Keynote speech at the IEA Clean Energy Transitions Summit

1. Scene setter

- The **IEA Clean Energy Transitions Summit** on 9 July is the main global energy and climate event of the year. It brings together over 40 ministers and other energy leaders from around the world to review efforts to put the world on a secure and sustainable path as it emerges from the current crisis.
- The IEA has been very quick in building up concrete and ambitious proposals for countries across the globe to use in economic recovery plans.
- This includes a major **Sustainable Recovery Plan** presented on 18 June, new recommendations for improving energy efficiency published on 22.6, the IEA **5th Annual Global Energy Efficiency Conference** on 23.6, and several other key events and reports.
- All these work strands include participation of high-level EU energy figures such as Teresa Ribera, Claude Turmes, Richard Bruton, or Connie Hedegaard for the Recovery Plan recommendations.

- ***Position of the IEA and other Ministers:***
  - *IEA are contributing to help globally countries design their recovery policies in a climate compatible and sustainable way*
  - *Global community expects EU to lead by example, and would follow both policy design and technological choices of the EU*

- ***Position of the Commission:***
  - *European Green Deal is EU' growth strategy and recovery efforts from the EU will be based on green and digital growth; as such we are very much aligned with the IEA recommendations;*
  - *Crisis is a huge challenge, but also a unique opportunity to rewire financial flows and redirect value creation and equitable distribution*

- ***Key objectives of the Commission***
  - praise and support the work of the IEA Global Commission on 10 recommendations for recovery (mention respected members from the EU)
  - underline that the Commission has already proposed a Recovery Package based on such principles
  - this is based on the European Green Deal and Energy Union

2. Speaking points as input for speech

- Response to this crisis will have a lasting impact on the world.
- Crisis is a tragedy, but also an opportunity.
- **Today's conference opportunity** to explain how EU new recovery plans fit with these Green Deal aspirations. It is a chance to reroute and rewire, to accelerate EU efforts in an inclusive manner.
- The EU "only" represents 9% of global energy demand, but we intend to continue pursuing our leadership role in fighting climate change

Political messages on post-COVID Green recovery in the EU and worldwide:

- The COVID-19 pandemic is **first and foremost a human tragedy**. Governments around the world have a responsibility to address its health, economic and social impacts, and also to **protect their citizens** from external shocks and **prepare future threats**. The COVID19 recovery is the chance for Governments to show they are capable of addressing these challenges by building more inclusive and resilient societies **for the health and well-being of their citizens**.

- While containing the virus and saving lives are the focus of our immediate efforts, climate change, terrestrial and marine biodiversity loss, excessive use of resources and pollution on land and at sea are also existential and global emergencies. They are as relevant as ever. Therefore, the full implementation of the **2030 Agenda for Sustainable Development,** the **Paris Climate Agreement** and **internationally agreed biodiversity goals1** remain crucial to help better equip the world for future systemic shocks.

- The post-COVID economic recovery and the transition to a sustainable, socially just, resilient and cli-mate neutral economy can and should go hand in hand. **Over the next two years, governments around the world will seek to spend around EUR 10 trillions borrowed from future generations. The choices we make today will define tomorrow's future**. The massive investment needed to kick-start our economies must relieve the burden on their shoulders, not make it heavier. We need to get it right from the get-go. This is why the recovery plans should be designed as a **once-in-a-generation opportunity** to **'build back better' and invest in an economy of the 21st century, and not in the obsolete carbon economy of the past century**.

- Together with the EU Heads of State or Government, the Commission has strongly reconfirmed its commitment to a "green, digital and resilient" recovery and strongly embedded such criteria in its proposals. In addition, public investments in the recovery should respect the green oath to "**do no harm**". Through Next Generation EU and a revamped EU budget, every euro of investment will be made available to get Europe back on its feet, while accelerating the twin green and digital transitions and building a fairer and more resilient society. This would be supported by the 25% of the EU budget spent on climate investments. Some areas where strong action can lead to big impacts are, for in-stance, the built environment (renovation), mobility (electrification), and energy (renewables and clean hydrogen).

