

## High-level webinar

# The EU's 2030 climate target: policies & business action to deliver the 55%.

Thursday 8<sup>th</sup> October

*Via GoToWebinar*

## Summary note

As the European Council prepared to discuss the 2030 target, the speakers of this second webinar addressed the benefits associated with aiming for a higher target and obstacles to overcome for its implementation, the policy and business action that will ensure that this target is met in practice and consistent with greening Europe's economic recovery, and how the cooperation between the EU and partners such as Norway can increase climate action on the continent. Panellists then discussed questions received from the audience. Close to 300 participant registrations were received and over 170 people attended the live event. Chaired by Eliot Whittington, Director of CLG Europe and the Green Growth Partnership, 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.

### INTRODUCTION

**Eliot Whittington**, Director of CLG Europe and the Green Growth Partnership, introduced the discussion by underlining that the European Commission has set out what is possible and that an EU's 2030 target for greenhouse gas emissions reduction of 55% is doable. As the 2030 CEO letter coordinated by CLG Europe indicated – a letter signed by over 200 business, investors, business and investor networks and calling for a target of at least 55% - the business community is also behind the enhanced target. Furthermore, the vote in the European Parliament on the European Climate Law signalled the need for increased ambition. Once the ambition is set, the implementation of the target will require all sectors to contribute and the speed of the decarbonisation in the industrial sector to scale up. Raising climate ambition will also stimulate investment, create jobs and lead to better health outcomes.

### REFLECTIONS FROM THE GREEN GROWTH GROUP

**Sveinung Rotevatn**, Minister of Climate and Environment, Norway.

**Minister Rotevatn** began by welcoming the European Commission's proposal to increase the EU's target to at least 55%, while highlighting that as a non-member, the Norwegian position is in line with at least 55% and has already been submitted. He presented this as a good opportunity for cooperation, and stressed the role the EU should play as a first mover on the international scene, as a higher EU target agreed by the end of this year would put pressure on other countries to step up as well. Norway placed emphasis on the green transition to rebuild and boost its economy, and allocated funding for technologies including offshore wind power, the bioeconomy, hydrogen and the circular economy. One of Norway's flagship project is the Longship project for carbon capture and storage (CCUS). Mr Rotevatn explained that CCUS is needed to achieve the targets of the Paris Agreement and that cross-border collaboration and that upscaling CCUS facilities would allow to reach the full potential of this technology. To the question on the compatibility of the technology with the 'do no harm' principle, he responded that Norway has used this technology for 25 years and that the facilities are safe

and needed to compensate emissions that are not coming from the energy sector (where renewables already play a key role, representing 98% of Norway's energy). For example, the country is planning CCUS facilities in cement factories. Norway launched a range of other measures, including a green platform for research and market introduction. Mr Rotevatn also highlighted the role of the finance sector in financing the transition and assessing climate risks. Horizon 2020 projects and the Innovation Fund are other crucial EU instruments mentioned. As a partner of the EU, Norway would like to see the ETS strengthened in the future. Mr Rotevatn expressed the view that extending the ETS to shipping could be useful for instance. As a maritime nation, Norway has commissioned and put in place electric ferries and the reduction potential here is significant.

**Leonore Gewessler, Federal Minister for Climate Action, Environment, Energy, Mobility, Innovation and Technology, Austria.**

Austria also welcomes the Commission's proposal for a target of at least 55%. **Minister Gewessler** stressed that this increased target is a necessity to achieve climate neutrality and that the EU owes it to the future generations and its citizens. Referencing China's recent ambitions, she pointed out that an enhanced NDC is also required for the EU to lead the way internationally. Minister Gewessler advocated for a green, resilient, healthy and climate friendly recovery guided by governments, explaining that the recovery must not compound the climate crisis. As part of its recovery, Austria has planned to spend 1 billion EUR over the next year to fight the climate crisis while creating jobs (expansion of renewables, building renovation, e-mobility, etc.). Austria is also working on a green finance agenda and is engaged on the Taxonomy. To incentivise investment in climate action, the country will double the premiums for companies who invest in the real economy (excluding fossil fuels). Minister Gewessler highlighted that private investments will be required alongside public investments and that businesses are ready to support these efforts, having gone from focusing on challenges to highlighting the opportunities and chances associated with the transition. Minister Gewessler believes that the Commission's Impact Assessment came at the right moment and is confident that the EU will reach a decision by the end of the year. Commenting on the extension of the ETS, she expressed support for the inclusion of shipping but believed this file needs further debate and stressed the need for a Carbon Border Adjustment mechanism. She highlighted the role of standards in shifting particular sectors in Austria, and believes this is where the EU should focus. Regarding CCUS, while pointing out that the debate over the use of the technology is not finalised, she agreed the full picture should be considered and that particular industries like the steel industry will need it. Lastly, Minister Gewessler stressed that the EU shouldn't lose sight of the biodiversity crisis. A high share (25%) of the Austria's agricultural sector is organic and the country included biodiversity and land use considerations in its Renewables Deployment Act, however Minister Gewessler acknowledged there is more work to be done.

