

High-level webinar

Greening the economic recovery in line with climate neutrality - From commitments to action

Thursday 16 July

Via GoToWebinar

Summary note

Organised in partnership with the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), this virtual event was an opportunity to launch key priorities of the German Presidency, with a focus on climate. The session brought together government, MEPs and high-level business representatives, who exchanged insights on how to combine economic recovery and climate objectives, including climate neutrality by 2050 and an increased 2030 target, to enable a successful transition towards a climate neutral, resilient and prosperous European economy. Panellists then discussed questions received from the audience. Over 300 participant registrations were received and close to 200 people attended the live event. The event took place at a key moment of the EU calendar, one day prior to the European Council meeting which discussed the EU's economic recovery plan.

KEYNOTE SPEECH

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

Jochen Flasbarth began his keynote speech by reminding of the context in which the German Presidency of the Council started: in the midst of a global crisis. Therefore, he was uncertain that the Green Deal would survive this crisis at the time. However, it soon became obvious that the Green Deal was to be a guiding principle to navigate through that crisis. If anything, compared with the last financial crisis, these concerns have become the centre of the debate. Member States throughout the EU have adopted recovery measures, and in most cases, there is a green line guiding them. For example, Germany has a number of clear commitments towards recovery and climate neutrality. During the informal meeting of Environment Ministers, there was a broad consensus that the EU cannot miss the opportunity to work towards climate neutrality and that work in this area needed to accelerate. Jochen Flasbarth then went on to discuss the two key climate dossiers during the German Presidency: 1) The vote on the Climate Law, which represents the architecture and backbone of future EU climate policy, and 2) an enhanced NDC for the EU, which will be a vital debate given the wide range of Member States' views on it. A priority of the Presidency is to reach a common view and a conclusion on the updated NDC by October. Meanwhile industry voices, including as part of the GGP, have demonstrated that they understand the importance of climate neutrality and are pushing policymakers to set a strong course of direction towards this objective.

REFLECTIONS FROM PORTUGAL

João Pedro Matos Fernandes, Minister for Environment and Climate Action, Portugal.

Minister Matos Fernandes highlighted the major challenge to pursue growth within planetary boundaries, stressing that investing in a carbon neutral society and economy is a necessity.

For example, the expectation will become that one should invest in their home to be in line with carbon and energy neutrality. The Minister stated that the next decade would be the most important one. By 2030, 80% of the electricity consumed in Portugal will come exclusively from renewable sources. Portugal is collaborating with Germany on an important industry project on hydrogen, as electrification will be a pillar of the transition. However, it is impossible to electrify everything and clean gas will be needed for industrial processes. Minister Matos Fernandes stressed that the next step the EU should take in the current context is to accelerate its work on the Green Deal, and that for the EU to remain a leader on climate, it will need to update its NDC by October. He elaborated on the exercise undertaken to establish a roadmap towards carbon neutrality, underlining that the scenario in which the economy grows more provided more warranty that carbon neutrality would be achieved, as this goes along with more welfare, wellbeing and public awareness. For example, last year, when the Portuguese economy grew more than the EU, the percentage of emissions reduction was about 8.5% while the European average was 4.3%. In Portugal, climate change is already a reality. The country is experiencing droughts and rural fires, and coastal areas are exposed. Portugal is committed to both mitigation and adaptation, and EU Member States should support each other on adaptation to remain leaders on climate. The Minister emphasized that the EU should lead by example: 'It is always by example that we can show others that our path is a good path'.