- The green economic recovery agenda is driven by **scientific evidence** and economic logic. The European Green Deal and the digital transformation agenda are a **growth model** for a more sustainable, inclusive, resilient and future proof economy and reinvigorated Single Market. It will be the red thread running through our recovery strategy and will contribute to delivering the EU's open strategic autonomy.

- The EU will stick to its 2050 climate neutrality objective and challenge anyone to beat it so the whole of humanity wins.

- With the proposal for the European Climate Law, the Commission proposes to set the EU 2050 climate-neutrality objective in legislation. The Climate Law is the backbone of the European Green Deal that gives our future policies and actions a long-term strategic direction and helps us ensure greater coherence and effectiveness in our policies. The proposal aims to set the long-term direction of travel, provide predictability for investors and business on the EU's commitment, and to ensure transparency and accountability.

- The European Climate Law remains a priority for the Commission, even with the present COVID-19 crisis. One of the reasons why the Commission presented its proposal was precisely to avoid that climate action, a generational task, is side-lined by more pressing and immediate challenges.

- The Commission is currently developing a thorough impact-assessed plan to in-crease the EU's 2030 climate ambition. We will also continue efforts to ensure resource use is decoupled from economic growth by promoting the transition to a circular economy and fight biodiversity loss. Protecting and restoring natural ecosystems (terrestrial and marine) and reducing the pollution of our air, land, water and oceans, are key to boosting our resilience, and again, in the interest of our health and well-being.

- **Young people** constitute major victims of social and economic consequences of the pandemic while at the same time they will have to bear the burden of the effects of climate change. They will also participate to the reimbursement of the debt generated in the context of our recovery package. Our policy response should therefore take into account their specific situation and support their active participation in the labour market and social life as a whole.

- Global solidarity, open and fair trade, rules-based order, and multilateralism are crucial to avoid lapsing into fossil fuel and resource intensive recovery, thus putting people and the planet irreversibly in peril.

- We urge all international partners to also put in place clear and robust low carbon policies and green national recovery strategies. This will give our societies a sense of direction and purpose, and guide investors, businesses, workers and consumers towards sustainability which can be determined by frameworks for sustainable finance and taxonomy principles.

- The EU stands ready to engage with partners around the world on ways to direct investment to environmentally sustainable economic activities. We will do so while working together on an equal footing, not exporting 'our' standards, but forging 'global standards' together. At the same time, while criticism and questions with regard to the EU's own green recovery are wholly legitimate, they cannot be an alibi for non-action as we all have a distinct responsibility to act in the interest of all people.
- A comprehensive, fair and green dimension should remain present throughout the EU's development assistance and cooperation frameworks with third countries and other external policies in the context of this recovery.
- I would also like to welcome the discussions and progress on energy between the EU and China and India. Our economies are all undergoing energy transitions and dialogue and exchanges of best practices and technologies and solutions are in the interest of all of us.
- As long as many international partners though do not share the same ambition as the EU, our **external energy actions** will have to address the issue of carbon leakage, building on the proposed **Carbon Border Adjustment mechanism** in the context of the Green Deal.
- External energy policy and energy diplomacy should also safeguard and promote the functioning of stable and open global energy markets and be well-aligned with international action that recognises the crucial role of energy for development. A rules-based trade regime and open markets have to secure transnational supply chains for clean energy technology equipment and guarantee access to technology and know-how.

<u>Furthermore detailed speaking points:</u>

On 2050 climate neutrality

- In December 2019, following an inclusive societal and institutional debate on the Commission's proposal for EU long term vision ("A Clean Planet for All"), the European Council endorsed the objective of achieving a climate neutral Europe by 2050.
- Subsequently the EU delivered its long-term strategy to be climate neutral by 2050 to the UNFCCC.
- On 4 March this year, the Commission proposed an **European Climate Law** that would enshrine the 2050 objective in legislation.

