

Event Report

Accelerating the transition towards climate neutrality through business and political action- A CEE region perspective

June 16, 14.00-16.00 (CET)

The European Union (EU) is currently establishing measures to reduce its energy dependency from Russia amid the war in Ukraine and a context of high energy prices, with an upcoming European Commission Communication on the REPowerEU Plan in May. Some of these measures, such as speeding up the roll out of renewables and scaling up energy efficiency have the potential of accelerating the energy transition in the CEE region. At the same time, the EU is developing its climate and energy legislation, with the Fit for 55 Package, to achieve its emissions reductions target of at least 55% by 2030, with important discussions already taking place within the European institutions.

The event comes at a crucial period that will determine both the EU's ability to increase its energy security, while accelerating its energy transition, and set up the adequate policy framework to achieve its climate objectives in a way that addresses social challenges and taps into the economic benefits resulting from the transition towards a climate neutral economy. While social impacts need to be managed, the climate neutral transformation provides the Central Eastern Europe (CEE) region with significant opportunities to deliver economic prosperity, as well as positive climate outcomes. The region has an untapped potential for large scale renovation, deploying renewable energies and pioneering electric mobility, among others. Businesses are increasingly recognising this potential and investing in clean technologies, clean mobility, renewable energy and energy efficiency related solutions.

The event provided an opportunity for policymakers, business leaders, civil society and think tank representatives to exchange views on the energy and climate transition in the CEE region, building on best practices from businesses, and to determine what policy measures, including within the Fit for 55 Package, should be put in place to achieve this transition, addressing social challenges and tapping into economic benefits in the process.

The conversation highlighted the following key themes:

- **The need to accelerate the climate and energy transition in the CEE region is stronger than ever and brings economic and social benefits.** The war in Ukraine has exacerbated the volatility of gas and coal prices which speakers contend is even more evident in Eastern Europe. This historic disruption in energy supply has become a matter of national security as it places significant burdens on society and businesses. Recent surveys and polls are now also highlighting the unprecedented steer from the public for both companies and countries advance their climate action. Moving towards more sustainable business models provides economic benefits and increases cost efficiencies, thereby resulting in improvements both for businesses and consumers.
- **Actions from companies to achieve the climate and energy transition in the region are already underway.** Companies are increasing the ambition-level of their sustainability commitments, and taking steps to maximise energy savings and to increase the roll out of renewable energy. For instance, IKEA has set [100% renewable targets](#) for sourcing renewable energy and zero-emission deliveries in the CEE region. ACCIONA drives its decarbonisation efforts with onshore wind farms and solar power plants, as wind and solar are now the cheapest means of producing electricity. Knauf Insulation works

to provide better building insulation, which can enable countries to achieve up to 50% energy savings and lower building maintenance costs

- **Recommendations on how to speed up the climate and energy transition in the region.**
 - **The energy and climate transition should focus on an economic and industrial transformation that revolves around renewable energy, clean energy sources and energy efficiency.**
 - **Financing is a key driver for this transition.** Member States should take advantage of financial instruments provided by the EU such as NextGenerationEU and the Recovery and Resilience Facility and ensure that these funds are allocated efficiently and can be adequately absorbed. Elaborate and well-funded subsidy programmes are required to fund the energy sector transition. There should be greater incentives to encourage increased energy savings in the built environment, such as reduced VAT for building renovations or green loans.
 - **Legislation needs to support sustainable businesses and new business models to scale up action,** with short permitting processes for renewable energy installations, and the adoption of EU standards for sustainability and reporting. As smaller businesses lack the same capacity as multinational enterprises, it is important to facilitate the sharing of best practices and create a pathway for SMEs to embark on the green transformation.
 - **The social impact of the current energy crisis should be urgently addressed with support to low-income households.** In parallel, governments and businesses need to enable citizens to make the right choices so that they can actively contribute to the transition.

