POSITION PAPER

Industrial Decarbonisation: Lead Markets and Labels for Low-Carbon Industrial Products in Construction

Brussels, 11/07/2025

FIEC calls for

- **A level playing field among construction products and technologies**
- **Long-term price signals that incentivise investments in low-carbon technologies**
- **Dedicated funding for research, innovation and market uptake for novel materials contributing to the decarbonisation of the built environment**
- **Explicit and transparent reinvestment of additional costs paid for low-carbon industrial products into decarbonisation efforts**
- **Strengthening the existing regulatory framework to effectively support the demand for low-carbon construction products at the building level**
- **Introduction of the CO_2 Shadow Price as a powerful transition mechanism for industrial decarbonisation**

FIEC is the European Construction Industry Federation, which through its 32 national member associations in 27 countries (24 EU countries, Norway, Switzerland, and Ukraine) represents construction companies of all sizes, i.e., small, and medium-sized enterprises and "global players", carrying out all forms of building and civil engineering activities.

The European Commission is planning a legislative proposal about an *Industrial Decarbonisation Accelerator Act* (IDAA) in the context of the *Clean Industrial Deal*[1] communication. It will address industrial decarbonisation, access to energy, and aims to support the creation of lead markets for the development of European clean and resilient industrial technologies and products. A focus will be on the decarbonisation of energy-intensive industries to reach climate neutrality.

Several factors (higher energy costs than in non-EU countries, demand slowdown in some of the main downstream sectors, non-market overcapacities driven by export-led growth strategies and state-subsidised production in non-EU countries) have been identified as contributing factors to a decline in industrial production. Today, emissions reductions are too often the result of reduced production output rather than increased efficiency, energy system integration and decarbonised manufacturing processes, especially for the most energy-intensive sectors (e.g. basic metals, minerals). Investments in clean technologies are not materialising fast enough to offer viable business pathways for decarbonisation.

To overcome this, the initiative aims to address, among others, the lack of demand for clean industrial products at current prices compared to their conventional alternatives. The general objective is to increase sustainable and resilient industrial production in energy-intensive industrial sectors in the EU by supporting decarbonisation investments. A coordinated EU approach would strengthen European resilience and support the development of European low-carbon lead markets, while preventing internal market fragmentation.

Of particular importance to the European Construction Industry is the aim of the European Commission to develop product labels for industrial products, accompanied by incentives. They may be a powerful tool to speed up the transition to decarbonised manufacturing and could be linked to public procurement to oblige contractors to use low-carbon industrial products when bidding for public contracts (demand side push), enabling manufacturers to reap a "green premium" for their decarbonisation efforts. It is planned that the *Industrial Decarbonisation Accelerator Act* (IDAA) will develop a voluntary label on the carbon intensity content of industrial products like steel and cement.

Figures indicate that construction is the main destination sector for steel produced in Europe (mainly rebar and beams). The built environment is therefore considered among the sectors of application, and the key role of construction for the competitiveness of the whole supply chain must be recognised. However, **the overall goal of the construction industry is to buy materials with the lowest carbon footprint at the most competitive price – always on the basis of important technical characteristics**. Balancing those interests while reaffirming the commitment to Europe as an industrial hub will be one of the main objectives of the future *Industrial Decarbonisation Accelerator Act* (IDAA) and the upcoming revision of the *Public Procurement Directive* (PPD) in 2026.

[1] Clean Industrial Deal: A plan for EU competitiveness and decarbonisation (European Commission, 26 February 2025, https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en)

Decarbonisation in the Construction Sector

FIEC welcomes the overall objective of the upcoming *Industrial Decarbonisation Accelerator Act* (IDAA) to increase sustainable and resilient production in energy-intensive industrial sectors in the EU by supporting decarbonisation investments. For SMEs, which are the backbone of the EU construction sector, it is crucial that future instruments are practical, cost-effective, and low in administrative burden. The vast majority of construction sector emissions are primarily linked to material extraction and production, which makes greater material efficiency and a focus on reducing the carbon footprint of construction products key. As public procurement accounts for 14% of EU GDP, we agree that related policies might potentially be a powerful instrument to help overcome barriers to market entry and to support sustainable and resilient industrial ecosystems, jobs and value creation in the EU[2]. The voluntary label on the carbon intensity of industrial products, developed by the IDAA, might be introduced as a mandatory non-price criterion for sustainability during the revision of the *Public Procurement Directive* (PPD) in 2026.

Current European legislation on public procurement already allows purchasers to incorporate environmental criteria, which may include sustainability and resilience matters. However, we are not fully convinced that the mandatory introduction of sustainability and resilience criteria, and minimum EU content requirements in public contracts, would be an appropriate measure for achieving the objectives of accelerating the decarbonisation of carbon-intensive industries. Public Works companies have made the ecological transition a major part of their business. It would therefore be reasonable and efficient to approach contracts from the angle of enhancing the value of their commitments, rather than from the angle of environmental constraints. In any event, it is imperative that the desire of the public authorities to incorporate mandatory and binding environmental considerations into European legislation will not lead to the generalisation of a universal CSR criterion that would lead to the governance and strategy of the company being taken into consideration instead of the actual performance methods of the contract in question. Maintaining the notion of a "link with the subject of the contract" remains key. The decarbonisation of carbon-intensive industries will automatically entail specific costs that purchasers will have to take into account as part of the costs associated with carrying out their projects.

