UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR SUSTAINABILITY LEADERSHIP

CLG Europe

Policy briefing

A new agenda for Europe:

Business priorities to deliver a prosperous, climate neutral economy

AMBITION
Aim for climate neutrality and commit to step up the pace of action

ENERGY
Create a smart and integrated approach to energy, mobility and buildings

INDUSTRY
Build a modern, clean and circular industrial strategy

LAND
Transform Europe's food, agriculture and land use systems

INVESTMENT
Mobilise investment in the clean economy

WE MEAN BUSINESS

The Prince of Wales's Corporate Leaders Group

This policy briefing was originally developed by the sister group to CLG Europe, The Prince of Wales's Corporate Leaders Group (CLG), which offers business leadership insight to help shape the response at the UK level to the climate crisis, and work with UK policy makers to support and accelerate economy-wide action.

CLG Europe

CLG Europe offers business leadership for a climate neutral economy. It is an influential and diverse group of European businesses collaborating to define and lead the business response at the European level to the climate crisis, and work with EU policy makers to support and accelerate economy-wide action. Bringing together world-class thought leadership, high-level policy discussions, and evidence-based research, we accelerate progress to net zero European economies by 2050. CLG Europe is convened by the University of Cambridge Institute for Sustainability Leadership (CISL). It is one of the founding partners of the We Mean Business Coalition and works in partnership with governments – particularly the Green Growth Group of EU climate and environment ministers.

The University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership (CISL) is a globally influential Institute developing leadership and solutions for a sustainable economy. We believe the economy can be 'rewired', through focused collaboration between business, government and finance institutions, to deliver positive outcomes for people and environment. For over three decades we have built the leadership capacity and capabilities of individuals and organisations, and created industry-leading collaborations, to catalyse change and accelerate the path to a sustainable economy. Our interdisciplinary research engagement builds the evidence base for practical action.

We Mean Business

We Mean Business is a global non-profit coalition working with the world's most influential businesses to take action on climate change. The coalition brings together international non-profit organisations: BSR, CDP, Ceres, The B Team, The Climate Group, CLG, WBCSD. We Mean Business provided financial support for the publication of this report.

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Executive summary

As the EU enters one of its periodic moments of democratic renewal, the challenges that await the new European Commission and Council Presidents, Commissioners and Members of the European Parliament are significant. The EU will need to develop a new economic strategy that delivers prosperity for EU citizens, develops industries able to compete in new markets, and ensures we are on track to end Europe's contribution to climate change by 2050 at the latest.

The systemic, economy-wide and society-wide changes inherent in an agenda that requires the EU to achieve net zero emissions, or climate neutrality, within 30 years, cannot be underestimated.

A stable climate is a prerequisite for business to succeed and for European citizens to prosper. Business recognises both the urgency of addressing the climate challenge and the opportunities that the shift to a climate neutral economy will bring: new markets, regional prosperity, the development of highly innovative, globally competitive and modern industries, which generate rewarding new jobs, cleaner air and sustainable lifestyles. From power to mobility, industry to agriculture, the EU has the chance to be one of the frontrunners in creating the new zero carbon economic sectors of the future.

A growing number of businesses recognise the need to embrace the agenda for a prosperous climate neutral economy and support its advance through its activities. They are already playing a critical role in this transition, as investors, as innovators, as producers of low carbon goods and services, as corporate buyers, and as champions for climate ambition.

This briefing sets out what these businesses see as **five priorities for Europe's new leaders**, identifying the key areas where EU policymakers and businesses must work together to deliver a competitive, prosperous, climate neutral future:

AMBITION
Aim for climate neutrality and commit to step up the pace of action p1

The evidence that the climate challenge is urgent, that it is already having worrying impacts, and that climate action can be good for Europe's citizens and its economy is piling up. Social pressure is also building in many countries for faster action. Clarity on Europe's decarbonisation pathway will give businesses the confidence to invest decisively in zero carbon infrastructure, products and services. The new EU institutions must set a clear EU commitment to achieve net zero greenhouse gas (GHG) emissions by 2050 at the latest, and publish a credible and sustainable transition plan for how to get there. The EU also has the opportunity to work with other countries to increase 2030 climate ambition, including through climate diplomacy.