EU economic Recovery Package

- The **Economic Recovery Package** adopted 27/05/2020, the Commission headlined "Europe's moment: repair and prepare for the next generation", aims to stimulate economic recovery across the EU to respond to the current crisis.
- The Package and the different initiatives reflect the fact that we are living through an unprecedented crisis with multiple political, economic, and social challenges.
- The Recovery Package underlines the importance of a green, digital and resilient recovery, and is based on 2 key elements:
- Firstly, an emergency **Next Generation EU** instrument of €750 billion to temporarily boost the financial firepower of the EU budget with funds raised on the financial markets. The funds raised will be channelled through EU programmes to underpin the immediate measures needed to protect livelihoods, get the economy back on its feet and foster sustainable and resilient growth.
- Secondly, a **reinforced multiannual financial framework for 2021-2027** to channel investment quickly to where it is needed most, reinforce the single market, step up cooperation in areas such as health and crisis management, and equip the Union with a long-term budget to drive the green and digital transitions and build a fairer and more resilient economy.
- These two elements, which are in addition to measures worth €540 billion, already endorsed by the April European Council on important safety nets for workers, businesses and sovereigns, mean a total of €1.85 trillion of targeted and front-loaded support to Europe's recovery.
- The Package confirms energy policy, and specifically clean green energy as a cornerstone of the recovery.
- While the **financing instruments for the recovery are largely horizontal,** energy investments within the framework of key upcoming energy initiatives can be supported by various sources.
- For the recovery package, like the general budget, **25% will be earmarked for delivering the climate goals of the Green Deal.** All the investments under Next Generation EU will have to respect the green oath to **'do no harm'.**
- As the energy sector is responsible for three-quarters of the EU's emissions, it would be logical for a significant amount of the additional investment to be directed towards the clean energy transition.
- A large part of the Next Generation EU instrument will be spent on a new **Recovery and Resilience facility** (560 bn EURO) aimed at allowing Member States to support investments and reforms, including investments linked to green transition. There are no specific sectoral commitments at this stage, but

Member States will be required to draw up recovery & resilience plans outlining their priorities.

- The **REACT-EU** initiative includes EUR 55 billion of additional funds that will be made available mainly to the cohesion policy through the European Regional Development Fund (ERDF) and the European Social Fund (ESF) – until end of 2023.
- The Commission is proposing to increase the **Just Transition Fund** from 7.5 billion EUR to 40 billion EUR to facilitate transition in coal and carbon-intensive regions where transition will present the biggest challenge. The revamped Just Transition Fund should support and incentivise transition choices in coal and carbon-intensive regions.
- We have also presented a proposal for the 3rd pillar of **Just Transition Mechanism** - a loan facility for public authorities in just transition regions to help investments in areas such as clean heating, buildings renovation and clean mobility.
- Additionally, we are proposing a strengthened **InvestEU** scheme. It will include a new Strategic Investment Facility focusing on investments in technologies, which are key for clean energy transition, including renewables and energy storage, clean hydrogen, batteries, carbon capture and storage, and sustainable transport. All projects above a certain size financed by InvestEU will be subject to sustainability proofing, to ensure they are in line with the Green Deal.
- A new **Solvency Support Instrument** will help companies in difficulty in Member States particularly affected by the crisis. It will also help their green transformation. Beneficiary companies will be invited to respect minimum social and environmental standards and, in the most polluting sectors, they will have to produce green transition plans.
- While the package does not set out an absolute figure on energy-related spending, it does confirm a number of our key energy policy initiatives, which are in a revised **Commission Work Programme**, including the Renovation Wave, Energy System Integration, Offshore Renewable Strategy.

Green Deal initiatives (from revised Commission Work Programme):

- The swift adoption and subsequently timely implementation of ambitious and robust NECPs is the starting point for the implementation of the European Green Deal. They will also become an important instrument in the recovery context. The full **NECPs assessment** will be published after the summer. However, the assessment process, even if not yet public, has been ongoing for several months now. This process is allowing Commission services to draw important preliminary conclusions on the basis of the available final NECPs (now 26).

