10 May 2022

Dear President von der Leyen

As business and finance leaders and citizens, we wish to express our solidarity with you in support for Ukraine and for the democratic principles and the rule of law that the EU espouses. We welcome your leadership in seeking to unite and strengthen Europe's response to the multiple challenges we face today, from war and the pandemic to the climate and nature emergencies, in a volatile and complex world, the leadership we need is one with a sustainable long-term vision, one that embraces change and can deliver a safer, healthier and more prosperous Europe.

At the core of the current energy security and price crises sits an overdependence on volatile, imported fossil gas, oil and coal. It is time for all of us to take the necessary steps to strengthen Europe's energy security and resilience by accelerating the green transition.

The case for action has never been stronger. The recent IPCC report has starkly laid out the choices that are facing us if we are to keep a 1,5°C compatible future in reach, it has demonstrated that we must replace fossil fuel bills and subsidies with investments in our economies. It has shown us that we should not build costly fossil fuel infrastructure that we will then have to phase out but instead we should invest in the infrastructure that can support a green transformation. The report has shown that transitioning to low-emission energy sectors such as wind, solar power, heat pumps and storage, logether with energy efficiency measures, will not only be cheaper than maintaining high emission energy but also deliver co-benefits such as air quality.

We therefore welcome the rapid reaction of the Commission and the European Council to these new circumstances, and the <u>commilment to phase out dependence</u> on Russian gas and coal. We see the importance of acting now, both through amending our business models and investment strategies in line with the Paris Agreement and through supporting and further advancing the European Green Deal. The EU must continue to chart a path towards the Paris Agreement's 1.5°C target through ambition and action. Measures taken in response to the invasion of Ukraine must prioritise structural and just solutions that can deliver on the green and digital transition and respond to the level of emergency that we face. This includes both long-term measures that can and must be set in motion, as well as a range of shorter-term measures. These must be monitored and assessed by the European Commission to ensure that they are coherent with the EU Green Deal and the Climate Law.

We would also like to stress the importance of ensuring an ambitious and effective Fit for 55 Package, that could both boost efforts to move away from fossil fuels and increase the competitiveness of European industry. There should not be any delays or weakening of its legislative files, Instead, every support should be provided to increase ambition and action, particularly in relation to the Renewable Energy, Energy Efficiency and Energy Performance of Building Directives. A strengthened EU Emissions Trading Scheme to deliver on the EU's targets remains critical. Alongside this, innovative European industries need support to decarbonise in line with climate neutrality, given the absence of a level playing field on carbon pricing.

As you define the REPowerEU Plan, which will not only influence the EU's short- and long-term energy policies but also would play a key role for the Fit for 55 Package, we urge you to consider and adopt the following recommendations:

• Accelerate measures to reduce energy consumption through energy efficiency improvements for both households and industries and through the circular economy. This will be key to reduce fossil fuel demand and to alleviate the burden of high energy prices. Building renovations are a particularly important area where measures can be taken during the coming six months before the next heating season starts — and such measures should be integral to the production of any new housing. Relatively quick and easy ways to reduce energy losses in buildings include draft-proofing, optimising lighting systems, installing loft and wall insulation, doubte glazing, smart energy management systems and energy performance contracting. For industrial processes, examples include technical insulation and compressed air systems. Finally, by building and investing in a circular economy, we can reduce embedded carbon within products through using more renewable, recycled sources of carbon, which both are less energy intensive can reduce their environmental impact and enable resource independence.

- Accelerate the move away from fossil fuels and towards renewable and fossil free powered electrification across industry, transport, heating and cooling, and buildings. Boosted by a scale up of infrastructure and demand-side management, electrification would cost-effectively increase overall energy efficiency and the ability to deploy renewables. Measures to be considered include supporting the acceleration of additional renewable capacity installation by removing barriers for permitting procedures, making power purchase agreements (PPAs) easier to sign, ensuring the integrity of long-term agreed PPAs and removing barriers for active consumers. Similarly, the time is right for a shift at scale away from gas boilers and cookers to electric alternatives, and connecting buildings to efficient district heating. Finally, speeding up the shift to electro-mobility and to energy efficient sustainable modes of transport such as rail and maritime transport are essential to reduce imported energy in transport and at the same time help retain and build EU competitiveness in key manufacturing sectors.
- Ensure an inclusive and fair transition process, with clear attention to the growing pressures on cost of living, and access to decent work. Given concerns about the cost of living across the EU, with households and businesses facing higher bills, particularly for energy, measures will need to be prioritised to support tow-income households as well as struggling SMEs. Potential adverse impacts of the rapid transition on employment and community cohesion will need to be examined and planned for. Adequate fiscal space will need to be created to invest in the green transition.

