee’s coordinators in July 2024, see Committee on Industry, Research and Energy (ITRE), “Minutes”. European Parliament (2024b) Last access 28 October 2024 (ITRE_PV(2024)0904_1 https://www.europarl.europa.eu/doceo/document/ITRE-PV-2024-09-04-1_EN.pdf), 8. This working group must be approved by the Conference of the Presidents (under Rule 27 of the Rules of Procedure of the European Parliament). The Conference of the Presidents’ decision and the work group substantive and organisational features were not publicly available as of 31 October 2024. However, this working group does not seem to be created jointly with the ECON committee in contrast with our proposal.

³¹ Ex ante oversight, in turn, should be assumed by public and private actors together, including civil society, social partners and industry (see Recommendation 4 below).

³² Committee on Economic and Monetary Affairs (ECON), “Activity Report 2019–2024”. European Parliament (2024a) 46.

the latter are supposed to run until 2026 only, it will be of critical importance to leverage and expand their work beyond this timeframe and to scrutinise a broader range of industrial policies. The new Industrial Policy Dialogue would fulfil precisely this function. To establish a solid long-term basis for the scrutiny of industrial policy in the EU, the ITRE-ECON working group should aim to prepare an inter-institutional agreement between the EP and the Commission for the post-2026 period (similar to the agreement between the EP and the ECB completed in 2023, for example). Later iterations of the Industrial Policy Dialogue could be expanded to include representatives from other EU institutions beyond the Commission (such as the COMPET Council or the Eurogroup, for example).

Recommendation 2: Bi-annual or quarterly EU Industrial Policy Reports

As discussed in Section 3.1., the ITRE Committee's current activity reporting does not distinguish between industrial, research and space policies, but instead tends to lump the three together. At the same time, as discussed in Section 3.2., the ECON Committee currently prepares and adopts annual own initiative reports on competition policy only. A new ITRE-ECON working group (see Recommendation 1) would create scope for more regular and more fine-grained reporting dedicated to industrial policy and state aid control, for instance on a bi-annual or quarterly basis. These EU Industrial Policy Reports should seek input from the EP's research services and/or external experts and could form the basis for discussions during the regular Industrial Policy Dialogues, while the latter should remain flexible enough to also accommodate recent developments that fall outside the respective reporting period.

Recommendation 3: Re-scoping the ITRE Committee mandate

The mandate of ITRE has remained unchanged between the 9th and 10th parliamentary terms (see EP Rules of Procedure, Annex VI). In practice, however, the substantive and numerical scope of ITRE has increased substantially when considering the significance of the industrial policy files discussed above and the number of committee members (the 9th term started with 67 members and ended with 78, while the 10th term includes no less than 90 members, which is the largest increase of any committee and makes ITRE the biggest committee beside ENVI). As such, it seems appropriate to re-scope ITRE's mandate, for instance, by reassigning research or telecommunications files to another standing Committee, while incorporating state aid-related files into ITRE. This would require updating the EP Rules of Procedures (which were published only

recently)³³ in order to make them more representative of current activities – as happened during the 9th legislature as well – and, more importantly, to enable MEPs to exert full and effective oversight over the files under the remit of their committees.

Recommendation 4: Leveraging inputs from various stakeholders for effective legislative oversight

The EP, as the central player in legislative oversight of the EU's industrial policy, could and should benefit from inputs from other stakeholders, including the European Economic and Social Committee (EESC), the European Court of Auditors (ECA), and broader arenas such as the Industrial Forum and the Joint European Forum for IPCEIs.

First, the EESC, already active in industrial policy,³⁴ is well placed to continue providing important inputs from civil society into the EU's strategic industrial policy priorities. In terms of monitoring and oversight, the aforementioned ITRE-ECON working group could seek input from the EESC competent sections, such as its Consultative Commissions on Industrial Change or on Single Market, Production and Consumption. In addition, the ECA – as the European institution for audit and financial oversight of EU spending and funding – should continue to provide the EP with evidence on the financing dimensions of EU industrial policy,³⁵ and increase its continuous and special reporting on industrial policy and state aid.³⁶

Second, different initiatives, such as the Industrial Forum and the Joint Forum for IPCEIs, can foster collaboration in implementing and monitoring EU industrial policy together with public and private stakeholders, whose expertise and experience may contribute to better and more effective legislative oversight. The Industrial Forum, with representatives from industry, social partners, NGOs, researchers, EU member states and institutions, and development banks (including the European Investment Bank and the European Bank for Reconstruction and Development) has worked on identifying and analysing industrial ecosystems across five taskforces.³⁷ In 2024, the Council of the EU recalled the Industrial Forum's central role 'in contributing to shaping and implementing EU industrial policy together with the industry, the Member States, civil

³³ European Parliament, *RULES OF PROCEDURE*, European Parliament 2024, available at: https://www.europarl.europa.eu/rules/rules20240716/Rules20240716_EN.pdf

³⁴ See for instance, EESC, 'Industrial policy for resource and energy intensive industries', Own-initiative opinion, CCMI/210, 25 January 2023, and 'Competitiveness and industry', Exploratory opinion INT/1033, 23 March 2023.

