

Summary Note

Unpacking the Fit for 55 Package: perspectives and next steps

High-level webinar, Friday 16 July, 10am-12pm (CEST)

In order to update its climate and energy legislation in light of the new greenhouse gas emissions reduction target of at least 55% by 2030, the European Commission presented a Fit for 55 Package on 14 July. Against this backdrop, this high-level Green Growth Partnership (GGP) webinar was an opportunity for high-level representatives from the Green Growth Group, Members of the European Parliament and business to provide initial reactions to the publication of the Package and formulate recommendations on the way forward to achieve climate objectives and the transition towards a prosperous, competitive and climate neutral Europe. The event also took place just before the 20-21 Environment Council during which Environment and Climate Ministers discussed the package. The discussion was chaired by **Eliot Whittington**, Director, CLG Europe, and **Ursula Woodburn**, Head of EU relations, CLG Europe.

Welcome and opening remarks

Eliot Whittington, Director, CLG Europe

He presented the Green Growth Partnership, which brings together progressive business voices and leading climate and environment ministries in Europe in a dialogue on how to decarbonise the European economy.

He remarked that the Fit for 55 package is huge in terms of breadth, scale, and ambition, and that the webinar comes at a topical moment, just two days after its release

He also mentioned the tragic disasters experienced by Belgium, Germany, and the Netherlands with the recent floods.

Presentation of the Fit for 55 Package

Mauro Petriccione, Director-General, DG CLIMA, European Commission

He warned that Europe will face more and more of the same climate events that are happening right now in Germany, Belgium and the Netherlands, and they will become the new normal. The question, he stressed, is whether we can stop it, before our ability to adapt is overcome by increasing number of extreme events.

He highlighted that the objective of net zero by 2050 is the minimum that developed nations can commit to, adding that Europe has the ability and the interest to create a working model for decarbonisation of the economy. The next ten years are crucial to change our economies to stop climate change in the mid of the century.

He then gave an overview of the package, mentioning the increased renewables target, from 32% to 40% by 2030, together with binding targets for energy efficiency – higher targets at the EU level for

reductions in final (36 percent) and primary (39 percent) energy consumption by 2030. The package also includes the strengthening of the Emissions Trading System (ETS) and the creation of an adjacent carbon market for road transport and heating and cooling in buildings. Clean mobility, he added, is one of the Commission's key objectives, as it has proposed to revise emissions standards, setting a requirement for the fleet of new cars to reduce emissions by 55% by 2030 and by 100% by 2035 compared to 2021; the fleet of new vans has to reduce emissions by 50% by 2030 and 100% by 2035. On transport, he continued, the Commission made two proposals on aviation and maritime transport.

By 2050, the Commission expects to have a carbon sink more than twice as big as today's and has put forward a proposal outlining targets at Member State and EU level (310 million tonnes of CO₂ emissions by 2035). He stated that the carbon sink has been deteriorating in the past five years, and much of this is due to climate change. He also added that the way Europe manages agricultural land is no longer sustainable.

According to the revision of the Effort Sharing Regulation (ESR), Member States will keep the responsibility for reducing emissions in sectors not covered by the ETS and will need to achieve a cumulative target of 40 percent reduction of emissions by 2030 compared to 2005 levels. Local authorities will also need to contribute to the decarbonisation efforts.

Two elements that will be the most controversial will be energy taxation and carbon border adjustment measures. He finds it absurd that electricity is the most taxed form of energy in Europe, recognising however that the electricity supply is not fully clean yet. He stressed that we cannot wait until it is completely clean. The proposal seeks to remove tax breaks for fossil fuels. Regarding carbon border adjustment measures, Europe cannot afford to see investments efforts of businesses undermined by less ambitious third countries. The increased pressure on businesses will be balanced by a carbon border adjustment mechanism (CBAM), which will also send a strong signal to Europe's partners.

The Commission is looking forward to a long discussion with Member States. It is going to be a very difficult road, he concluded.

Reactions from the Green Growth Group

Andrej Vizjak, Minister of the Environment and Spatial Planning, Slovenia

The Minister stated that Slovenia is starting its Presidency at a crucial time, when the Green Deal is getting its shape. The Slovenian Presidency will focus on climate change, biodiversity and circular economy.