## REFLECTIONS FROM MEMBERS OF THE EUROPEAN PARLIAMENT

**Nils Torvalds, Member of the European Parliament.**

**Mr Torvalds** expressed support for the increased target of 60% by 2030 voted by the European Parliament – a clear and strong position, which he believes is an ambitious but feasible goal. While the target will now be negotiated, Mr Torvalds highlighted the good cooperation between the Council and the Parliament. He also expressed support for the idea of a carbon budget for the EU, to bolster the regulatory stability that is needed towards 2050. This framework would provide stability for the next 30 years and would facilitate the unprecedented level of new investments that are needed. There is however a risk is that some Member States will not accept the 60% level as the EU has very different regions with very different economic structures.

**Fredrick Federley**, Member of the European Parliament.

**Mr Federley** agreed with Mr Torvalds's points and added that increasing the target comes alongside several debates: the first one on the challenges around the delivery of the target, which needs to be worked on collaboratively with the industry, farmers, businesses etc. Constantly updating the legislation can hamper investment decisions from the private sector. With the important, long-term goal of the taxonomy and current revisions of the ETS, there is hope that more regulatory stability will be achieved. The hydrogen strategy will be another important element in the future to guarantee energy storage to store excess available in the EU. How to get to negative emissions is another debate. Mr Federley described a model where a plant or a whole industry could combine a high level of renewables with carbon capture and storage to get to negative emissions. Lastly, citing the example of a plant recently inaugurated in Sweden now generating more energy than it uses via the bio-methanol leftover from paper production, he pointed out that the EU or national legislation should not be too detailed to the extent that it may create obstacles to such innovations.

### REFLECTIONS FROM BUSINESSES

**Casper Klynge**, Vice President for European Government Affairs, Microsoft.

**Mr Klynge** started by welcoming the strengthened focus on sustainability and climate change as a very positive move gaining momentum. For Microsoft, digitalisation and sustainability have to go hand in hand. Mr Klynge expressed the company's support for the increased target, stressing that it is an ambitious target and that the business community needs to take its part in working towards it. As it will be easier for big technology companies like Microsoft to focus on this, he said that bigger companies will need to support SMEs to also come on board. Microsoft's objective is to become carbon negative by 2030 and to remove all historic emissions until 2050. The company introduced an internal carbon fee on facilities, business travel etc. and invests the revenue in new innovation and technologies. An innovation fund of 1 billion dollars was created through this fee. Mr Klynge also reacted to previous points about carbon capture and storage, pointing out that it is currently not the most cost-effective technology and that it needs to be further developed and scaled up. In terms of what the company will need from the EU, Mr Klynge mentioned that further disclosure and transparency will be needed to drive corporate leadership and change, and that data sharing, analytics and AI will be key to drive forward sustainability. Lastly, he highlighted that implementation should be carried out in an inclusive way, as some communities are disproportionately hit by the climate crisis.

**Mirella Vitale**, Senior Vice President, Group Marketing, Communications and Public Affairs, ROCKWOOL International A/S.

**Ms Vitale** agreed that there is a great opportunity right now to go further with climate ambition and that there is great momentum in the market. For the company, change starts with what we do at home and Ms Vitale was pleased to see the doubling of the renovation rate announced in the Commission's Renovation Wave plans – a rate which will be required to achieve climate neutrality. The facts and data on the cost effectiveness of renovation exist, and the funds are available for the green recovery. As a result, ROCKWOOL would like to see a clear ring-fencing for this renovation wave and that energy efficiency and renovation are placed at the front of the agenda. Ms Vitale explained that renovation has positive climate and social impacts, and mentioned exemplary plans in the UK and the Netherlands including in social housing. She also emphasized that buildings are one of the greatest CO<sub>2</sub> emitters, and that in Europe 1 in every 4 households are struggling to pay their energy bills. Mass building renovation would support over 3 million new jobs, increase comfort in homes and cut energy bills. Beyond good intentions, having clear and streamlined legislation will also be needed according to Ms Vitale. It's also important that lessons from attractive renovation schemes in countries like France, Italy

and Spain are shared, and that technical assistance is provided to member states to help them design and implement successful renovation programmes.