ENERGY
Create a smart and integrated approach to energy, mobility and buildings p3

The energy, mobility and buildings sectors are changing fast. The combination of low-cost renewables, investment in new battery technology and the 'smart' revolution are disrupting the old approaches and bringing a zero carbon energy system into reach. Decarbonised power provides a vital platform to support decarbonisation and innovation in transport, buildings and industry. A smart and integrated approach to energy, mobility and buildings can save costs, save carbon and position European companies at the forefront of rapidly growing global business opportunities. To get there, the new EU institutions should fully implement recently agreed legislation in these sectors, build the infrastructure needed for carbon-free energy and mobility, facilitate a just transition for high-carbon regions, and work to prepare the ground for even deeper innovation and decarbonisation.

INDUSTRY
Build a modern, clean and circular industrial strategy p5

Low carbon and circular economy business models have the potential to increase value creation, including through increasing resource efficiency and lowering energy consumption, while delivering environmental, climate and social benefits. The greening of industry and the shift to a circular economy can help to retain industrial production in Europe while Europe decarbonises, positioning it as a leader as international markets for clean products grow. The new EU institutions must support this by producing the long-awaited European industrial strategy with the clean and circular economy at its core. This should include targeting EU innovation support towards industrial decarbonisation and circular economy innovations, and using public procurement and trade policy to drive demand and create markets for low embodied carbon materials.

LAND
Transform Europe's food, agriculture and land use systems
p7

Europe's bio-economy – including food, agriculture, forestry, land use and bio-based products – is a key business sector for Europe. Challenges including declining biodiversity, and increasing water stress and soil degradation, require a new approach, while at the same time the sector has a unique opportunity not only to cut emissions but also to enable natural carbon dioxide removals. The EU must develop a new approach to agriculture that allows the bio-economy to flourish in ways that support these social and environmental goals. This should include agriculture reform and land use incentives; targeting innovation efforts on food, agriculture and the bio-economy; building resilience to the impacts of climate change; and working to reverse global deforestation and address land use change.

INVESTMENT
Mobilise investment in the clean economy
p9

The shift to net zero emissions will require large volumes of financial flows to be shifted away from high carbon infrastructure and into low carbon investments. Businesses, banks and investors stand ready to invest but a supportive regulatory environment is needed. To accelerate the zero carbon transition and avoid significant stranded assets, the new EU institutions must urgently align EU spending and lending with the climate transition, and end fossil fuel subsidies. They should also work to implement and deepen EU Sustainable Finance reforms including on corporate reporting, and demonstrate global leadership on sustainable finance issues.

Working together for a climate neutral European economy

Multiple waves of innovation and disruptive changes are affecting the economy. Europe needs a forward-thinking strategy to maintain and develop its competitiveness and the strength of its industries. One disruptive factor that must and will shape the future direction of the economy is climate change. Unmanaged climate risk would disrupt business operations and supply chains, and make European prosperity impossible.

But businesses also recognise the opportunity the transition to a net zero emission economy will bring: new markets and business opportunities, high-skilled jobs in dynamic new industries, cleaner air, healthier lifestyles, and a more sustainable natural environment. Europe's largest and most dynamic businesses are already taking climate action. This includes setting science-based targets to decarbonise their own emissions, signing up to renewable energy commitments, investing in the energy transition, shifting to electric vehicles, boosting energy productivity and working with their supply chains to reduce emissions.

The shift to net zero emissions will have wider benefits for citizens and nature, including contributing to the realisation of the Sustainable Development Goals. A net zero carbon climate neutral Europe is also a healthier Europe. Cleaner air, for example, can lead to €200 billion in avoided health costs, and the transition to a net zero economy supports healthier diets and lifestyles.

The coming months and years are critical. Within the term of the next European Parliament and European Commission, global GHG emissions will need to peak, and start reducing sharply while stronger climate pledges need to be adopted. In Europe, we have the next five years as our window of opportunity to follow a pathway for net zero GHG emissions by 2050, developing the infrastructure and innovations for deep decarbonisation, building resilience across the entire European economy, and securing Europe's competitive edge in the emerging global clean economy. The new EU institutions will therefore face crucial choices about how to ensure Europe's resilience from the impacts of climate change, and how to seize opportunities for European competitiveness in the fast-evolving global zero carbon economy.