The Fit for 55 Package contains a complex set of legislative proposals. He emphasised that the ETS will remain a cornerstone of the EU policy to combat climate change with a "polluter pays" principle, establishing economic incentives. He stressed that supporting poorer households during the transition is of utmost importance.

Regarding the ESR, he said that we need to adapt Member States' targets in a way that will enable Europe to reach its new 2030 target. Giving flexibility to Member States, he added, is key to ensure the most efficient way to reach goals at national level. One size fits all solutions will not work.

As the EU climate legislation becomes more stringent, Europe needs to ensure its competitiveness and prevent carbon leakage with a WTO-aligned CBAM.

He concluded by describing how the work of the Presidency will be organised. On 20 July Environment Ministers will first discuss the package in an informal meeting. Since the package covers a wide range of interlinked thematic areas, it will also be considered by the Transport Telecommunications and Energy Council and Economic and Financial Affairs Council. The Presidency will ensure a broad debate, to achieve an effective burden-sharing and maintain the competitiveness of the European economy.

Jochen Flasbarth, State Secretary, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, Germany

The State Secretary started by mentioning the floods in Germany and neighbouring countries.

He applauded the Commission for the release of a very comprehensive package. He stressed how Europe's new climate target is ambitious and everyone should focus on getting it done, instead of debating whether the target is enough. Member states will now discuss every detail of the package. He underlined that whoever wants to remove something from the package needs to put something else in.

He stated that the ETS has shown to be a very efficient instrument and must deliver a big share of the new target. The ETS will be a new challenge for all industry as it will have to drive production and innovation in the context of a new climate framework.

Anti-carbon leakage provisions will continue for a while and then CBAM will be introduced. While CBAM is needed, Europe will need to make sure that it does not poison the relations with its partners, such as China, Russia, India and the US. He continued by saying that climate diplomacy will be crucial to avoid the imposition of CBAM on EU's partners.

Strengthening the innovation fund is very wise. Using the reallocation of free allowances that will be no longer used is something that can help decarbonisation at the end of the decade.

Regarding the renewable energy provisions, Germany appreciates the new 40% target, but the State Secretary called for a discussion on more binding elements for Member States to deliver legislation. On the ESR and national targets, Germany will focus on whether the issue of convergency between Member States is sufficiently addressed.

Concerning the extension of the ETS to transport and heating and cooling in buildings, the Commission's proposal excludes use of heat in industry and the German government has doubts whether this is comprehensive enough.

He concluded by stressing the need for social balance, welcoming the proposal for a Social Climate Fund to address the social impacts of the package.

Reactions from CLG Europe

Harry Verhaar, Head of Global Public and Government Affairs, Signify, and CLG Europe Chair

He commented that the floods in Germany and neighbouring countries demonstrate the importance

of the package. Instead of compromising, he said, the package sets out a clear pathway to win the climate battle. Some people will be asking for less and others for more in the next months. The best way to tackle both voices is to bring elements of the package to life as soon as possible. This is also where the ten principles set out in [a letter signed by CLG Europe and more than 70 leading businesses](#) before the release of the package come into play, in particular on policy certainty, on the benefits of climate action for Europe's economic recovery, the need to leave room for more ambition and boost research and innovation.

He continued by describing the challenges from Signify's perspective. He argued that in order to advance climate action it is important to focus on unlocking the potential for mitigation by more than doubling the renovation rate of buildings and the infrastructure around buildings. An additional challenge, he added, is also in creating developing the necessary capacity and skills to achieve this objective. He urged to involve the youth in the decarbonisation process, as their education, jobs, wellbeing, and future are on the line. It is also important that businesses communicate success stories.

Finally, he encouraged Member States to ensure that the ambition is upheld and show the necessary leadership at the next COP.

Panel discussion

Reflections from MEPs

Jessica Polfjärd, MEP, Committee on the Environment, Public Health and Food Safety, EPP

She stated that this is very timely discussion with a very good combination of representatives from the Commission, Member States and businesses, giving a unique opportunity to unpack the package.

She mentioned that the Council and Parliament approved the deal on the Climate Law with its 2030 target of 55 percent emissions reduction. Not everyone likes this new target, she noted. However, she stressed that this is common ground we can lean onto.