The event was chaired by **Martin Porter**, Senior Strategic Advisor, CLG Europe & Executive Chair, CISL Brussels. Speakers include:

- **Michal Veselý**, Chairman of the Board at Change for the Better Association, CMO at JIC Innovation Agency
- **Pavel Zámyslický**, Director of Energy and Climate Protection, Ministry of Environment, Czechia
- **Aleksandra Tomczak**, Member of cabinet of First Executive Vice President Frans Timmermans, European Commission
- **Nicolae Ștefănuță**, MEP Renew, Member of the ENVI Committee, European Parliament
- **Eva Malá Beluská**, Business Development & Transformation Manager CZ/HU/SK, IKEA
- **Mariola Domenech**, Sustainability Director at ACCIONA Energia
- **Barbara Hafner**, Marketing Manager, Knauf Insulation Slovenia
- **Ada Ámon**, Chief Advisor to the Mayor of Budapest on Climate Affairs at Budapest City Hall

Welcome and Opening Remarks

[Martin Porter, Senior Strategic Advisor, CLG Europe & Executive Chair, CISL Brussels](#)

Introduced the discussion by mentioning the twin challenges, of energy security, stemming from the war in Ukraine, and the climate crisis and stressed the need to have an approach that addresses both of these challenges. With a new set of proposals from the European Commission in its REPowerEU Plan, it will be especially interesting to see how dependency on Russian fossil fuels is alleviated in Central Eastern European countries, given their proximity to Russia.

[Michal Veselý, Chairman of the Board at Change for the Better Association, CMO at JIC Innovation Agency.](#)

Expressed his vision of the Czech Republic as a hub for innovation as now there is a real momentum to restart the economy to a much greener and more sustainable one. The Green Deal is the direction for Europe and the

one businesses need to take. In the Czech Republic, [80%](#) of the population agrees that climate change is a high priority, and 70% of customers expect businesses to be a leader in tackling climate change. For this, there needs to be legislation that does not create barriers to sustainable businesses, supports short permitting processes, and allows for the adoption of EU standards for sustainability and reporting. An education system that reflects the transformation, upskilling, and national budget funding for new green technologies are key enablers. The upcoming Czech Presidency presents big opportunities for setting up these enablers

Perspective from Policymakers on How to Achieve the Climate and Energy Transition in the CEE Region

[Pavel Zámyslický](#), Director of Energy and Climate Protection, Ministry of Environment, Czechia

With rising energy costs and cold winters approaching, policymakers in the CEE region must convince consumers, businesses and state actors of the opportunities presented by the achievement of the climate and energy transition. The Czech Republic has already seen a huge reduction in GHG emissions, with a decrease of 42.7% from 1990 to 2020. Energy intensity of GDP has also decreased significantly. The share of low carbon sources in electricity mix rose from 22% in 1990 to 51% in 2020, and in district heating from 0.1% to 11% over the same period. Playing a key role in this GHG emissions mitigation is industrial transformation, together with renewable energy and nuclear roll out, and energy savings. Out of a population of 10 million, 3.5 million people are still getting heating that is 75% based on coal, there is still more to be done to achieve climate neutrality by 2050.

The Czech Republic is continuing its effort to phase-out coal. The new government has decided to speed up the coal phase-out by 2033. The share of coal in the electricity mix declined from 75% to 38% between 1990 and 2020. This has been replaced mainly by nuclear, renewable energy, and partially by natural gas. The share of coal in heating declined from 74% to 51% between 1990 and 2020, again replaced mainly by renewable energy and natural gas. A future role of natural gas has been envisioned mainly in combination with heat and power plants and factory power plants.

In the Czech Republic, increasing the installation rate of renewables has proven successful among middle- and low-income households. There is a big interest in creating new energy communities in the Czech Republic, but legislative amendments are required. Attracting low-income households to these investments also poses an ongoing challenge. Increasing the renovation rate and energy efficiency including new savings, to be more in-line with the requirements of the Energy Efficiency Directive, has proven difficult. With the high costs of energy and electricity, transforming the heating sector, both in terms of individual and district heating, presents a key challenge. The gas crisis rids people of cheaper alternatives.

Elaborate and well-funded subsidy programmes are required to fund the energy sector transition. Renewable energy sources need to become the solution to the energy trilemma, and not just part of it as it stands in current conditions. Domestic production, citizens and communities should also play a more supportive role in the transformation. Businesses should try to avoid getting locked in to the wrong investments and instead use the taxonomy to channel investments into the green energy transition. Cooperation in the CEE region can be enhanced with best practice sharing, in combination with training municipalities to further their knowledge on climate change.