Businesses are eager to work with the new European Parliament and European Commission to create effective market and regulatory frameworks for an inclusive, orderly transition. This creates a positive 'Ambition Loop' where business and political action and leadership support each other to go further and faster.[1] This briefing sets out areas for leadership where the new EU institutions and European businesses can work together to strengthen climate action and secure a positive, climate neutral future economy for Europe.

AMBITION

Aim for climate neutrality and commit to step up the pace of action

Businesses need forward visibility to make informed decisions and long-term action to ensure that climate risks are adequately managed. A clear EU pathway to net zero emissions will give confidence to business and support investment in long-term infrastructure and development of new low emission business models.

Greenhouse gas (GHG) emissions in Europe have decoupled from economic growth and have reached 22 per cent below 1990 levels.[2] But faster progress and stronger goals are needed for a stable climate. The latest report of the Intergovernmental Panel on Climate Change (IPCC) shows global CO_2 emissions need to peak as soon as possible and reach net zero by mid-century if the world is to avoid the worst impacts of climate change.[3] The urgency to act has led to increased and sustained social pressure for policymakers to provide an adequate response to this looming threat.

The European Commission's 'Strategic Vision for a Long-Term Climate Strategy' showed that achieving net zero GHG emissions in Europe is not only possible, but beneficial. Instead of adding economic costs, net zero pathways can lead to higher growth – with an economy 2.5 times the size of current GDP and up to 2 million more jobs compared to business as usual.[4]

International markets for climate-friendly businesses and technologies are growing fast, and currently represent a €1 trillion per year business opportunity.[5] EU climate leadership means European companies will have a strategic advantage as these markets grow even further.

Business actors are committed to stronger climate action, and many of Europe's leading businesses have already committed to science-based targets to cut their own emissions. Businesses will play a critical role in the transition to a net zero emission economy, as investors, as producers of low carbon goods and services, as corporate buyers, and as champions for climate-friendly policy frameworks.

Businesses and governments must work together for a positive regulatory environment for low carbon investment and a predictable transition pathway.

To provide the clarity and confidence that businesses need, the new EU institutions should:

Set a clear EU commitment to net zero GHG emissions as soon as possible, and by 2050 at the latest

Setting a net zero GHG emissions goal will bring the EU in line with Paris Agreement targets and encourage businesses to scale up climate action. The current European Parliament and European Commission have already indicated support for this goal, but a clear signal from the incoming Commission and newly elected members of the European Parliament is necessary to maintain the political momentum towards this objective.

Publish a credible and sustainable transition plan for how Europe will reach net zero

Under the Paris Agreement, all countries have committed to publishing 'long-term low greenhouse gas development plans' by 2020. A positive, action-focused, long-term strategy for the EU can ensure Europe captures the business and industrial opportunity of the global climate transition. It can act as a signal to the business community and citizens on the pathway of the transition, strengthening investment and enabling the workforce to access new opportunities. A well-designed strategy can also serve as a model for other countries of how an effective low GHG development plan can operate, supporting climate action globally. This strategy must also provide the opportunity to engage people and manage the social costs of the transition.

Strengthen the EU's 2030 climate commitments, and work with others to raise global climate ambition

The Paris Agreement includes a 'ratchet mechanism', by which countries will increase their climate commitments over time. 2020 is an important opportunity for the EU to work with other countries to ratchet up global climate ambition in line with the science, by ambitiously updating their 2030 targets.

Europe is well placed to go further than its current climate targets. The recent agreement of deeper EU targets on renewables and energy efficiency – combined with stronger national pledges to phase out coal and greater climate action by businesses, cities and citizens – means the EU is already set to go well beyond its current target of 40 per cent emissions cuts by 2030 compared to 1990 levels. Recent estimates suggest the EU is on track to reach 46–50 per cent emissions reductions by 2030 on the basis of current policies.[6,7] Other studies have identified pathways for 51–60 per cent GHG cuts by 2030, in line with net zero emissions by 2050.[8]

Invest in climate diplomacy

Europe's leadership on climate change should be further strengthened via expanded investment in climate diplomacy, to enable and encourage a faster transition in other countries and to promote zero carbon business opportunities worldwide. Climate is a global problem and requires a global solution. European businesses operate around the world and benefit from certainty and stability across their global operations. The coming years will be critical for the success of the Paris Agreement, and stronger international co-operation is needed to support deeper emissions cuts. To achieve this, the new EU institutions can make climate stability a core objective of the next EU Global Strategy, which sets out EU foreign policy priorities.