#### **Sabine Nallinger**, Chairwoman, Stiftung 2 Grad

The Foundation 2 Degrees is a coalition of German CEOs pursuing higher climate ambition. In spring this year, the Foundation released a business statement in support of a green recovery in line with climate neutrality. **Ms Nallinger** explained that climate goals are still high on the agenda in both the public opinion and among businesses, and expressed support for the view that the Green Deal should become Europe's policy for green growth and innovation, stressing that European companies want to see the vision and be part of the solution. Today - 8 October, day of the webinar - following an intense dialogue process with over 30 companies including heavy industry companies, the Foundation is launching a position paper that endorses a higher 2030 target for the EU. The paper shows that the participating companies are willing to support the at least 55% target, provided policy instruments are adopted to enable its implementation. Ms Nallinger explained that companies need both bold government goals and policy instruments to implement these goals. She mentioned a few of those enabling policies such as carbon pricing, which should be expanded to the building and transport sectors, and a mix of policy measures for heavy industries including policies to help mitigate the investment risks associated with introducing low carbon technologies, instruments that enable lead markets products, and coordinated expansion of renewable energy to control the costs.

### CIVIL SOCIETY

#### **Wendel Trio**, Director of CAN Europe.

Referring to the Commission's proposal and the Parliament's vote on a target of 60%, **Mr Trio** explained that for the Coalition for Higher Ambition, the debate on targets is important and is the basis of the Paris Agreement where countries committed to limit global warming to 1.5 C. As an NGO, CAN Europe believes that a target of at least 65% is needed to be in line with the Paris Agreement. Mr Trio explained that this debate is happening now because by the end of the year, all countries are expected to come up with more ambitious national plans and increased NDCs. The EU is expected to agree on its own NDC by then, to create new international dynamics. Securing this agreement by the end of 2020 is one of the most important points in the statement released by the Coalition for Higher Ambition signed by investors, businesses, NGOs. The signatories of this statement are calling for higher ambition than the target of at least 55%, which they see as the minimum commitment, stressing that implementation will also be key. Mr Trio highlighted that while ambitious, a 65% target is feasible. The Coalition developed their own scenario for how the 65% target can be achieved by sector. One of the conclusions is that this scenario would be cheaper than any of the other scenarios: alongside economic gains for businesses, energy system costs would be reduced by one third per year and the economic costs of the impacts of climate change, currently forecast to be 175 billion euros a year, would also decrease.

#### **Sandrine Dixson-Declève**, Co-President of the Club of Rome

**Ms Dixson-Declève** started by paying tribute to the continuous work and focus of the GGP to foster trusted conversations between businesses, EU ministers and MEPs, having initiated the Platform. Drawing on the outcomes of an intergenerational discussion involving scientists, she emphasized that we are running out of time and that we will most likely have reached 2 degrees of warming by 2050. The target from the Commission, the push by the European Parliament and businesses stepping up, including the financial sector, are examples of leadership, however her fear is that we need to go faster and further, unpack the tensions we're seeing in society and understand the key system change required. She outlined a few "elephants in the room": how do we put in place a truly just transition in a time of economic difficulty? How do we ensure that this stimulus package goes into green and social funding? Regarding the taxonomy, we still need to assess what is brown

and what is social. Many key mechanisms need to put in place to ensure we enact the change needed. Ms Dixon-Declève pointed out the encouraging moves by the EIB regarding the phase-out of fossil energy, but not being followed by other MDBs. Similarly, green bonds are still a niche and funds reallocation is not going fast enough. We can see that countries coming out the fastest from the Covid-19 crisis are the ones who put in place wellbeing indicators and the most resilient companies are those who put in place ESG criteria. The Club of Rome is calling for a systems shift away from growth at all costs into a system which looks at wellbeing indicators across environmental, social and human dimensions. Europe is showing leadership when the President of the Commission, despite being conservative, talks about lives and livelihoods, and not only about growth. The EU needs to ensure it protects people, planet and prosperity, and take that into the consciousness of citizens to focus on what's most essential.