- With the building sector being the largest single energy consumer in Europe, **after the summer we will adopt the "Renovation wave"** initiative focusing on public and private buildings. This will propose an integrated approach across policy areas and an action plan with concrete measures to address the main barriers and to achieve faster and deeper renovation in order to gradually trigger at least a doubling of current renovation rates. This initiative has a central role in the Recovery Package proposed by the Commission. Financial support for building renovation will benefit from a doubled in size sustainable infrastructure window in InvestEU and funding from the Recovery and Resilience Facility.
- Considerations included in the final NECPs on sector coupling and sector integration confirmed our reflection on Energy System Integration as an issue on which further work is needed, which is why the Commission adopted recently a **Strategy on Energy System Integration** which will keep the uptake of renewables as a central focus area and help decarbonize other sectors of the economy. It will be accompanied by a Strategy on hydrogen, which will address how to facilitate the use of renewable hydrogen where appropriate.
- From the final NECPs, we see that renewables is the sector that benefitted most from the **regional cooperation provisions of the Governance Regulation.** Yet, in the future, new renewable projects will require even more cross border coordination. In this context, the Renewable Energy Financing Mechanism will be a new specific tool to support investment in renewable energy while exploiting all the potential of cross border cooperation.
- We will **review and - if necessary – amend the Renewable Energy Directive**, including the associated ambition levels, to take into account not only the increased climate ambition level but also resulting actions from the proposed initiatives I just mentioned.
- **Transport** needs to become carbon neutral as well. A **possible expansion of emissions trading to road transport** as an instrument to reach our climate objectives can only be complementary to the **CO2 standards for new vehicles**.
- The Commission will propose revision of **CO2 standards for light-duty vehicles**, cars and vans, by June 2021.
- The 2030 climate and energy targets require to accelerate the modernisation of the electricity grid to facilitate grid balancing, flexibility and further integration for distributed electricity generation, including the deployment of smart grid technologies. On this front, I want to confirm that I will present a **revised proposal for TEN-E regulation by the end of this year.**
- NECPs represent the starting point for the renewed Green Deal ambition, also beyond the energy field. In this vein, the Commission will adopt the **2030 Climate Target Plan in autumn** with main objective is to propose a GHG reduction for 2030 that puts the EU on a balanced, credible and

realistic track to achieve climate neutrality by 2050. In that context, a specific scenario representing NECPs ambition will inform further work on that front.

- Beyond energy, housing and transport, the **agriculture sector has to contribute as well** to climate neutrality.
- The **new Farm to Fork Strategy**, adopted on 20/5, aims to design **fair, healthy and environmentally friendly food systems in the EU by 2030**.
- The **future of agricultural production** is driven by climate change and depends on availability of high-quality natural resources and eco-system services.
- Among others, at EU level, it will be necessary to significantly **reduce the use and risks of chemical pesticides**, as well as the use of **fertilisers and antibiotics**, while increasing the area under **organic farming**.
- This has been translated into **quantified EU targets** demonstrating the magnitude of the efforts needed to reach the overarching objective of the Farm to Fork Strategy.
- The Farm to Fork Strategy envisages a **just transition** to a sustainable food supply system, which encompasses to generate **fair economic returns** in the supply chain, including our farmers, and continuing **food security and safety** for Europe.
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<u>If really need be more detailed messages on Climate Target Plan (ENER)</u>

- As part of the European Green Deal, the Commission will propose a **2030 Climate Target Plan** underpinned by a robust impact assessment in September this year.
- The Plan will propose an **increase in the EU's climate ambition in 2030 to achieve -50% to -55% greenhouse gas emission reductions**. This will allow a more gradual pathway towards 2050 and help redistribute in time the transition efforts towards climate neutrality.
- In addition, we will look into the **overall policy architecture** to deliver on the increased 2030 ambition, i.e. the type, ambition and interaction of possible policy measures, including the possible enhanced role of carbon pricing to reduce emissions.
- A wide stakeholder consultation and a robust analysis of economic, social and environmental implications and investment needs are imperative to inform the debates and decisions ahead. The Commission services have already begun the necessary analytical work underpinning the Target Plan and have consulted the wider public and stakeholders via a **12-week open public consultation** until 23 June.
- This will enable the EU to have a credible plan on how it wants to considerably up-scale its 2030 commitment under the Paris Agreement.
- The preliminary assessment this year will provide insights into concrete legislative proposals translating the increased 2030 climate ambition into EU legislation and other enabling initiatives **by summer 2021.**
- **Energy is central for the Climate Target Plan**
  - While the overall objective is to reducing the GHG emissions, the political guidelines by the President already recognised the importance of the energy system to achieve the objective and to review and revise, where necessary, relevant energy legislation.
  - Energy will play a central role in this process as its production and use (including by households, industry, services and transport) account for more than 75% of total emissions.
  - This is relevant for the Energy Efficiency and Renewable Energy Directives. It is the interplay of different policies that contributes to the general objective of saving emissions while keeping our competitive position, jobs and make sure the transition is fair and just for all.
  - We will perform a preliminary analysis of options for the energy legislation, which will feed into a review and revision, where necessary, of the relevant targets and legislation. An analysis of the ambition of the national energy and climate plans will also feed into this assessment.
  - We will be analysing policy options for the level and scope of the climate target and of the ambition for Renewables and Energy Efficiency.
  - We will carefully assess the impacts of the review of the energy legislation and propose to revise the renewable and energy efficiency targets if necessary, building on the assessment of the final NECPs, also by June 2021.