³⁵ See for instance, ECA Special Reports No 11/2024, No 17/2023, No 15/2023 and No 19/2020.

³⁶ An ECA Report on state aid in times of crisis is due later in 2024.

³⁷ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions a New Industrial Strategy for Europe (2020). <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0102>.

society and the Commission’.³⁸ However, the EP seems to engage only scarcely with this structure and does not seem to be associated with the activities or outcomes of the taskforces which assist the Commission in implementing its industrial strategy.³⁹

Regarding the IPCEIs, a Joint European Forum was set up in 2023 through a partnership between the Commission and the member states⁴⁰ to identify potential projects in line with the EU’s industrial strategy and to improve the effectiveness of the IPCEI process.⁴¹ To date, ten approved IPCEIs span from microelectronics to cloud infrastructures or medicines in different participating member states.⁴² The level of reporting for this Joint Forum is relatively high, with short summaries of prior meetings and announcements of future activities.⁴³ However, the involvement of the Parliament in its decision-making is virtually non-existent.⁴⁴ From the sidelines, the EP expressed its support for several IPCEIs,⁴⁵ encouraged further transparency in their implementation and in the application process to ensure SME participation,⁴⁶ and called for the creation of an IPCEI for critical raw materials.⁴⁷ In addition, there appears to be limited engagement in legislative oversight, with the EP, through ITRE,

³⁸ Council conclusions on “A competitive European industry driving our green, digital and resilient future” approved by the Council (Competitiveness) at its 4026th meeting held on 24 May 2024, at 8.

³⁹ “Industrial policy dialogue and expert advice”, European Commission, (Last access 14 August 2024) https://single-market-economy.ec.europa.eu/industry/strategy/industrial-policy-dialogue-and-expert-advice_en

⁴⁰ It is co-led by the Directorate General for Competition Policy (DG COMP) and the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW). Members include officials from Member States and from the European Commission at high and technical level. “Members (JEF-IPCEI)”, European Commission, (Last access 14 August 2024) https://competition-policy.ec.europa.eu/state-aid/ipcei/joint-european-forum-ipcei/members-jef-ipcei_en

⁴¹ “Daily News, 19/09/2023, Next Generation EU: Implementation of the Recovery and Resilience Facility firmly underway” European Commission, https://ec.europa.eu/commission/presscorner/detail/en/mex_23_4520

⁴² “Approved integrated Important Projects of Common European Interest (IPCEI)”

European Commission, (Last access 14 August 2024) https://competition-policy.ec.europa.eu/state-aid/ipcei/approved-ipceis_en

⁴³ “Joint European Forum for IPCEI (JEF-IPCEI)”, European Commission, (Last access 14 August 2024), available at: https://competition-policy.ec.europa.eu/state-aid/ipcei/joint-european-forum-ipcei_en#upcoming-jef-ipcei-meetings---draft-timeline

⁴⁴ Nicolas Poitiers and Pauline Weil, ‘Opaque and Ill-Defined: The Problems with Europe’s IPCEI Subsidy Framework’, Bruegel, 26 January 2022, available at: <https://www.bruegel.org/blog-post/opaque-and-ill-defined-problems-europes-ipcei-subsidy-framework>. Note, however, that the EP acted as co-legislator in setting up the guidelines for trans-European energy infrastructure, which regulate the assessment criteria and process to establish projects in this area. Regulation (EU) 2022/869 of the European Parliament and of the Council of 30 May 2022 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.

⁴⁵ On the European Battery Alliance, see European Parliament resolution of 18 June 2020 on competition policy – annual report 2019 (2019/2131(INI)).

⁴⁶ European Parliament resolution of 25 November 2020 on a New Industrial Strategy for Europe (2020/2076(INI)), at 44-45.

⁴⁷ European Parliament resolution of 24 November 2021 on a European strategy for critical raw materials (2021/2011(INI)).

scrutinising some delegated acts that provided a list of projects of common interest to which it did not object.⁴⁸ On the whole, both fora display a number of shortcomings that could and should be improved by means of increasing their transparency, streamlining their governance structures, and ensuring a better engagement with political and civil society representatives, including from the EP and the EESC.⁴⁹ A suitable starting point for this could be the inclusion of members of the new ITRE-ECON working group on industrial policy (Recommendation 1) in the fora's main activities, initially as observers and eventually as contributors to their decision-making.⁵⁰

⁴⁸ In 2020, 'Trans-European energy infrastructure: Union list of projects of common interest' (2019/2907 (DEA) Supplementing 2011/0300(COD)), in 2022, 'Union list of projects of common interest (2021/2991(DEA) DEA Supplementing 2011/0300(COD)) and in 2024, 'Union list of projects of common interest and projects of mutual interest' (2023/3007(DEA) Supplementing 2020/0360(COD)).

⁴⁹ The Council 'supported the streamlining of the governance structures associated with industrial ecosystems', see Council conclusions on "A competitive European industry driving our green, digital and resilient future" approved by the Council (Competitiveness) at its 4026th meeting held on 24 May 2024, at 8.

⁵⁰ Over time, national parliaments could contribute to the scrutiny of EU industrial policy as well, for instance, through the Interparliamentary Conference on Stability, Economic Coordination and Governance (SECG) (Cooper 2017).

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