

Event Report

Business networks for a Climate Neutral Economy - Stimulating progressive business action with the Fit for 55 Package

Online Roundtable under Chatham House Rule

January 25, 10.00-12.00 (CET)

All across Europe, business networks have been working actively to increase climate ambition recognising the economic, social and environmental benefits of the transition towards a climate neutral, resource efficient and sustainable Europe. Some of these networks have decided to join forces to put the EU and Member States on track to achieve climate neutrality by 2050 and ensure that the EU's economic recovery is consistent with ambitious climate and sustainability objectives through direct business and policy action. Participating business networks include Aldersgate Group (UK), BCSD Portugal, CER Slovenia, Change for the Better (Czech Republic), CLG Europe, Climate Leadership Coalition (Finland), The Dutch Sustainable Growth Coalition (Netherlands), Entreprises pour l'Environnement (EpE) (France), The Haga Initiative (Sweden), Shift (Belgium), Skift Norway, the Spanish Green Growth Group, Stiftung KlimaWirtschaft – German CEO Alliance for Climate and Economy (Germany) and Sustainability Embassy Romania.

CLG Europe, together with some of these networks, organised an online roundtable on '*Business networks for a Climate Neutral Economy - Stimulating progressive business action with the Fit for 55 package*' on 25 January. The aim of the event was to bring together business networks with policymakers to have a positive exchange on how businesses can support Europe's transition towards climate neutrality, looking at commitments and best practices, and how the Fit for 55 Package can deliver the transition towards a climate neutral and prosperous EU, including by supporting businesses to develop and scale up these practices.

The event was chaired by **Ursula Woodburn**, Programme Manager, CLG Europe. Speakers included:

- **Pascal Canfin**, MEP, Renew, European Parliament
- **Jytte Guteland**, MEP, S&D, European Parliament
- **Nicolás González Casares**, MEP, S&D, European Parliament
- **Deputy Director-General Clara de la Torre**, the Directorate-General for Climate Action, the European Commission
- **Helmut Hojesky**, Director for Climate Policy Coordination, the Austrian Federal Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology
- **Ambassador Jaroslav Zajíček**, Deputy Permanent Representative of the Czech Republic to the EU, Czech Permanent Representative to COREPER I
- **Sophie Punte**, Managing Director, Policy, We Mean Business Coalition (WMBC)

- **Ana Struna Bregar**, CEO, CER Slovenia
- **Till Kötter**, Head of European and International Policy, Stiftung KlimaWirtschaft
- **Jouni Keronen**, Chief Executive Officer, Climate Leadership Coalition
- **Nina Ekelund**, Executive Director, the Haga Initiative
- **Claire Tutenuit**, General Delegate, Entreprises pour l'Environnement (EpE)
- **Thor Tummers**, External Affairs Manager, Unilever, part of the Dutch Sustainable Growth Coalition
- **Gonzalo Sáenz de Miera**, Vice President, Spanish Green Growth Group, Global Director of Climate Change and Alliances, Iberdrola
- **Ana Paula Marques**, Executive Board Member, EDP, part of BCSD Portugal
- **Bjørn K. Haugland**, CEO, Skift Norway
- **Romain Pardo**, Programme Manager, CLG Europe

Summary

This roundtable made a clear case for accelerating the green transition in Europe, and reaffirmed the willingness and ability of progressive businesses to take a leading role in this transition. It highlighted the importance of policy to scale up business action and increased cooperation on climate issues across sectors and countries, and between policymakers and businesses. Speakers shared the common objective to deliver an ambitious, effective, coherent and socially just Fit for 55 Package that promotes urgent and transformative change, and reflected on the role of carbon pricing a clean and smart energy system to achieve this objective.

1. Businesses are taking action and supporting climate ambition

Climate change is already here, impacting society including companies, and highlighting the need for urgent transformative change. According to the [Deloitte global survey](#) of 750 executives, a majority of them expressed the need to act now to avoid the worst impacts from climate change, and 81% believed business can do more. Similarly, a [recent report](#), based on interviews with 40 Nordic CEOs, representing companies with approximately 1.2 million employees across the globe, also illustrated the concern from CEOs on the threat posed by climate change and showcased the willingness from Nordic business leaders' commitment and responsibility to be a part of the solution by aligning with the 1.5°C target. It was therefore acknowledged that more must be done to accelerate mitigation efforts.

Progressive businesses are making commitments and taking action globally and in Europe recognising this challenge but also the economic opportunities of investing in climate friendly solutions and practices. 2300 companies worldwide have committed to science-based targets to reach net zero in line with the Paris agreement across all economic sectors with the [Science Based Targets Initiative](#). Through initiatives like [RE100](#), [EV100](#), and [EP100](#), companies are also taking steps to source 100% of their energy through renewables, transition their fleets to EVs and improve their energy productivity. At national level, there is also growing recognition of the need to scale up action on climate and sustainability. The new [Green Star guide and certification](#), provides a guide for Slovenian businesses to set their strategic priorities in order to achieve a green transition using science-based criteria. Similarly, in Spain, [a guide](#) to support companies in delivering on net zero. Speakers also showcased many examples of projects, such as green hydrogen and steel projects in heavy industry, and battery production for electric vehicles, which demonstrate the ability of businesses to provide solutions on which policymakers can build on when increasing the ambition of climate policies.

2. The Fit for 55 Package can provide a policy framework fit to deliver on climate objectives and support business action.