Expected impacts

- The transition to a climate neutral economy by 2050 and the higher 2030 GHG emission reduction target mean that all sectors will be impacted. The 2018 in-depth analysis supporting the Commission's vision for a climate neutral economy indicated that the overall impact on output by 2050 would be limited and potentially positive.
- That analysis nevertheless indicated that the transition would require sectors and jobs to undergo a transformation. The impact on jobs and need for upskilling and reskilling should be further assessed.
- The transition will require a significant shift of investments towards a more sustainable path. Overall investment needs will increase because of higher capital needs, but energy costs would be reduced. A higher level of ambition by 2030 would amplify such effects in the short to medium-term.
- In particular, it is expected that investment needs through to 2030 would increase albeit technology development might attenuate this effect, as has been already the case for renewables in power generation.
- Some sectors are likely to grow (e.g. renewable energy, construction), while many others are likely to transform (e.g. vehicle manufacturing, energy intensive industries, transport services, agriculture). A limited number of sectors should decline (e.g. coal mining or oil refining and their original equipment manufacturers and solution providers).
- The transition to a climate neutral economy would reduce imports of fossil fuels, which would benefit the security of supply of the EU energy markets and free up resources to be invested elsewhere in the economy. On the other hand, demand for critical raw materials that are crucial for the deployment of green technologies will increase significantly.
- By leading by example, EU businesses could benefit from first mover advantages and gain in competitiveness on global markets To the extent that the increase in mitigation ambition by 2030 in the EU may not be followed by its main international competitors, there may be an increasing risk of carbon leakage, particularly in energy- and GHG-intensive sectors This aspect will be further assessed in detail in a separate initiative, including in terms of potential impacts and options for averting or remedying carbon leakage risks.
- A higher level of ambition by 2030 would amplify these transition needs in the short and medium term and their ripple effects on the entire economy.

General Security of supply LTTs:

- **Europe's energy system** has been put to the test. It has proven **resilient so far.** Energy systems stayed safe and secure despite the crisis in terms of operation and supply.
- However, crisis has revealed risk of disruption of supply chains for clean technologies, which could impact the energy transition in the EU; part of our recovery is thus also focused on making strategy value chains more

resilient and work to avoid substituting the EU's external supply dependency (over EUR 300 bn per year) by a new dependency of clean technologies;

- Reducing imports of fossil fuels would allow for more investments in the European economy and serve political purposes as well

- We must also be clear about how to protect our strategic assets, the EU is looking carefully at distortion of international competition through illegal subsidies, often hidden. We are equipping ourselves in the EU to address that, and also working on a **carbon border adjustment mechanism**. Europe is a global champion of free trade, and we intend to ensure our global partners play by the same rules.

- In response to the crisis the Commission has published **a list of 20 good practices to address risks associated to a pandemic in the energy sector**. This document takes stock of the exchanges between EU Member States experts and the electricity, gas and oil industry, as well as of the input of the European nuclear safety regulators.

- One of the lessons learnt is that we need attention on the **resilience of the critical supply chains for energy technologies and components** to carry out essential works and repairs (RES, grid components, storage). We are conducting a study to identify the critical links in the industrial supply chains of energy technologies and possible measures. The results available in the next Winter will help to make the resilience of energy an integral part of the ramping up of the recovery plans.

3. Defensives

Will you take into account the impact of COVID 19?

