



11 September 2025

Dear Commissioners Sterland and Stokie,

Thank you for the opportunity to provide feedback on the Interim Report: *Investing in cheaper, cleaner energy and the net zero transformation*. The report overall is impressive and has much to applaud. We take this opportunity to recommend the Commission reconsider its emphasis on technology neutrality in policy supports as there is a substantial academic literature which finds technology neutrality is an unhelpful principle in green innovation and industrial policy.

The Interim Report places an emphasis on technology neutrality in policy supports. For example, the Executive Summary says:

"Governments should .. ensure incentives are neutral towards which technologies can achieve reductions... Priorities for action include: ...new, technology neutral policy settings to incentivise reductions in emissions from heavy vehicles."

This emphasis on technology neutrality is not consistent with recommendations from the academic literature regarding best-practice green innovation and industrial policy. A review of this literature is provided in our working paper "What is Green Industrial Policy; and should it be Technology Neutral?" which is appended to this submission. Our review of the literature finds that technology neutral policies:

1. Are never actually neutral in practice and tend to favour incumbent industries and technologies.
 - a. That is, *de jure* technology neutrality usually leads to *de facto* discrimination.
2. Are driven by a misguided view that Green Industrial Policy is merely a second-best response to environmental externalities.
 - a. In fact, Green Industrial Policy can, and should, address a range of market failures that limit the development and deployment-at-scale of new, clean technologies. Since many of these market failures are technology-specific, the optimal policy response will also be specific. A case in point is the network externalities associated with establishing EV charging networks.

Our paper concludes that technology neutral policies such as carbon pricing are appropriate to address technology agnostic externalities such as greenhouse gas emissions. However, technology specific policies are essential to address technology-specific market failures that limit the emergence and growth of new, clean technologies and industries. Rather than simply relying on vague statements of technology neutrality / agnosticism, potential government failures in Green Industrial Policy should be addressed by following best practice recommendations from academic and grey literatures. Such best practice would require, for example, the justification of technology-specific policies with reference to technology-specific market failures. They would also require discipline to reduce or remove supports that are not (or no longer) helpful, and accountability to the public.

Regarding the Interim report, while the term "technology neutral" has been used several times, its meaning is still vague and not consistent with the rich literature on this topic. Such conceptualisation may miss the nuances and challenges that we have identified around the concept. For instance, it has been proposed in

Draft Recommendation 1.3 that the new emissions-reduction incentive should be “be as technology-neutral as possible, meaning that it should create the same incentive to reduce emissions by switching from fossil fuels to electric vehicles, low-carbon liquid fuels or any other method to reduce emissions.” Given what we have found in literature, it would be challenging to provide “the same” incentive in practice and where it does provide “the same” incentive it may not put the players on a level playing field. It is not specified how such a policy would be implemented. A loose definition with a lack of implementation guidelines could lead to de facto discrimination, as the literature suggests.

Another related issue is the position regarding technology-specific policies. While five options are provided to improve emissions-reduction incentives in transport, Options 4 and 5 seem to be less favoured due to their incompatibility with the principle of technology neutrality. We find that there are merits to technology-specific policies in our study, and we recommend closer scrutiny of these options which should not be automatically ruled out.

Thank you for your consideration of this research-based feedback. Please don’t hesitate to reach out if you would like to discuss these points further.

Sincerely,

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Emma Aisbett on behalf of Wenting Cheng and Ralf Steinhauser