She highlighted what she considered as priorities in the new policy package like the ETS. The ETS, she argued, is a successful tool. She welcomed the proposal to strengthen it and extend it to the shipping sector, in particular. Moreover, the extension of the ETS to transport and buildings needs to be done in a proper manner, to avoid double regulation.

She finally underlined the importance of forestry and the need to strengthen the prospects for sustainable forest management.

Michael Bloss, MEP, Committee on Industry, Research and Energy, Greens

He remarked that we are seeing the climate catastrophe in Germany now. The need to urgently change becomes more obvious, so the Greens welcome what the Commission has put on the table.

However, there is a question on the ambition level. Looking at what science recommends, he commented, the 2030 target is insufficient as it leads to a global temperature rise between two and three degrees. We need to use the package to overshoot the 55% goal.

Assessing the package, he argues that it seems it become a fit for 2035 package, as the ambition has been postponed after 2030. He noted how the German Constitutional Court ruled that Germany should not push climate activities beyond 2030.

He stated that there are many different measures to support industries, such as CBAM and free allowances. All these instruments together result in significant support for the decarbonisation of industries. However, he argued that there needs to be a change in the overall architecture in a way that benefits those that decarbonise earlier, also adding a sanction mechanism for companies that continue to pollute.

Speaking about the social aspect and Social Climate Fund, he observed that it was only going to be financed by only 25% of revenues from the new ETS which is insufficient to address the impact of the ETS on society. It should be 100 percent.

He concluded by saying that he is very happy that now the debate on the content has started.

Reflections from businesses

Andreas Regnell, Hybrit Chairman and SVP Strategic Development, Vattenfall

He stated that he is impressed that we have come to a point where we can agree on the package at a European level. There is still a lot of debate to do but it is a big step forward.

The package will convince more companies to take action, running ahead of the rules to be at a competitive advantage. The indirect impact of the release of the package on the minds of senior managers will be very significant.

Hybrit is very happy about the strong focus on ETS, which is an economically efficient tool to reduce emissions. It is also positive that the ETS proposal takes note of breakthrough technologies. He commented that the discussion on carbon leakage is crucial, arguing that not only imports should be covered by CBAM, but also exports, if European products are to compete in third countries.

He finally expressed the urgent need to provide clear transparent standards such as on the green steel.

Ana Struna Bregar, CEO, CER Slovenia

She gave an overview of the work of CER Slovenia, consisting of 80 members representing 20 percent of Slovenia's GDP.

CER Slovenia see the importance of raising awareness about the decarbonisation opportunities among the business decision makers and the finance sector. Slovenian businesses, SMEs included, recognise the opportunities and benefits of the green transition

Regarding the Slovenian Presidency, she observed that this time is important for Slovenia. CER Slovenia support its work and encourages it to show ambition and be inclusive in the discussions. To achieve all the climate targets, we need a policy framework and financing instruments at national and European level. CER Slovenia is glad that Slovenian companies joined the Fit for 55 business letter coordinated by CLG Europe.

She concluded by saying that the package should be driving the development and scaling up of technologies, sending the signal that the Green Deal is Europe's growth strategy. Member states, local

authorities and the EU should take shared responsibilities. Placing the social dimension at the heart of the package is very important.

Charlotte Glassco, EU Public Affairs Leader, Ingka Group | IKEA

She first gave an overview of Ingka Group | IKEA. Sustainability is a very big part of the company. The company has a climate positive ambition, trying to enable customers to lower their climate impact.

Ingka Group have been a very active supporter of the Green Deal since the beginning. Agreeing on the Climate Law was an incredible feat, she noted.

Ingka group is very supportive of the package, because it puts the social needs of the people much more in the spotlight, with the Social Climate Fund, in particular. The package will only be successful if people are on board. Business needs to show to people how they will benefit from the green transition and how sustainability does not have to come at a premium.

She concluded that there must be no ambition slip in the next negotiations. There are dangerous arguments claiming that the package will not work for growth, but Ingka Group has found that the opposite is true, as the company has decoupled growth from emissions.

Gonzalo Sáenz de Miera, Global Director of Climate Change and Alliances, Iberdrola

He stressed how the EU is the first large economy to start translating the long-term goal of climate neutrality into legislation. He underlined that we are facing a climate and economic emergency, therefore the package is an important response to tackle both crises.