- The implications of COVID19-19 will need to be factored in to the extent possible within the tight timeline. Having in mind uncertainties around the crisis, this is of course not easy. Most importantly, there is still high uncertainty concerning the scale, interaction and durability of the impacts.
- We have seen a drop in energy demand levels and resulting price decreases, we have seen negative impacts on investments, but this will change with the recovery. We have the spring Commission forecast with projected impacts for the GDP. However, the magnitude of the macroeconomic effects is not precisely known.

[only if asked whether we consider a scenario with 100% renewable energy in 2050:

- Each Member States has the right to determine the general structure of its energy supply. Several Member States are presently using nuclear energy and have indicated in the NECPs that they will continue relying on this technology. Some of the projects currently under development will likely still be operational in 2050. Therefore, a scenario with 100% renewable energy would not realistically depict the developments of the European energy system. However, it is clear that renewable energy will be at the core of our future decarbonised energy system.]

How do you see the green new deal as a part of this recovery?

- The European Green Deal remains the top political priority of the von der Leyen Commission.
- The recovery package retains and even enhances the Green Deal principles. As I mentioned, the recovery plan (as proposed) will be green, digital, and resilient.
- We really don't want to pump money into the industrial models of the past, but instead to invest in activities which will stimulate the short-term growth and jobs and at the same time will put the economy on the right track in terms of long-term sustainable growth and employment. The necessity for extra investment to bring about an economic recovery just means that we do that more quickly than originally envisaged.

Will the package help renewable energy projects in advanced stages of planning which are now struggling to reach final investment decisions?

- There will be funding for renewables in various different parts of the plan.
- The plan should help large numbers of renewable projects at all stages of development.
- This would include projects in the advanced stages of planning. In fact, having in mind the need to stimulate the recovery swiftly, those projects which are mature are well placed to benefit from the support.
- Indeed, the current economic crisis has meant many investment decisions have been put on hold across all sectors, including the energy sector. Firms that may otherwise have invested may delay to conserve cash.
- This is where the public sector can step in to lessen the impact of the economic downturn.

How is the EU recovery plan specifically helping the energy sector?

- In light of the requirement for 25% of the EU budget to be earmarked for climate-related projects, and as the energy sector is responsible for three-quarters of the EU's emissions, it would be logical for a significant amount of the additional investment to be directed towards the clean energy transition.
- The precise targeting of these measures will in practice be up to Member States, but there is a clear and strong emphasis given to the green transition (and the digital transition) in virtually all of the different options under the NextGenerationEU instrument – and in the changes proposed for the EU budget for 2021-2027. For example, this should allow all Member States to make investments in renewables, energy efficiency and cross-border infrastructure as foreseen in their National Energy and Climate Plans.

Are you foreseen to allocate funds to different industries / technologies / projects / sectors? Would you release specific figures and measures for green and energy programs e.g. renewables, renovation, hydrogen?

- See answer above.
- The investment under the Recovery package will be guided in particular by a number of specific initiatives planned in the coming months, as already outlined in the European Green Deal in December (and confirmed in the revised Commission Work Programme). These will all be important as Member States decide how to invest the recovery package.
- These include, the initiatives:

  - Energy System Integration and Strategy for Clean Hydrogen

  - Renovation Wave

  - Offshore Energy Strategy (for later in year)

  - Revising EU rules for trans-European energy networks will encourage cross-border infrastructure investment in line with our long-term decarbonisation goals. (For Q4).

In addition to these, the Commission will present [in the autumn] its analysis of the different National Energy & Climate Plans (NECPs) - the plans put together by each national government to achieve the different EU targets set for 2030. The Commission assessment will consider the cumulative impact of these plans, the investment needs and outline potential improvements in the joint EU effort – and will therefore further influence how Member States respond to the recovery package.

• The link between the Recovery and Resilience Facility and the European Semester as well as the NECPs will help channel EU financing to the needed energy investments.

What guarantees are there that the European Green Deal will not result in an increase in energy and food prices?

Energy and food prices are the result of supply and demand. A market-oriented EU agriculture is best placed to ensure **competitive prices for food**, while incorporating costs of environmental care and ensuring a fair economic return for operators in the food chain.

Increased costs for sustainability at farm level need to translate into higher farm-gate prices to ensure a fair return for farmers. But higher farm-gate prices do not necessarily lead to a comparable increase at consumer level. **The share of the value of the raw material in the final product is often low**.