REFLECTIONS FROM MEMBERS OF THE EUROPEAN PARLIAMENT

Pascal Canfin, Chair of the Committee on the Environment, Public Health and Food Safety

Pascal Canfin indicated that the ENVI Committee managed to secure broad political agreement to elaborate a proposal for the recovery package. The Committee considers that the Recovery and Resilience Facility should demonstrate how it reduces the climate-friendly investment gap and brings us closer to the climate neutrality trajectory in key sectors such as energy, buildings, transport etc. He pointed out that this gap is well documented by the Commission, and that ultimately the recovery package should be consistent with the Green Deal so this gap is reduced. Mr Canfin expressed the view that the recovery package should not finance policies that are detrimental to the climate, and thus should follow a "do not harm" principle. According to him, the EU Taxonomy can help fulfil this principle and should be used as a 'common language' and a guide to track investments that are climate relevant and climate friendly. Climate neutrality will need to be achieved at the EU level but also at country level. Mr Canfin expressed support for tying support from the recovery package with member states' commitments to achieving climate neutrality by 2050. The gap in the EU's target for 2030 for consistency with climate neutrality by 2050 is currently the most controversial issue. Mr Canfin expressed that it will be crucial for the European Council to reach agreement on the 50-55% range for the 2030 target, and that the final percentage should then be decided based on the Climate Law. He expressed confidence that an agreement would be reached in the next couple of days, for both macroeconomic reasons – the need to invest - and political reasons, as it will be essential to maintain the EU's credibility and conditions are unlikely to become more favourable for this agreement after July.

Sirpa Pietikäinen, Member of the Economic Affairs Committee.

A central point made by Ms. Pietikäinen was that EU policy makers should think about climate and environmental targets as they would about accounting standards: getting the metering and standards right for climate targets is crucial and should be beyond political auctioning. In this regard, she highlighted that the EU Taxonomy and its harmonised set of indicators is essential to get measurable and accountable information in all sectors. She stressed that all EU regulations and national plans should follow the Taxonomy as a matter of priority. Similarly, clear guidelines from the Commission on the 'do no significant harm' principle, in line with

the EU Taxonomy, will support member states in implementing it in their national plans. The latter should be based on science-based, time bound targeting, and effective tools put in place to ensure the ‘do no significant harm’ principle is effectively implemented nationally. Regarding the EU target for emissions reduction by 2030, Ms Pietikäinen expressed that since it will not be politically achievable to set a climate neutrality target for 2030, the compromise would reside in a range between 52-55 percent, or even 60-65 percent cuts in emissions. However, she stressed that in setting the target too low in an attempt to reach a compromise, EU member states would be creating a big problem for themselves. She emphasized that to be credible and effectively implemented, all related EU and national targets and policies will need to be science-based and underpinned by clear plans to be monitored and revised over time. Ms Pietikäinen believes that regions and cities will be essential levels to implement the climate transition plans, and therefore that funds should be directly channelled to them.

Miriam Dalli, Vice President of the Socialists and Democrats (S&D) and Head of the Maltese S&D Delegation

Ms. Dalli stated that she looks forward to the German Presidency’s input in the climate files to accelerate progress. Both the Covid-19 pandemic and the climate change crisis are challenges that significantly impact lives and citizens’ wellbeing, however the climate change crisis will be more profound, even if it will take longer to unfold. Ms Dalli stressed that the more the EU postpones ambitious action, the more expensive it will become to address these issues. The EU also needs to remain competitive compared to other continents. According to Ms Dalli, the EU needs a progressive agenda where policies are based on three pillars that should go hand-in-hand: the economic recovery, climate resilience and social protection. She agreed that a bottom-up approach, where the EU engages citizens in their localities, would be best adapted to the transition. She also stressed that the European Green Deal is a central piece of legislation to achieve this and for it to remain a priority will require that all institutions demonstrate courage. Ms Dalli called the German Presidency to ensure that the legislation negotiated delivers concrete and ambitious goals, stating that the EU cannot afford cosmetic changes. The S&D has made the Climate Law one of its priorities and will push for the EU to deliver clear targets and deadlines for all sectors, including the maritime and aviation sectors. Ms. Dalli agreed that accountability and monitoring are essential components of successful implementation. In her view, the EU should seek a balance whereby the emissions reduction target for 2030 is based on science while also taking into account citizen health and safety, just transition and competitiveness considerations. She emphasized that the move towards climate neutrality is giving the EU an economic opportunity in new, untapped sectors, and encouraged the German Presidency to take the lead in this area. For example, she invited the EU to direct funds in research and development for green alternatives to fossil fuels. In her view, hydrogen is a key sector but the EU should develop a comprehensive roadmap to support the switch from blue to green hydrogen, including considerations for how this can be done in a just way. Lastly, Ms Dalli stressed the importance of investing in digitalisation and innovation more broadly to support the transition.