A fortiori, it would be in the interest of all stakeholders in the construction sector to have a transparent understanding of their business partners' sustainable procurement policies. Through voluntary *product labels for industrial materials*, media coverage of the choices made by public procurers would be a powerful lever for accelerating progress in the construction industry.

The construction sector benefits from accelerated permitting procedures and less red tape for projects, e.g. for TEN-E energy projects, but also for factories and production sites where foundations are laid by construction companies. Whenever possible, further acceleration of permitting for industrial decarbonisation, including for projects related to electrification, CCS infrastructure and access to renewables, must be achieved. We support the reduction of energy costs to help ensure a strong industrial base in Europe. Those companies are at the same time our customers and also essential for the supply of construction products. The construction industry relies on European steel, aluminium, glass and other products to build.

While we are facing a severe housing crisis, which has been identified as a priority at the EU level, **high costs of construction** are one of the main drivers of this situation. A competitive built environment needs innovation, and any policy action must ensure that a sufficient **level playing field among construction products and technologies** is maintained to guarantee the competitiveness of the industry. The European Construction Industry is committed to the climate transition and willing to contribute to the goals of the IDAA and *Clean Industrial Deal*. However, we stress the need for a policy framework that is realistic, actionable, and reliable for both large contractors as well as for SMEs.

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[2] Clean Industrial Deal: A plan for EU competitiveness and decarbonisation (European Commission, 26 February 2025, https://commission.europa.eu/topics/eu-competitiveness/clean-industrial-deal_en)

Emissions Trading System & Carbon Border Adjustment Mechanism

Some relevant sectors currently fall under the scope of the *Emissions Trading System* (EU ETS) while still receiving partial free allocations due to the risk of carbon leakage. With the gradual introduction of the *Carbon Border Adjustment Mechanism* (CBAM), these free allocations will be phased out over time. FIEC supports the EU ETS as a holistic and market-driven tool for the decarbonisation of the industry. It provides clear, **long-term price signals that incentivise investments in low-carbon technologies**. For the industry, predictability and consistency are crucial. Industrial decarbonisation is expensive and bears a risk of loss of investment. Related decisions are consequently only made in stable conditions. As free allocations are gradually removed, the transparency and effectiveness of the EU ETS will further increase. However, we also understand that the end of free allocations of certificates for both cement and steel will significantly increase the costs of construction in the coming years. This will strongly steer construction towards a low-carbon direction.

The Role of Product Labels for Industrial Materials

From our point of view, the primary objective of those *product labels for industrial materials* is to achieve the carbon neutrality target set by the EU for the sector as a whole. However, the added value of **product labels for industrial materials** is yet not very clear, and we are concerned that those labels could present a barrier to the market uptake of secondary materials. Unlike consumer goods, construction materials are procured in large volumes by professionals. The assumption that *product labels for industrial materials* would improve information access in the procurement phase is not convincing. **Experienced procurement teams already rely on detailed technical documentation, standards, and performance specifications rather than simplified label classifications when making purchasing decisions.** Unlike holistic systems, namely the EU ETS, EPBD *Life Cycle Assessments* (LCAs) at the building level, or the proposed CO_2 Shadow Price in Procurement (see below), low-carbon product labels address industrial materials themselves, resulting in a wide range of diverse and hardly comparable labels for a variety of products. We are highly concerned that a multiplication of labels and digital standard formats will overwhelm SMEs in particular and distort competition. Furthermore, if labelling thresholds or classes are set at the national level for products that are traded on the EU Single Market, this would introduce an additional layer of administrative complexity. **Market fragmentation would risk distorting competition within the EU Single Market and would contradict the European legislators' aim of strengthening market integration.** In the construction sector, we are well adjusted to existing main tools for emission reductions, like the CPR *Environmental Product Declarations* (EPDs) and other environmental assessments and regulations, which have developed into a standardised and established system. They provide the necessary details for informed and reasonable decision-making. However, if the goal was to simplify and to raise market acceptance and transparency in the procurement phase, the following comments about *Indirect Labelling*, *Robust Labelling Methods and Product Label Database*, as well as *Green Premium & Decarbonisation Investments* must be considered.

Indirect Labelling

FIEC does not support the concept of indirect labelling. If European legislators intend to develop lead markets for clean industrial products by introducing *product labels for industrial materials* as a mandatory non-price criterion in public procurement, **it is essential that the labelled product is also the one directly procured**. Labelling upstream components or intermediate materials used within final products does not provide added value in stimulating demand for clean industrial products.

Some of the products currently targeted are not typically procured directly, but serve as components of products used and procured in the construction sector. Labelling these upstream materials risks undermining the policy objective. Research findings suggest that such an

approach could have adverse effects, including reinforcing existing industrial technologies, thereby causing lock-in effects and creating barriers to trade and competition between materials and products. Innovation is important to maintain the competitiveness of the European construction industry, and **novel materials can contribute to the decarbonisation of the built environment**. Research and innovation, as well as support for the market uptake of those products, is therefore key, and European legislators might therefore **consider allocating dedicated funding for these priorities in the upcoming planning period** (post-2027 Multiannual Financial Framework).