Moreover, some environmental and climate-related requirements, necessary to ensure sustainability, are or will be compensated by CAP payments.

Average share of household income spent on food in the EU has declined over the years to just over 12% in 2018. While there are significant differences between Member States and segments of the population, this is very low.

The Commission is committed to **affordable food**, but this is **not the same as cheap food**.

Over the years, the European food producers have demonstrated they are capable of combining quality with affordability. The Commission is committed to ensure this will also hold true for the next decade of work to on the sustainable transition of Europe's food system.

What green business models for farmers does the Commission envisage?

There are many business opportunities within the Green Deal, for example:

The EU will stimulate advances in **technology, innovation, digital solutions like precision farming** that will enable farmers to deliver the results with a reduced input and increased environmental/climate resilience. This will in turn reduce their costs and bring return on the investment. Key instruments are the Horizon Europe programme and the European Innovation Partnership under the CAP.

The **circular bio-based economy** is still a largely untapped potential for farmers and their cooperatives. For example, advanced bio-refineries for the production of bio-fertilisers, protein feed, bioenergy, bio-chemicals offer opportunities for the transition to a climate-neutral European economy and the creation of new jobs in primary production.

An example of a new green business model is also **carbon sequestration by farmers** and foresters. Farming practices that remove CO2 from the atmosphere contribute to the climate neutrality objective and should be rewarded, either via common agricultural policy (CAP) or via other public or private initiatives (carbon markets) through a new EU carbon farming initiative under the Climate Pact.

4. Background

Recommendations for sustainable recovery of the IEA Global Commission

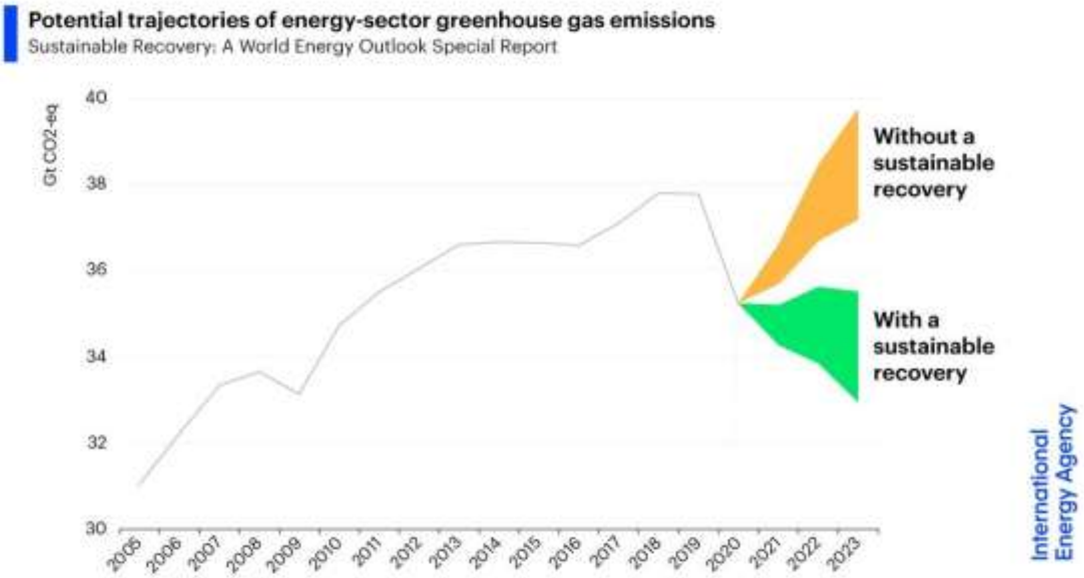
1. Prioritize cross-cutting energy efficiency action for its economic, social and environmental benefits
2. Act to unlock efficiency's job creation potential
3. Create greater demand for energy efficiency solutions
4. Focus on finance in the wider context of scaling up action
5. Leverage digital innovation to enhance system-wide efficiency
6. The public sector should lead by example
7. Engage all parts of society
8. Leverage behavioral insights for more effective policy
9. Strengthen international collaboration
10. Raise global energy efficiency ambition

Convened by the Executive Director of the IEA in response to the global slowdown of energy efficiency progress, the Global Commission for Urgent Action on Energy Efficiency was established in June 2019 at the IEA's Fourth Annual Global Conference on Energy Efficiency in Dublin, Ireland. The Commission has 23 members and is composed of national leaders, current and former ministers, top business executives and global thought leaders.