BUSINESS REFLECTIONS

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

Mr Verhaar introduced CLG Europe as a leading cross-sectoral business voice convened across the EU in support of a climate neutral economy. He mentioned the letter written by CLG Europe to Ms von der Leyen in May 2020, highlighting that the EU should not shy away from ambitious climate targets in the context of the pandemic. He explained that the EU already has two ingredients to be successful: the business case and the technology. In his view however, the EU now needs to fix its ambition level and, in addition to the 2050 climate neutrality goal, set the right interim targets and aim to achieve a fair distribution of the effort over time and across generations.

He then went on to describe the toolbox or enablers that would help the EU do this: 1) 'circular' procurement, which the EU Taxonomy could support; 2) finance: not just the financing framework, but understood as the accounting mechanism to measure progress of mitigation efforts. For example, the energy savings achieved through energy efficiency improvements 3) technology: considering the fast moving landscape, Mr Verhaar encouraged the Commission to fast-track unsolicited bids. He also recalled that building renovation is a major challenge for the EU and welcomed the EU's move to make it a priority, underlining that a renovation rate of 3 percent per year with energy efficiency improvements of 50 percent on average would put the EU on track to carbon neutrality by 2050. He emphasised that an integrated approach to electrification will be required, to understand how the decrease of electric needs in one sector as a result of climate policies (e.g. building renovation) will help support the increase of these needs in other sectors (e.g. transport). Mr Verhaar then proposed an approach for how to 'get things done': spend 10 percent of our time on *inspiration* (why is this important for the future?), 20 percent on *aspiration* (how much needs doing, by when, by whom?) and 70 percent on *perspiration and implementation* (discussing how to get things done, and doing them). He then presented Signify's commitment to be carbon neutral by 2020, indicating that the company is well on track to achieving this target already by the end of September. He concluded by stressing that acting will help demystify climate action while creating jobs, countering populism and also developing the learning needed to fine-tune and improve climate policies over time.

Hanneke Faber, President, Foods & Refreshment, Unilever

Ms Faber expressed Unilever's support for the European Green Deal and the objective of climate neutrality for 2050, and indicated that they are in line with the company's own commitments and plans. Ms Faber also welcomed the leadership of the German and Portugal Presidencies. She underlined that the recovery package should fulfil two functions simultaneously: facilitate the economic recovery and the shift to a climate neutral economy. Despite the pandemic, Unilever has not backed down on green commitments and has continued to support climate ambition. In fact, the company recently committed to achieving net zero emissions by 2039 from all its products, and to invest 1 billion euros in a new Climate and Nature Fund. Ms Faber stressed that applying circular economy principles across the EU could create 700 000 new jobs across Europe, and that plastic recycling and reusing will be essential in this regard. Unilever committed to use 25% of recycled plastic in their packaging. However, Ms Faber expressed the hope that more funds would be channelled to support recycling technologies and waste management at national levels in future, as there is currently a shortage of recycled plastic. She then stressed that the Farm to Fork strategy of the Green Deal will also be central for the recovery. She indicated that reducing animal agriculture would free space for lands to recover biodiversity or produce more fruit and vegetables, and highlighted that one of Unilever's goals was to nudge more and more people towards vegetarian foods and plant-based diets.

Gonzalo Sáenz de Miera, Director of Climate Change, Iberdrola, Vice-President of the Spanish Green Growth Group

Mr Sáenz de Miera acknowledged that from a business perspective, a fully decarbonised energy sector by 2050 will be challenging, but possible, and that the most economical way of achieving this goal would be through renewable electricity and the electrification of the economy. According to a study commissioned by Iberdrola, the optimal pathway for the EU would be to achieve a reduction in CO₂ levels of 59% by 2030. In his view, the European Green Deal is a solid growth and recovery plan. He believes that it is possible today to achieve emissions reduction while improving competitiveness, but that this will require immediate acceleration in investments. In the Spanish context, bringing forward the objectives of the Spanish national climate and energy plan from 2030 to 2025 could create 300 000 new jobs without any impact on the public budget.