## DISCUSSION

*Reflections on the next stage of the conversation concerning the target and how to take it forward:*

**Minister Rotevatn** explained that the old way of thinking in the business community that climate and environmental legislation goes against business is on its way out. Most businesses now see that strong environmental regulations and high climate ambitions are an edge in the global competition. They are an opportunity to renew business models, and to use market capitalism for good. With that momentum, we need to push national governments to finalise the decision on a higher target so the EU becomes a global leader on this. Despite the challenges associated with the pandemic, the Green Deal has been moving forward and ambitions haven't been lowered. The pandemic created challenges for climate policies e.g. the COP in Glasgow, where enhanced ambitions should have been introduced, was postponed. Moving forward on the global agenda is challenging now, but what is happening in Europe is positive and needs to move forward. Without talking about an 'opportunity' when it comes to the pandemic, as we are rebuilding, we can make choices between either building back greener, or the old way.

*We need to move forward in a way that delivers climate action and delivers competitiveness. How can it be an advantage?*

**Ms Vitale** stressed that sustainability is a competitive advantage, especially because of the green energy transition agenda. Speaking from the manufacturing side, and as an energy intensive industry, the positive impact of ROCKWOOL's products over their lifetime pays back, and more, the cost of the energy used to manufacture them. However, Ms Vitale stressed that there needs to be a level playing field within Europe, as not all of the products can be made without any footprint and the ability to reach the EU's emissions reduction target will vary from country to country and according to the technologies available.

For **Mr Klynge**, having this discussion today proves that the mindset has changed. He acknowledged the momentum brought by the crisis, however stressing that keeping that momentum going is not guaranteed. It will be key to keep the focus on sustainability and to make sure it is creating the jobs of tomorrow. Leadership and accountability from business are essential in that respect. Drawing a parallel with the oil crisis in the 1970s, Mr Klynge explained that the current crisis will force us to look at sustainability as a competitive edge, and that this will also require massive investments in technologies.

*How do you view the process of transition in Germany?*

**Ms Nallinger** explained that societies and companies are feeling that there is a momentum, which brings the reliability and the transparency that companies need in this transition. Companies have built their plans and investment in the direction of carbon free products, but now they need the right instruments to get there, and Ms Nallinger highlighted that developing such these instruments is the next step the EU needs to take.

*How do you see the opportunities and risks (related to innovation and technologies) concerning a just transition?*

**Ms Dixon-Declève** outlined the different parts involved: ensuring that the Just Transition Fund does work and that money is streamlined to relevant funding, that Member States use the funds wisely, that politicians feel comfortable bringing people on the journey, for example the industrial zones that need investments. She highlighted that the transition should be a participatory process involving citizens, and that questions about a universal basic income or subsidies to enable people to be active during the crisis should be discussed more. She also called for the adoption of different types of value driven indicators instead of the usual growth indicators like GDP.

*How will the industrial sector contribute to the target?*

**Ms Vitale** stressed that investments in innovation and research and development will be crucial, and that beyond the industrial sector itself, the availability of green energy across the EU will be vital for businesses to reduce their overall footprint. She explained that access to clean energy is a privilege not always accessible.

*How do you see Europe's leadership role globally?*

**Mr Klynge** said this is the critical part of this discussion. The European Union will show leadership that will hopefully spread to other parts of the world. Europe will also play an important role in setting the agenda and parameters around accountability, disclosure, standards, carbon pricing etc.

**Minister Rotevatn** concluded the discussion by highlighting that as the world's biggest market, Europe's role should be that of a frontrunner in working towards the targets of the Paris Agreement. Europe already managed to drastically reduce the costs of clean energy, and by setting standards globally for environmental regulations and with continued investments in technologies, will set an example for other major economies, willing to move and enhance ambitions, to follow.

**Eliot Whittington** summarised the discussion by emphasizing that in the ten years ahead we will need to move forward in delivering the transition. It is clear that there is energy and commitment from both the European institutions and businesses to do so. The challenges associated with higher ambition need to be recognised and managed; however, they can be addressed. Lastly, the message of the civil society on the urgency and unity required in the transition is pivotal, as decarbonising our economies is a journey which should bring everyone on board.