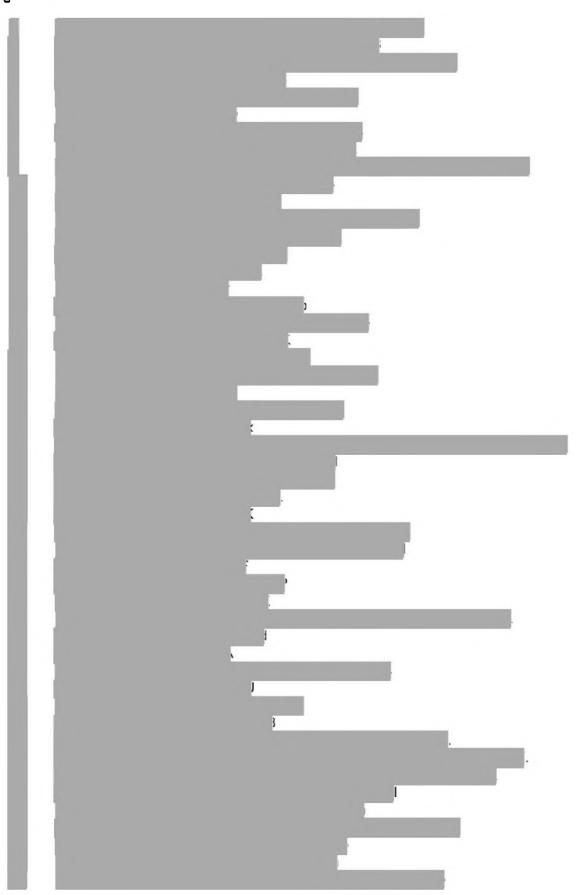
To achieve these goals, we also urge you to address the factors that will enable families and their communities, as well as businesses and financial institutions, to reduce their reliance on fossil fuels, but also invest in and deliver the increasing ambition required. In the attached annex to this letter, we outline a number of business solutions. Key factors include:

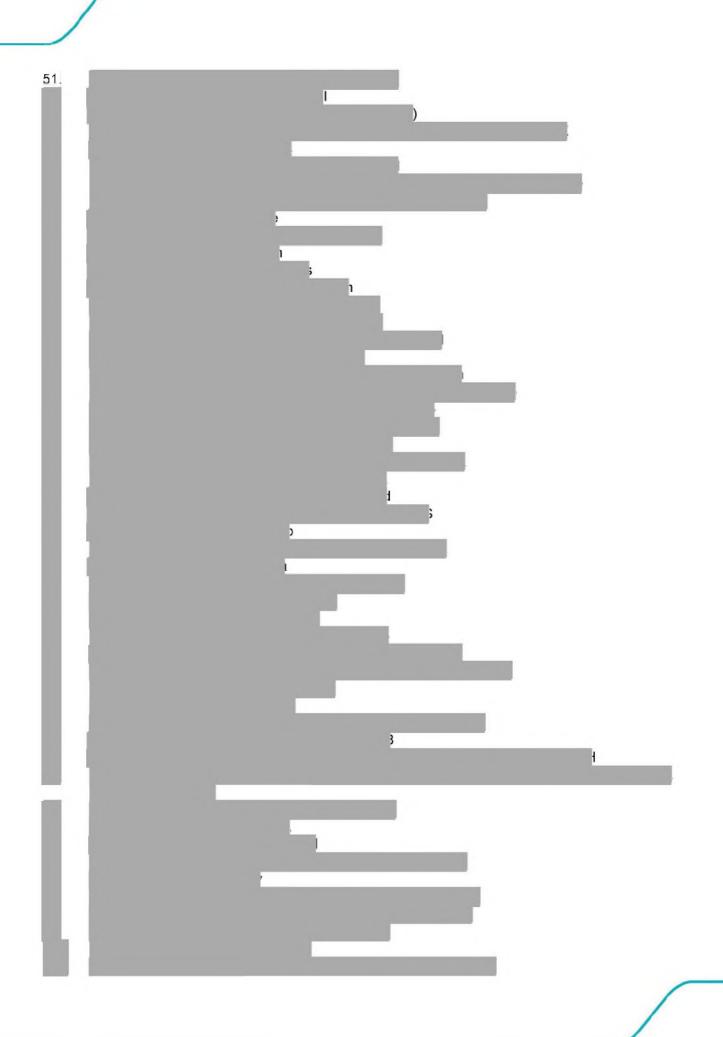
- Provide the right financial incentives and instruments to accelerate investments by investors, companies and households at sufficient strength. VAT reductions or removal for insulation and other energy efficiency solutions, as well as fossil free heating and cooling, solar panels and water heating solutions, would help reduce the upfront investment cost. But ensuring that electric and low carbon thermal options are cheaper to run than tossil-fuel alternatives in the mid to long term will be key, as will targeted social support for low-income households given the cost-of-living pressures cited above. While it is essential to maintain the integrity of the single market, more flexible financing rules for green transition projects should be considered as well as measures to ensure markets are geared towards supporting investments in long lifetime energy assets. For industry, this could include the rapid deployment of Carbon Contracts for Difference. Finally, Member States should also adopt the ambitious revision of the Energy Taxation Directive.
- Fully and effectively mobilise existing EU funds and structures. The Commission should ensure national, local and regional EU funding, as well as its Recovery and Resilience Facility all work together to coherently support the energy transition. State aid decisions for measures promoting decarbonisation and energy security should be fast tracked. Public funding should be designed to leverage and crowd in the private finance that can scale the necessary transformation. This could be guided by a dedicated taskforce based on the existing 'RECOVER' initiative.
- Urgently increase and accelerate the provision of new training schemes built on the needs identified
 by employees and employers. The lack of adequately skilled workers is a major barrier to the effective
 implementation of energy efficiency improvements in buildings, heating and cooling systems and renewable
 energy projects. In parallel, the EU has to increase the scale and reach of its technical assistance and
 educational campaigns.

We reiterate our strong support for the objectives of the European Green Deal, and the vision it provides of a green and prosperous European economy. This is the time to be bold and double down on delivering the Green Deal and achieve 'rapid, deep and immediate' culs to carbon emissions as demanded by the IPCC. Our collective experience shows that we can mobilise together to unlock acceleration, and as we pick up the pace of transition, further transformation will become easier and cheaper.

We look forward to continuing working with you to make this happen.

Signatories:







Supporting Organisations and Business Networks