[Nicolae Ștefănuță](#), MEP Renew, Member of the ENVI Committee, Romania

In times of rising geopolitical issues, Europe needs to pave the way for a sustainable future. To get businesses on board, it is important to have 'pills' to sweeten the blow, as many have to convert. Policymakers have already found ways to finance the Modernisation Fund which is necessary to get businesses ready for the Carbon Border Adjustment Mechanism. It is important to avoid carbon leakage and make sure Europe is

leading by example in the fight against climate change. The REPowerEU plan presents a great opportunity for the CEE region, with initiatives aimed at more vulnerable EU countries, and measures for the development of heat pumps and solar and wind technologies offering additional solutions. With 37% of EU recovery funds ring-fenced for climate action, the time to act is now. Our children deserve action from us.

A sustainable Europe can be achieved by accelerating the roll-out of renewables, such as in solar and wind technology. The availability of funds is essential. Member States should take advantage of the 225 billion euros available in loans in the Recovery Plans. There are a number of facilities like NextGenerationEU and the Recovery and Resilience Facility, but there is a bit of a deadlock. Cohesion and NextGeneration funds are not being absorbed, and this should be addressed.

Businesses are ready to step up to meet the objectives of the Green Deal. They adapt very quickly if they hear the right messages. Politicians can be conservative whereas the business sector tends to be more agile. It is necessary to understand together the give and take, as businesses want to be supported with free allowances but, at the same time, they do not fully grasp the opportunities of striving for more ambitious climate action.

[Aleksandra Tomczak, Member of cabinet of First Executive Vice President Frans Timmermans, European Commission](#)

It is four months since the invasion of Ukraine and the world has really changed when it comes to energy and climate. Coal used to be the cheapest source of energy. Moving forward ten years, wind and solar are now the cheapest ways of producing electricity. The EU has driven this big change. There is now a dramatic increase in the price of gas and coal. Given the reliance on fossil fuels, extreme volatility is evident. In Central and Eastern Europe, we see this even more as it becomes a matter of national security. New messages about clean technology are at the center of security talks. There has never been such a high demand and renewable energy is the direction the CEE region should be going towards.

Undertaking a regional approach and cooperating with trans-European networks for the energy transition is key. When there was an interruption of energy supply to Bulgaria and others, Member States gathered in a summit to decide how to move forward and jointly procure gas and hydrogen. Actions to buy and use gas infrastructure together were negotiated. This type of dialogue is really essential. Europe already does it and needs to do more of it. The bloc is in a better position than it was before because it can do reverse flows and have shared infrastructure.

The Role of Businesses in Making the Transition a Success and How Policies Can Scale Up Business Action

[Eva Malá Beluská, Business Development & Transformation Manager CZ-HU-SK at IKEA Member of the Board at Change for the Better](#)

This is a very disruptive and important decade that historians will write about for years to come. The impact of this period that is being foreseen is a significant impact on society and businesses. As a company, IKEA sees the transition as a significant responsibility but also as an opportunity. Climate action benefits both business and the planet. That is why IKEA is committed to climate neutrality. Circularity is a big agenda item, with examples of the company's efforts being its guaranteed by-back service which avoids products ending up at landfills, and [IKEA Home Solar](#) which helps consumers switch to clean energy. These projects are made possible with the growing interest sustainability has gained within the public. In the context of Slovakia, Czech Republic

and Hungary, climate is identified as a key priority with 79% of people expecting businesses to take significant actions towards climate neutrality.

Climate action is mistakenly labelled as not being to the betterment of a business. It requires looking at it through a longer-term perspective, with the aim of achieving 100% targets, such as how IKEA has done with its renewable power usage objectives. Today, in Slovakia, the IKEA has almost met this 100% target for renewable power usage in its units and operations. In Hungary, the achievement of the target is a little further away, with 71%, and 65% in the Czech Republic. Setting 100% targets helps to avoid compromises that water down ambitious objectives. IKEA wants to become a climate positive business by reducing GHG emissions in its value-chain. For companies investing in renewables and sustainable operations, there needs to be greater support when it comes to bottlenecks and supply.

IKEA's biggest focus areas are investments in renewable energy and creating independent units powered by renewables and is committed to having zero-emission deliveries in the Czech Republic, Slovakia and Hungary by 2025.

It is important to share best practices, as ideally businesses find their way in the energy transition with the strength of best practices. Best practice sharing creates a clear step-by-step pathway, which is much needed for small businesses that lack the same capacity as bigger businesses. All citizens need to take action in reducing emissions. In the Czech Republic, Slovakia and Hungary, only a small percentage of people express personal responsibility towards taking action on climate change. Businesses and governments play an important role in inspiring citizens.