Strengthen the carbon price signal

Recent reform of the EU Emissions Trading System (EU ETS) has at last led to the creation of a more meaningful carbon price. However, the long-term trajectory of the EU ETS is not aligned with net zero emissions by 2050. Unless this is updated, the EU ETS risks returning to irrelevance. The new EU institutions have the opportunity to further strengthen the carbon price signal, including putting the EU ETS on course to achieve net zero emissions by 2050. Reform of energy taxation can also be a powerful tool to support a faster transition.[9]

European Parliament chamber in Brussels

ENERGY

Create a smart and integrated approach to energy, mobility and buildings

Energy, mobility and buildings are currently the largest sources of CO_2 in Europe – together responsible for 60 per cent of emissions.[10]

These sectors are also undergoing rapid transformation, led by low-cost renewables, battery and other energy storage developments, new technologies and business models, such as energy performance contracting or mobility as a service. The transformation of these systems is bringing a zero carbon energy system into reach.

The opportunity for Europe now is to build a smart and integrated approach to energy, mobility and buildings. Low-cost renewable electricity can power electric vehicles and heat pumps in buildings. In turn, smart charging of electric vehicles (EVs) and dynamic demand from heat pumps and electric appliances provide a source of flexibility for integrating even higher levels of variable renewable energy into the system.[11] The 'energy efficiency first' principle forms the foundation for this new energy system, by treating demand reduction as a resource. By using energy more efficiently the costs of the energy transition can be minimised and the economic value maximised.

Businesses are already playing a strong role in investing in and driving demand for low carbon mobility and energy, with a growing number committed to a future where power, mobility and buildings are all completely decarbonised. For example, 71 companies headquartered in the EU have already committed to moving to 100 per cent renewable electricity under the RE100 initiative. The total consumption of renewable electricity from all RE100 members in the EU is equivalent to at least 19.6 TWh.[12] In the transport sector, 31 global companies have committed to fully electrifying their fleets by 2030.[13] Zero carbon power, fleets and buildings are essential building blocks for the transition towards a climate neutral economy by 2050.

The new European institutions have the opportunity to:

Implement and enforce the recently agreed legislation on clean energy, mobility and buildings.

Over the last two years, the EU has adopted a number of legislative reforms, including an electricity market design package, a new Energy Efficiency Directive, a new Renewable Energy Directive, an Energy Performance of Buildings Directive and regulations on CO_2 performance for cars, vans and trucks. These reforms form an important base for the next phase of the shift to clean energy, mobility and buildings. They will make it easier for companies to procure renewable electricity, develop smart, flexible demand, accelerate buildings efficiency and switch to zero emission mobility. But to be effective they will need to be fully implemented, monitored and enforced – while preparing the ground for higher ambition in future.

Build out the infrastructure for a net zero emission Europe

Infrastructure enables companies to do business, and underpins Europe's energy, mobility and economic systems. Developing the right infrastructure networks will be critical for enabling a rapid transition to a net zero emission economy.

In energy, the EU has committed to reviewing its energy infrastructure priorities by the end of 2020. This is an opportunity to align EU energy infrastructure priorities with a pathway to net zero emissions by 2050, accelerate development of the infrastructure needed to accommodate high levels of renewable energy, and to capture the synergies between energy, mobility and buildings sectors. The European Commission is also currently developing a new gas market design package. This will need to be aimed at accelerating the complete decarbonisation of the gas sector, creating a level playing field for more future-proof alternatives (eg electrification, efficiency), and stimulating increasing supplies of renewable hydrogen and renewable gas.

In transport, further development of electric vehicle charging infrastructure is needed to support the shift to zero emissions mobility across Europe. New business models are emerging that use electric vehicle charging and storage as a source of smart flexibility for the electricity system. This integrated approach should be prioritised in both the EU's energy and transport infrastructure policy choices.