> An example of the limitations of indirect labelling can be seen in the distinction between cement and concrete. While cement has received more attention than concrete in the labelling debate, concrete may often be a more suitable material to address by means of lead market and labelling policies. Because of the scope for reducing the share of reactive cementitious materials using innovative low clinker cement and concrete compositions, or using higher vs. lower emissions concretes more selectively at the construction site, more decarbonisation options are available for concrete than for cement. If lead market policies focus only on the clinker or cement stage of the value chain, these policies do not directly create incentives for such innovative products and practices at the concrete stage. Furthermore, concrete is the product that is procured, and it therefore also makes sense from a practical point of view to focus lead market efforts on the main product procured by the client. Emission reductions at the construction level remain the most important aspect. In a worst-case scenario, *product labels for industrial materials* could lead to sub-optimisation in regard to components and elements and create overall negative effects.

Robust Labelling Methods and Product Label Database

The envisaged *product labels for industrial materials* are of particular importance to the European Construction Industry, first and foremost when it comes to steel and cement. To ensure trust in those labels, the robustness of labelling methods and the binding nature of compliance with the decarbonisation trajectory must be key in managing those labels. It must be clear that SMEs can use a database of product labels before such criteria can be linked to public procurement. Without access to a comprehensive database for product labels, information will lack transparency, resulting in market disadvantages for SMEs.

Green Premium & Decarbonisation Investments

FIEC strongly supports the principle that any “green premium”, **the additional cost paid for low-carbon industrial products, must be explicitly and transparently reinvested into decarbonisation efforts**. This is essential to create a credible and fair market environment in which public and private clients are willing to pay more for cleaner materials, knowing that the premium contributes directly to scaling up sustainable industrial transformation. Taking into account the heterogeneity of Member States (e.g. their energy mix), it could be difficult to ensure that all decarbonisation levers are fairly represented, so as not to favour a technique that is available in the short term to the detriment of medium- to long-term investment, which could ultimately hinder the achievement of decarbonisation objectives in the targeted sectors.

Public Investments to support Industrial Decarbonisation

FIEC supports a European preference in the allocation of public investments aimed at supporting industrial decarbonisation. This approach is essential to ensure that EU funds effectively drive the transformation of Europe’s industrial base, while aligning with other legislative initiatives and the EU’s international commitments. Public funding programmes must be designed with lean application and verification procedures to ensure they are accessible to construction SMEs.

Whole Lifecycle Global Warming Potential & Lifecycle Carbon Assessments reporting

FIEC acknowledges that **several key regulatory frameworks are already in place to effectively support the demand for low-carbon construction products at the building level**. Notably, the revised *Energy Performance of Buildings Directive* (EPBD) will drive the decarbonisation of Member States building stock with its *Global Warming Potential* (GWP) requirements (disclosure of lifecycle GWP in *Energy Performance Certificates* (EPC); Member States roadmaps introducing limit values on the total cumulative lifecycle GWP of all new buildings and setting targets for new buildings from 2030). The EPBD will operate in conjunction with the revised *Construction Products Regulation* (CPR 2024), which requires manufacturers to declare environmental essential characteristics, including mandatory GWP, in their *Declarations of Performance and Conformity* (DoPC). We consider this combination of EPBD and CPR as the most relevant and reliable source of science-based information for guiding procurement and construction decisions towards low-carbon products.

CO_2 Shadow Price in Procurement

The decarbonisation of the construction sector can only be achieved when CO_2-intensive products, such as steel or cement, that are used largely in the construction sector are decarbonised. Construction holds leverage for that in itself, as public procurement and the public sector as a client plays a large role in construction. Therefore, we do support the creation of (green) lead markets to accelerate the decarbonisation of construction products. The public sector as a major buyer of construction services can play an important role in achieving that. In our view, this target is most effectively achieved by a CO_2 shadow price and the evaluation of the CO_2 lifecycle emissions. The basis has been laid with the *Construction Products Regulation* (CPR), together with the EPDs that contain the CO_2 footprint of construction products. This CO_2 footprint would then be multiplied by the EU ETS price to calculate a CO_2 shadow price. The CO_2 shadow price should be taken into account as a **non-price criterion in the tendering process** for construction products, so that a competition between bidders to reduce the CO_2 footprint of construction products is effectively taking place. A CO_2 shadow price in tendering for construction projects is permissible and, in our view, the most effective way to put a price tag on CO_2. It functions as a **powerful transition mechanism for the phase until the EU ETS provides a complete and transparent price signal** with the end of free allocations of certificates. This price signal will drive the decarbonisation of the industry. To avoid double accounting in the future, the CO_2 shadow price will have to be phased out after the transition phase to maintain a level playing field among construction products. When elaborating on the IDAA, European legislators should eventually evaluate this option next to the introduction of *product labels for industrial materials* to achieve (green) lead markets.