Barbara Hafner, Marketing Manager at Knauf Insulation, CER Slovenia

If one were to ask themselves how to cover energy needs, it is first important to know how to make building energy-use less wasteful. Existing buildings need to undergo deep renovations, and new buildings require best in class standards. In this deep renovation process, the first step is making the envelope of the building, all the components separating the interior of the building to the exterior, less energy wasteful, and insulating the envelope and windows. This is followed by implementing efficient techniques and renewable energy sources and other measures. Benefits of improved buildings insulation include achieving up to 50% savings in energy, improved living comfort levels, lower building maintenance costs, and prolonged building lifetime. A recent [Building Performance Institute Europe \(BPIE\) Study](#), finds that countries can reduce final energy demand by 45% with improved building insulation, as well as achieve 44% gas savings.

On the Fit for 55 Package, the upcoming new Energy Performance of Buildings Directive (EPBD) and Energy Efficiency Directive (EED) should include higher targets for energy efficiency and renovations. The energy efficiency first principle needs to be taken into greater account. With regards to REPowerEU, energy savings must remain a priority and VAT reductions for building renovation considered as a great boosting tool.

Mariola Domenech, Sustainability Manager ACCIONA Energia

In Europe, the energy crisis has highlighted the need to accelerate the energy transition to strengthen our energy security and resilience and enhance the transition to a sustainable, fair and just economy. At ACCIONA, this challenge is seen as an opportunity to provide society with the most suitable and effective solutions to decarbonise the economy. With more than 11 GW in operation, and an attainable 20GW target by 2025, the company produces 100% renewable electricity in 16 countries. Furthermore, ACCIONA also supports businesses in their quest to reduce their carbon footprint in a wide range of sectors.

ACCIONA's ambition has always been the fight against climate change. For that purpose, the company relies both on its core technologies, mainly onshore wind farms and PV plants, and a new generation of solutions such as green hydrogen, electrical vehicle charging, offshore wind and energy efficiency. ACCIONA is a partner

in the first [industrial hydrogen hub](#) in Southern Europe. This project will drive decarbonisation efforts and create a green hydrogen ecosystem in the Balearic Islands through a range of applications, such as supplying fuel for public transport, and heat and energy for commercial buildings. ACCIONA is also exploring further offshore wind opportunities in Poland, having just applied for a licence to develop offshore wind assets there.

Energy efficiency is also critical to effectively combat the climate crisis. Last year, ACCIONA signed a large energy services contract with a city in the North of Spain to speed up the city's green, energy and digital transformation process. In the next 15 years, the project is set to decrease the city's energy consumption by 70% and carbon dioxide emissions by 30%. This will be achieved through the use of renewable technologies and the creation of energy communities.

Electric mobility is also viewed as essential in achieving global decarbonisation targets. Consequently, the company has entered the EV market with the target to implement a public network of 25,000 charging points by 2030.

The transition away from gas, scaling up energy efficiency need to be accelerated. The REPowerEU plan can contribute to this objective. Looking forward, there needs to be more synergies between business networks, an acceleration of permitting procedures, commitment to further expand Europe's industrial priorities, and more ambitious Member States with regard to national climate plans.

Response From a City Perspective

[Ada Ámon, Chief Advisor to the Mayor of Budapest on Climate Affairs at Budapest City Hall \(HU\)](#)

Cities are very important from both a climate change mitigation and adaptation side. Cities are big emitters with most emissions deriving from buildings. Looking around cities in the CEE region, heatwaves are dangerous and risky for non-resilient people.

CEE governments are not really climate-friendly or ambitious in this matter. They differ from their western partners, working less on environmental issues and with different financing capabilities. However, they feel the effects of climate change and are eager to adapt and learn how to live in a climate-friendly way.

As cities are big GHG emitters, with buildings being responsible for most of these emissions, there needs to be more private investment coupled with subsidies in order to make the necessary innovative changes needed for the energy transition. With the invasion in Ukraine, people understand more than ever the importance of not being dependent on one energy supply, so the diversification of energy sources is crucial. Companies need to identify bottlenecks and inform their governments so that national policy change can help them overcome these issues.

Concluding Remarks

[Martin Porter, Senior Strategic Advisor, CLG Europe & Executive Chair, CISL Brussels](#)

This discussion highlighted how dynamic the climate and energy agenda is. The business world is alive to this issue, even if there are bottlenecks in the system. It is just essential that the right supports are in place, to share best practices, and to build on the momentum of the transition.