

Key Takeaways from the High-Level Green Growth Partnership Webinar

“The role of carbon pricing in achieving the EU’s 2030 target and reducing emissions globally”

Monday 14 March, 10.30-13.00pm (CEST)

Carbon pricing will play a key role to deliver the EU’s climate objectives within the European Green Deal and specially to implement its flagship initiative of the Fit for 55 Package and decrease greenhouse emissions globally.

The high-level decision makers from Member States and the European Parliament, leading businesses, researchers, and NGOs who came together for the Green Growth Partnership webinar on 14 March had a fruitful exchange on the role of carbon pricing in the Fit for 55 Package and reducing emissions globally.

Against the backdrop of the devastating war in Ukraine and the need for the EU and Member States to rapidly reduce their dependency from Russian gas while dealing with increasing energy prices, the debate covered the topic of keeping the integrity and effectiveness of the Fit for 55 Package in order to prevent future energy and climate crises.

Some discussion points from the first panel on *‘How can carbon pricing and a strong ETS contribute to the delivery of the Fit for 55 Package?’* can be found below.

- While the absolute priority is to stop the Russian invasion in Ukraine and provide support to those most affected by it, the situation is a stark reminder of how geopolitical tensions can deeply affect our current fossil-fuel based energy system and the economy. In this sense, speakers agreed that the EU’s response to the war in Ukraine should not slow down the discussions on the Fit for 55 Package. On the contrary, **there is a need to reach an effective and ambitious agreement on the Fit for 55 package to address the energy and climate crises in a timely and connected way.** As EU Governments are already accelerating measures to reduce the EU’s dependency from Russian fossil fuels, accelerating the EU’s climate and energy transition was considered as key to reduce this dependency.
- The debate on the need for the EU to reduce its energy dependency from Russia is not new and improving the EU’s energy security was already the objective of the Energy Union back in 2014-2015. On the contrary, Russian gas imports increased by 10% in the last 10 years, partly due to the perception that fossil gas should play a role as a transition fuel. Speakers argued that **the Green Deal now provides the EU with an adequate framework to finally achieve its energy security and independence objectives in a consistent way with the transition towards climate neutrality.** Speakers therefore called for the **ambition of the Fit for 55 Package to be maintained, or even further increased in order to accelerate the transition away from fossil fuels and towards increased renewables**

and energy efficiency. Businesses key role in developing solutions that will support and accelerate this transition is highlighted by many.

- Speakers made the case for the EU to become independent in producing its own energy. **To do so, the EU should accelerate our investments in fossil-free energy, reduce its energy consumption and invest ETS revenues to ensure a just transition.**
- **Carbon pricing has proven its effectiveness in reducing the EU's emissions.** The Commission's proposal on the ETS could be strengthened provided certain improvements. **These improvements include improving the Market Stability Reserve and phasing out free allowances.** When and how to phase out free allocations, as well as how this mechanism can work in relation to CBAM and ETS (interlinkages between these files) were debated in the panel. There is a need for further discussions on how to phase out free allocations as early as possible, while protecting European industry.
- **A strong EU ETS would not only reduce emissions but also give a clear direction to the global markets, investors and businesses about the EU's clear commitment to climate neutrality.** A steady increase of carbon pricing is already encouraging investors and businesses to take to set the course towards climate neutrality.
- Market trends show that the current energy price increase is overwhelmingly driven by the fossil gas price crisis, and not by the ETS. **On the contrary, an ambitious and strong EU carbon market was seen as a key tool to accelerate the shift towards EU independence from fossil fuels.**
- ETS revenues and how they are spent will also play a key role in the next years, especially in the context of financing the energy transition. **Financing innovation, scaling up new technologies and guaranteeing that all ETS revenues are spent for green transition measures at Member States level were recommended as critical actions by some speakers.**
- According to the [study](#) presented by panelist Florian Zerzawy, ETS extension to road transport and buildings – so-called ETS2- can be a useful complementary instrument, if certain criteria such as just distribution between member states, social acceptability for households and integrity and holistic approach to the carbon pricing policies are guaranteed.
- Regarding ETS 2, speakers emphasised that carbon pricing cannot be the primary and/or only solution. These measures should be supported with national targets and policies for buildings standards, energy renovation and electrification. **There is a clear need to address the social dimension and to debate over when and how to operationalise the ETS 2.**

In the second panel '*The international dimension of carbon pricing – Which mechanisms to drive climate action globally?*' speakers highlighted the following points:

- Member States reached an agreement on their general approach on the Carbon Border Adjustment Mechanism (CBAM) proposal. **CBAM can play an important role in decreasing emissions globally and create a level playing field for EU producers by preventing carbon leakage.** Speakers stressed that the issue of free allocations should now be addressed in the EU ETS and that **it is important to ensure interlinkages between the two files (CBAM and ETS) to have the best outcome in terms of carbon reductions at EU and global level.**
- **As national taxation policies might change due to changes in governments or national policies, tools like CBAM and ETS were considered as key to provide long term market signals.** In terms of business initiatives, [the Call on Carbon](#) calls on governments to back their net zero targets with effective, robust, and reliable carbon pricing instruments and align their carbon pricing mechanisms where appropriate.
- The market has reached to a point where it is shaped by the demand of end users, businesses and public procurement on green materials and products. Some speakers called for the establishment of **clear guidelines, standards and ambitious threshold levels for green materials support and encouraging producers to switch to green materials.** These guidelines and thresholds are also needed today to help operationalise mechanisms such as CBAM and increase the sustainable competitiveness of their producers.

The recording of this event can be found [here](#) and the slides [here](#).

The Green Growth Partnership cordially thanks all the speakers who joined the event:

Chair of the event:

Ursula Woodburn, Head of EU relations, CLG Europe and Green Growth Partnership

Opening Remarks:

Terhi Lehtonen, State Secretary, Ministry of the Environment and Climate Change, Finland

Panel discussion '*How can carbon pricing and a strong ETS contribute to the delivery of the Fit for 55 Package?*':

- **Jan Tuma**, Head of Emission Trading Unit, Ministry of Environment from the Ministry of the Environment of the Czech Republic
- **Peter Liese**, MEP, Rapporteur for the ETS, ENVI Committee, EPP Group
- **Emma Wiesner**, MEP, Shadow Rapporteur on the ETS, ENVI Committee, Renew Group
- **Erkki Maillard**, EDF Senior Vice President EU affairs
- **Florian Zerzawy**, Scientific Officer for Energy Policy, Forum Ökologisch-Soziale Marktwirtschaft
- **Sabine Frank**, Executive Director at Carbon Market Watch

Panel discussion ‘*The international dimension of carbon pricing – Which mechanisms to drive climate action globally?*’:

- **Dr. Helmut Hojesky**, Head of Department for General Climate Policy, Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology, Austria
- **Jouni Keronen**, Chief Executive Officer, Climate Leadership Coalition
- **Thomas Hörnfeldt**, Vice President Sustainability & Public Affairs, SSAB

About the Green Growth Partnership

The [Green Growth Partnership \(GGP\)](#) is a joint initiative between Ministers of the Green Growth Group (GGG) and [CLG Europe](#). It provides a forum to promote positive exchange between progressive European governments and businesses, with regular involvement of like-minded parliamentarians, and other key stakeholders and opinion formers, determined to support the development of a climate neutral and prosperous Europe.