Energy efficiency and buildings should also be treated as an infrastructure priority. To achieve its climate goals, the EU will need to increase the rate of building energy efficiency retrofits to at least 3 per cent per year.[14] Innovative financing approaches will need to be developed and expanded.[15] As well as addressing energy use in buildings, there is significant potential for deeper emissions reductions through moving to lower embodied carbon building materials.[16]

Enable a just transition in high-carbon regions

Successful business depends on successful communities and workers. The transition to a net zero economy will create new business and employment opportunities but will also mean challenges for high-carbon regions and workers in high-carbon industries. An orderly and just transition is needed so that these communities are not left behind.

As regions move away from high-carbon production, they will require assistance in managing social and employment impacts and in equipping workers and communities with the skills and resources to take advantage of new economic opportunities. To do this, the European Commission's recent 'Coal Regions in Transition Platform' initiative can be scaled up and widened to support carbon-intensive regions in implementing alternative economic strategies. These efforts will require adequate funding, including via the EU budget.

Prepare the ground for even deeper innovation and decarbonisation

The new EU institutions also have the potential to prepare the ground for even deeper innovation and decarbonisation. The EU's targets for renewable energy and energy efficiency will be reviewed (with the potential for upwards revision) in 2023, and legislation on CO_2 in cars and trucks in 2022. These are key moments to put the EU on a trajectory to net zero emissions by 2050. Ahead of these review points, the EU can proactively develop a plan for deeper efficiency gains, increased renewable energy output and more zero emissions vehicles. Given the rapid pace of change in technologies and business models, the EU should also review whether market design rules remain fit for purpose in a more demand-led, decentralised, digitalised and integrated energy and mobility system.[17]

Wikinger offshore wind farm from the company Iberdrola which supplies 350 megawatts (MW) of capacity to the German power grid

More information can be found here if needed: https://www.iberdrola.com/about-us/lines-business/flagship-projects/wikinger-offshore-wind-farm

INDUSTRY

Build a modern, clean and circular industrial strategy

Industry is currently facing multiple drivers of change such as digitalisation, the growing focus on the circular economy and concerns around negative environmental and climate impacts.

The greening of industry has the potential to create innovation and new markets that will keep industrial production in Europe while playing a key role in the climate neutral transition. Industry represents 20 per cent of EU CO_2 emissions, but emissions reductions have stagnated over the past decade.[18] While industry has traditionally been considered a 'hard to abate' sector, new evidence shows the possibility for the sector to reach zero emissions by 2050 if full potentials are met.[19]

European companies are already global leaders in clean industrial innovation, from piloting methods for emissions-free steel production to materials reuse and recycling.

Circular economy approaches and clean industrial production can grow the economy, while rapidly shrinking GHG emissions and material inputs. Opportunities have been identified for catalysing €320 billion in investment in circular economy approaches by 2025, with the potential to stimulate up to an additional 7 per cent of GDP growth by 2030.[20]

Accelerating these innovations will help to retain industrial production in Europe while Europe decarbonises, as global markets for clean products grow. Clean industrial production and circular economy approaches also enable fewer imports of raw materials and fossil fuels – retaining value and jobs in Europe.

There is no single silver bullet for industrial decarbonisation: it requires process, product and business model transformations.[21] The key levers include: increasing efficiency of materials and energy use, and materials substitution for low embodied carbon options; adopting circular economy approaches to recirculate inputs; using clean electricity and renewable hydrogen to power industrial production; and capturing and permanently storing residual CO_2 emissions.

Significant hurdles will need to be addressed, including managing competitiveness impacts, scaling up low-cost renewable electricity production, and meeting high capex requirements of new innovations.

The new EU institutions have the opportunity to:

Produce new European industrial strategy with the clean economy at its core

In 2017 the European Commission published *A Renewed EU Industrial Policy Strategy*, with a significant focus on innovation, digitalisation and decarbonisation.[22] It also produced a Circular Economy Action Plan, with measures ranging from stronger recycling targets to improved ecodesign standards for products and appliances.

In order to continue strengthening the competitiveness and sustainability of the EU's industry, the European Commission has been tasked by the European Council to develop a new "vision for the EU's industrial future" for publication by the end of 2019.[23] This is an opportunity not only to set out clear objectives on accelerating modern, clean industrial production and the move to a circular economy, but also to identify how to secure EU competitive advantage in these fast-growing sectors. The EU will need to seize opportunities to minimise climate impacts of materials and material production. This will need to link climate policy, the circular economy and a sustainable bio-economy.