Mr Sáenz de Miera agreed on the need to move from words to action with clearer policies to move in the right direction. He concluded by welcoming Germany's political priorities and called the EU to transform the crisis into an opportunity to get closer to its decarbonisation target.

DISCUSSION

Is it sufficient in practice to use what we currently have when discussing the projects we are going to fund under the recovery package?

Jochen Flasbarth underlined the increasingly clear and positive signal from EU governments over recent years, including outside the Green Growth Group, that climate neutrality is the right target to aim for, which is essential. He stressed the need to be as ambitious as possible from the start, for example by investigating technologies to decarbonise processes that are difficult to decarbonise like steel production, yet which are subject to international competition. He also called for technology openness, as some technologies may be more appropriate than others in particular scenarios.

Miriam Dalli agreed on the need for a clear direction of travel for the industry but also acknowledged the need to give enough time to businesses and investors to redirect investments and to allow employees and workers to prepare for the transition, for example by updating their skillsets to match new technologies.

Is the EU Taxonomy sufficient to guide investments in the near-term in the recovery?

Sirpa Pietikainen stressed that ultimately the EU Taxonomy should enhance comparability between reporting systems, investments decisions and strategies, and should give guidance to measure dimensions like natural capital. A fully-fledged Taxonomy would allow assessment of the overall sustainability of a company's strategy rather than individual elements. She called the business community to push the Commission and EU Member States further to realise the full potential of the Taxonomy.

Harry Verhaar expressed that circular procurement and the Taxonomy should go hand in hand. The Taxonomy should support stakeholders in making long-term investments decisions and reallocating funds to where they achieve more impact.

Which industries would you prioritise in the short-term for the recovery, which would support decarbonisation? Where do you see the most interesting potential for these investments?

Sirpa Pietikainen emphasized that priorities should be placed on implementing a circular economy across three sectors: agriculture, textiles, construction. However, innovations are currently lacking in those areas.

According to **Jochen Flasbarth**, one should prioritise the recovery instruments that address a broad range of industries, which is a difficult exercise. The steel sector is the perfect sector example, as we know the technologies that can help decarbonise it. However, it will take time for the technology to become competitive, and it will be important in his view to create a demand push for these new technologies.

Miriam Dalli said that no sectors should be left out of the equation and that the focus should be placed on rolling out existing technologies, in transportation for instance.

For **Gonzalo Sáenz de Miera**, priority should be given to investments in renewables and networks, the electrification of transport, and energy efficiency. Green hydrogen production is another key priority, and will be most competitive if produced with renewable energy.

What is the potential for nature-based solutions to form in the recovery package?

According to **Hanneke Faber**, the EU should invest in a more sustainable agriculture, through repurposing existing funds that represent a substantial budget already. She identified shovel-ready areas including reforestation and other nature-based solutions, stimulating plant-based innovation and low methane cow feed. She also stressed that support to farmers to make this transition will be essential. Investing in waste management infrastructure and research on recycling across Europe, with a focus on plastics, will also be critical in her view, including to create jobs.

Jochen Flasbarth agreed on the need to do more on the circular economy as it will create employment and boost EU's independence in key sectors.

Are we confident we have the right combination of approaches to accommodate the diversity of industries and geographies we see in Europe, for the Green Deal to work?

Jochen Flasbarth concluded by expressing that the key word to bring Europe closer together and to work better with the rest of the world in this period is solidarity. Within the EU, vote by unanimity rather than qualified majority is preferable to avoid dividing Europe. He believes the Green Deal can be a cement if it is done in the right way. Employing mechanisms like Carbon Border Adjustment will need to be done very carefully in his view, as this would imply creating new barriers that we may not want.

Martin Porter closed the webinar by summarising the strong and clear support expressed by panellists for the EU to enhance its climate ambition for 2030 and the public and private investment priorities they put forward for the recovery package.