In turn, speakers underlined the importance of climate policies to encourage and enable companies to scale up their already existing ambition and willingness to invest in decarbonization. Recognising this ambition loop between business and political action, businesses have been calling on policymakers to set up ambitious objectives and a political framework fit to translate this ambition into practice. For example, at international level, a [letter](#) signed by 778 businesses, representing US\$2.7 trillion in annual revenue and employing ten million people, called on G20 leaders to take action to limit average global temperature rise to 1.5°C. At EU level, 75 businesses signed a [letter](#) to EU policymakers for an effective and coherent “Fit for 55% package” that delivers EU leadership on climate and the net zero transition. Given current political discussions on the package, this year is seen as a key milestone to advance the scale and pace of implementation.

The package can deliver an enabling framework for businesses to invest and have a leading role in the EU’s transition towards a climate neutral and prosperous Europe. In order to achieve this, the priority is to maintain the overall ambition level of the package while ensuring its cohesiveness and coherence. This could be done not only by ensuring a high level of ambition in all its constitutive elements of the package but also by exploring the strong synergies between these elements. Speakers discussed specific areas and elements of the package in the following sessions.

3. The role of carbon pricing, ETS and other related instruments in decarbonising the industry sector and the economy

Speakers highlighted best practices in the industry sector with companies developing green steel and hydrogen and carbon capture and storage technologies indicating their efforts to be frontrunners in the field of clean technologies. As technologies will not be sufficient to bring change by themselves, **carbon pricing and other related measures such as Contracts for Difference ((CfDs) are seen as crucial instruments** to provide predictability for businesses to invest in these solutions and make them economically viable. In this regard, the Fit for 55 Package provides the opportunity to encourage this momentum with a strong carbon price through the Emissions Trading System (ETS). ETS revenues were seen as a resource to finance the green transition in the EU. It was also pressed upon that the current energy price hike has very limited connection to the ETS, and the two discussions should not be incorrectly intertwined. As an illustration, carbon pricing contributed to the energy transition in Finland by driving out the use of peat and coal in the use of electricity. The package is also the opportunity to accelerate the development of instruments aimed at ensuring long term investment security, like CfDs, for energy intensive companies and encourage the creation of green lead markets for climate-friendly products.

While carbon pricing is considered as a key instrument to decarbonize the economy as a whole, speakers addressed **the need for additional regulatory action** to achieve this objective. For example, CO2 standards for cars and vans and carbon taxes are important to decarbonise the transport sector and ensure that only zero emissions light-duty vehicles are sold by 2035. In that regard, the Effort Sharing Regulation still has a clear role to play so that Member States remain responsible and accountable for lowering emissions sectors beyond the ETS. European Commission impact assessments also show that carbon pricing and green tax shifts lead to growth and better jobs.

Most speakers agreed on **the need to phase out free allowances**, as long as other measures will have proven to generate the necessary investments to finance the transition of energy intensive industries. Some speakers argued that an efficient and WTO **compatible Carbon Border Adjustment Mechanism (CBAM)** would be fit to progressively phase out free allowances while preserving industry’s competitiveness and bringing international partners on board. Others called on the EU to continue working on other alternatives,

considering that CBAM's scope was too narrow while the German proposal for a climate club might be too broad. Measures that would only allocate free allocations to companies effectively investing in the transition were also mentioned. At international level, the '[Call on carbon](#)', signed by 96 companies and 24 business associations and networks calls on countries to align their carbon pricing instruments where appropriate to create a stable and predictable investment environment and back their net zero targets with the Paris Agreement.

4. Building a smart and sustainable energy system with the Fit for 55 Package

In the context of high energy prices, speakers highlighted the need for an accelerated roll-out of renewable energy all across Europe, combined with concerted efforts to increase energy efficiency, as a key to tackle climate change.

Europe has seen an unprecedented technological revolution in **clean energy** including wind and solar for electricity, green hydrogen and batteries for electric vehicles. Energy utilities are already increasing their renewable capacity drastically and committed to transition towards 100% renewables. A robust energy transition is seen as essential not just to fight climate change, but to create jobs and to shield the EU's economy from the volatility and high prices of fossil fuels on international markets. Despite positive signals, more must be done. The Fit for 55 Package can accelerate the energy transition with ambitious targets for renewables within the Renewable Energy Directive, but also by addressing existing bottlenecks. For example, permitting processes could be reviewed to tackle barriers and ensure that best practices which are implemented can be adequately replicated in all Member States. Revenues should be allocated to building the capacity of authorities, administrative entities and institutions to efficiently deal with renewables applications.

In addition from highlighting that increased **energy efficiency** rates could help to address high energy prices, speakers highlighted that the principle of "Energy Efficiency first" is key to meet climate neutrality. Public authorities could lead by example by refurbishing public buildings. The discussion also underlined the links between energy efficiency and transport, as for example as an EV engine is four times more efficient than an internal combustion engine (ICE).

To address the current energy prices and succeed in the energy transition, speakers agreed that all actors, including policymakers, businesses and consumers, needed to join forces and that the sustainability and social objectives needed to go hand in hand.

5. Linking climate and other sustainability objectives

Speakers also addressed the need to seize opportunities beyond climate and consider the links between climate and other sustainability objectives. The **circular economy** was highlighted as key for the transition towards a carbon neutral EU. Increasing circular practices involves having a value chain approach and determining which policy measures are needed to increase circularity at all stages of the value chain, from circular design to innovating recycling. In that respect, the Fit for 55 Package should fully deploy the links between the circular economy and climate action, to create demand for circular and climate neutral materials, boost industry's competitiveness and tap into the employment opportunities in circular business models. The circular economy will be at the forefront of the political agenda during the Czech Presidency with initiatives on batteries, packaging and packaging waste. Speakers also highlighted the need for the Package to be fully in line with the twin transition towards climate neutrality and a **nature positive economy**.

The event ended with policymakers and progressive businesses agreeing to work together to deliver an ambitious and successful Fit for 55 package and transition towards a climate neutral, resource efficient and prosperous EU.