A new industrial strategy can also guide regional economic development plans to underpin a just transition for high-carbon regions. Models for funding the shift to clean industrial production – beyond the current approach to carbon pricing – will also need to be explored.

Accelerate clean industrial innovation

While many of the tools needed to reduce industrial emissions are already available for deployment, reaching full decarbonisation of industry will require accelerating clean industrial innovation. This requires investment from both business and governments.

The EU has a number of tools available to support industrial innovation. The new European Innovation Council (EIC) is designed to support cutting-edge, high-risk high-reward innovations. Breakthrough industrial innovation should be incorporated into the EIC's remit. The EU is also designing 'innovation missions' to better target and focus its innovation efforts around clearly defined objectives. Zero carbon industrial production should be an important focus area for these missions. For more advanced clean industrial technologies, the new innovation fund under the EU ETS can provide an important source of support.

Create markets for low embodied carbon materials

As well as the push factor from innovation support, a pull factor is needed from market demand. Within Europe, the biggest opportunity is the development of performance-based public procurement standards. This would create a significant market for low embodied carbon materials and products, and would create recognised standards that the private sector could replicate for its own procurement.

Internationally, incorporating climate into trade policy and building international partnerships can help widen markets for these products and secure competitiveness of EU producers.

Develop education and skills for a zero carbon economy

There are already 4 million 'green jobs' in the EU, and a shift to clean industrial production and a low carbon economy will create new high-quality employment opportunities.[24] However, these new jobs will often require a different set of skills than jobs in high-carbon industries. Europe's education systems will need to prepare for the jobs and skills of the future. A new EU industrial strategy should include a plan for development of the skills base needed for zero carbon transition, including for supporting education and training programmes targeted on clean industry.

Solar panels powering factory

LAND

Transform Europe's food, agriculture and land use systems

Europe's bio-economy – including food, agriculture, forestry and bio-based products – is a key business sector for Europe, but current land use patterns are not sustainable.

A new approach to food, agriculture and land use is needed – not only to decarbonise, but also to protect biodiversity and ecosystem services, and ensure that the land that Europe relies on remains able to support us and our economy.

Agriculture and land use are currently responsible for 15 per cent of EU GHG emissions, and emissions have been flat over the last decade.[25] But these sectors also have a unique role to play, as they have the ability to create natural carbon dioxide removals (ie negative emissions) as well as decarbonising their own emissions, support greater biodiversity and realise the potential of the wider bio-economy. 'Carbon sinks' such as forests, peatland and better managed soils also offer economic and societal co-benefits, ranging from enhanced biodiversity to recreation, tourism and health.

Achieving a 'regenerative' approach to land use will require changes to both production systems and consumption patterns. Key levers include: shifting production to lower-impact agricultural commodities; increasing the sustainability and GHG efficiency of production methods; strengthening carbon removals by soil and forest; and using the bio-economy to decarbonise other sectors (eg through bio-based construction materials).

There is growing consumer demand for sustainable food, materials and products, and this creates new business opportunities. Progressive businesses are working not only to meet this demand, but also to strengthen sustainability through their supply chains. For example, 100 global companies have formed an alliance on Climate Smart Agriculture to accelerate the shift to sustainable food and agriculture systems.

The new EU institutions can:

Prepare for deeper reform of agriculture and land use incentives

The EU's strongest tool to influence the sustainability of land use and agriculture is the Common Agricultural Policy. The EU is in the final stages of agreeing its Common Agricultural Policy for 2021–27 as part of the EU Multi-Annual Financial Framework. While this proposes increasing funds directed to climate-related activity, it is not yet designed in a way that will achieve deep emissions reductions in the sector or create sufficient incentives for natural carbon dioxide removals.

The new EU institutions have the opportunity to conduct a deeper assessment of how to incentivise sustainable land use and agriculture, ahead of the mid-term review of the Multi-Annual Financial Framework in 2023. This assessment can also include a just transition strategy for farmers and the rural economy, to support communities and livelihoods as the sector transforms.