For Iberdrola, this proposal is necessary to achieve climate neutrality and is also a way for the EU to seize the economic, social and industrial opportunities that decarbonisation brings about. The proposals presented by the Commission is a first but very relevant step in the right direction. The challenge ahead is to approve it and implement it in a robust way.

Beyond the Fit for 55 package, he highlighted that an ambitious approach towards energy transition brings industrial opportunities for Europe. Europe also has to boost opportunities in clean industries. Finally, he argued that clean solutions will have a positive impact on GDP, increasing investments, lowering energy costs, and reducing the trade imbalance by reducing fossil fuel imports.

Open discussion

How do we increase the competitiveness of industry in a sustainable way? How do we bring together economy recovery with the package?

Regarding competitiveness, **Mauro Petriccione** underlined that border measures are not a full response to address competitiveness concerns. European competitiveness does not come from border measures, it comes from innovation. Europe needs a green industry that is globally competitive.

On the social impact of the package, he stated that the Commission has been saying for a long time that it will not put carbon pricing on sectors in which the impact on consumers is not mediated by entities that are able to take most of the burden. The Climate Social Fund will be worth 72 billion euros over seven years and the Member States will be obligated to address energy poverty.

The Commission is aware of the delicate balance of what it is proposing, but it is also putting forward resources to address problems that only Member States can resolve, not Brussels.

On ambition, he stressed that there is a very real danger that during the negotiations some targets will be moved from 2030 to 2035 and we need to avoid that this happens.

Michael Bloss argued that what we want is the framework that can let industry change. Creating certainty takes a lot of different measures. There needs to be some more instruments, such as carbon contracts for differences and quotas.

Regarding the extension of the ETS to transport and buildings, he asked whether it was worth taking so much political risk for an instrument that possibly has very little impact on emission reductions. He argued that other measures would be more effective and have fewer political risks.

Miha Movrin, Secretary, Ministry of the Environment and Spatial Planning, Slovenia

He remarked that it is clear that the ETS has been successful. Social impact is a key issue, but there will be resources to address the issue thanks to the Climate Social Fund

What are we going to push for in Glasgow at COP26? How can youth be involved in these initiatives?

Mauro Petriccione said that in Glasgow, the EU is bringing the same message it has brought before at COPs. The key point is that the Paris goals need to be reflected in domestic actions. We need to move away from a reductionist view that some developing countries are putting forward that climate action should not come at the cost of development. The thing is that with climate change there will be no development. Climate action means doing development in a different way.

There is a proliferation of mid-century climate objectives. We need to encourage our partners, saying that they cannot have lofty goals in 2050 without doing something now.

He concluded by saying that Member States can choose to reject parts of the package. But everything in the package is complementary: if you take something out, you need to put something else in. He hoped that all progressives in Europe can rally around this principle.

Michael Bloss expressed concerns on how to maintain the coherence of the package during the whole process and make sure that the package is not watered down.

The Green Climate Fund, the transfer of technology and adaptation are key points to be discussed at COP.

He said that the youth realise that they are very impacted by climate change. There is fear, and they wonder whether the new generation will have the same freedom in the future that we have right now.

Regarding the COP, **Miha Movrin** stated that the EU can confidently go to Glasgow with the new climate targets. Key topics of discussion at the COP will be financing and Article 6 of the Paris Agreement. He said that he is optimistic regarding the COP and that it is important to avoid the narrative of global North vs global South during the negotiations

Do you have any final remarks?

Mauro Petriccione said that the conversation today shows the difficulties we are going to face. He stressed the need to rise up to the challenge because failure has an increasing cost, a cost that we should not be willing to pay. All the progressive Member States ought to be in agreement that the magnitude of the challenge should not be diminished.

We cannot longer put segments of our society aside, he continued. The youth have an important role to play, pushing for climate action. But those same young people will be asking “where is my job?” in five years. We cannot ask people to choose between a job and climate. We have decoupled emissions from economic growth. He concluded by asking whether we can now decouple the entirety of our society from emissions.

Concluding remarks

Eliot Whittington, Director, CLG Europe

He concluded the discussions by saying that there was huge consensus in the conversation that the Green Deal and the package represent a core economic agenda, bringing lots of opportunities and challenges. The debate is now moving into the space of implementation: we need to accelerate the action to deliver the targets and the change needed in the society and the economy.