Accelerate innovation in food, forestry, agriculture and the bio-economy

There is significant innovation potential in food, forestry, land management and agriculture technologies and approaches, and in the wider bio-economy. These range from 'precision agriculture' techniques, to the development of lower carbon food products (eg lab-grown proteins), innovations to reduce food waste, and bio-based products and packaging. These areas are dynamic and fast developing, and should form a core focus of EU innovation support – including via breakthrough innovation from the European Innovation Council, the new innovation 'missions' and wider Horizon Europe funding.

Address global deforestation and land use change

In a globally connected world, Europe's consumption of food, fuels and products has the potential to affect emissions and land use change far beyond Europe's borders. Companies have the potential to reduce global emissions and deforestation by working to promote more sustainable land use practices through their supply chains – and many progressive companies are already doing so. This action can be scaled up, for example by developing sustainability standards for public procurement.[26]

The Jardins Réunis and Cheminant in France that grow cucumbers year-round with LED lighting installations generating energy efficiency gains and water savings from the company Signify

More information can be found here: https://www.signify.com/en-gb/our-company/news/press-releases/2019/20190114-jardins-reunis-cheminant-first-in-france-to-grow-cucumbers-year-round-with-philips-leds

INVESTMENT

Mobilise investment in the clean economy

Businesses and investors are ready to accelerate climate investment – but a supportive regulatory environment is needed. While the move to a net zero economy is expected to be economically beneficial for Europe, it requires mobilising large quantities of upfront investment into clean infrastructure.

Europe should therefore move towards a sustainable financial system, which simultaneously supports growth and the decrease of GHG emissions. This involves shifting both public and private finance away from risky high-carbon investment and towards financing business in all sectors that are moving to 1.5 degree compatible business models.

As part of the Paris Agreement, countries signed up to the objective of "making finance flows consistent with a pathway towards a low greenhouse gas emissions and climate-resilient development". Meanwhile the G20's Financial Stability Board has warned that climate and stranded asset risks have the potential to disrupt the global financial system.

Companies, investors and banks are already committed to mobilising clean investment and lending, and making finance more sustainable. Investors and companies are working to strengthen clean investment across all asset classes. Responsible companies have strengthened their reporting and recognise the benefit of climate-related financial disclosure in increasing awareness of business risks and opportunities. Meanwhile investors and banks are increasingly incorporating climate risk management into their investment strategies and lending criteria.

But investors and companies are also clear that further action is needed. Four hundred and twenty-one investors representing well over USD $32 trillion in assets have backed a statement calling both for strengthening global climate targets and improved climate-related financial reporting.[27] Hundreds of companies are publicly supporting better disclosures of climate-related risks and opportunities.[28]

The new EU institutions can:

Align EU spending and lending with the climate transition

For a cost-effective and orderly transition, fossil fuel subsidies need to be ended and EU public spending and public finance better aligned with climate goals. This will also act as a signal to private investment.

The EU budget is a key tool for meeting EU objectives. The budget for 2021–27 is currently in the late stage of negotiations. At least 40 per cent of EU budget spending should support climate-related purposes, and all EU budget spending should be compatible with Paris Agreement goals.

Public banks play an important role in leveraging climate-related investment – but currently still continue to support high-carbon infrastructure. The European Investment Bank (EIB) is currently reviewing its energy lending criteria. This is an opportunity for the EIB to end lending for fossil fuel projects and further scale up its investment in clean infrastructure. The EU can also work to support other financial institutions – from international lenders to national development banks – in moving to clean portfolios, and to encourage national governments to end their own fossil fuel subsidies.

Implement and deepen EU Sustainable Finance reforms

Accounting and disclosure are the bedrock of sustainable finance. In 2018 the European Commission launched a Sustainable Finance Action Plan, including proposals to introduce disclosure requirements for investors on sustainable investments and sustainability risks, develop a 'taxonomy' to distinguish green investment, clarify investor duties and develop sustainable finance benchmarks. Further actions on corporate reporting of climate risk are still to be completed – including updating the Non-Financial Disclosure Directive and implementing an EU Green Bond Standard. It is critical that momentum on the Sustainable Finance Action Plan is continued and strengthened in the new EU institutions to ensure full implementation of this agenda.

Show global leadership on sustainable finance

The sustainable finance agenda is an opportunity for global European leadership – including by developing financial standards that can set a template for other regions. Sustainable finance – public and private – should be a core focus of the EU's international diplomacy, in particular via working with the G20 on climate-related financial disclosures.

Frankfurt financial district

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