With analytical support from the IEA, Global Commission members have examined how progress on energy efficiency can be rapidly accelerated through new and stronger policy action by governments across the globe. It has developed this series of actionable recommendations to support governments in achieving more ambitious action on energy efficiency.

The Global Commission's work comes at a critical moment in clean energy transitions around the world. Despite energy efficiency's tremendous potential, the world is struggling to capture its full benefits. Global energy efficiency is not improving quickly enough to offset strong energy demand and CO2 emissions growth. In light of these worrying trends, there is a growing recognition by governments and leaders across the globe that efficiency efforts need to be stepped up.

In 2020, the Covid-19 pandemic has transformed the energy landscape and the priorities of governments around the world. The Global Commission's work has been sharply focused on this new reality. Energy efficiency represents a key tool that governments can use to respond to the severe economic, environmental, and social development consequences of the crisis.



Honorary Chair

H.E. Mr Leo VARADKAR, Prime Minister, Ireland

Members (7 women, 14 men):

H.E. Dr Amani ABOU-ZEID, *Commissioner for Infrastructure and Energy, African Union Commission*

H.E. Mr Richard BRUTON, *Minister of Communications, Climate Action and Environment, Ireland.*

[redacted]

[redacted]

H.E. Ms María Fernanda Suárez LONDOÑO, *Minister of Mines and Energy, Colombia*

[redacted]

Ms Lisa MURKOWSKI, *US Senator for Alaska and Chairman of the Senate Energy and Natural Resources Committee*

[redacted]

H.E. Mr Aziz RABBAH, *Minister of Energy, Mines and Sustainable Development, Morocco*

H.E. Ms Teresa RIBERA RODRIGUEZ, *Deputy Prime Minister and Minister for the Ecological Transition, Spain*

[redacted]

H.E. Mr Claude TURMES, *Minister for Energy and Minister for Spatial Planning, Luxembourg*

[redacted]

H.E. Dr Megan WOODS, *Minister of Energy and Resources, New Zealand*

[redacted]

H.E. Ms Salomé ZOURABICHVILI, *President, Georgia*

Background - State of play on EC relations with the IEA

- EU fully participates in the work of the IEA by virtue of application of Protocol 1 to the OECD Convention, which was confirmed to the Commission by letter of 20 November 1974 from IEA Governing Board Chairman Davignon to the Commission President Ortoli. The Commission represents the EU and takes part in almost all IEA activities and working groups. The Commission does not have voting rights, nor a statutory budgetary contribution but in view of its regular and active participation on a broad and substantive basis, its general role goes beyond that of a passive observer status. We are a **'full participant'**. The IEA founding treaty and the OECD Council Decision establishing the IEA within the framework of the OECD provide for the EU accession.
- The **Commission does not fund the IEA regular budget** and its financial contributions take a form of voluntary contributions. The EU regularly takes part in periodic IEA In-Depth Reviews of IEA member and partner country energy policy reviews, and submits its own policies to regular reviews by IEA peers (IEA is currently working on the in-depth review of the EU energy policies). These exercises, undertaken every five years, consist on analysing and assessing energy and climate policies in each of the IEA member and Association countries. The IEA has recently completed the **In-Depth Review of EU Energy Policies**, launched on 25 June with Commissioner Simson.

- The EU is among the founders and **key supporters of the IEA Clean Energy Transitions Programme**. We provide a EURO 3.5 million voluntary contribution to the EUR 30 million programme designed to support clean energy engagement with IEA Association countries such as China, India, Brazil, Morocco, Thailand, Indonesia, South Africa and Singapore.
- The Commission participates in a number of **IEA Technology Collaboration Programmes**, is a member of **Clean Energy Ministerial and Energy Efficiency Hub** – both hosted at the IEA. IEA is also the implementing partner for the **EU4Energy programme focused on EU neighbourhood** countries, the Commission **regularly funds IEA's World Energy Outlook** work and IEA in-depth reviews of our partner countries. We have also provided **funding for IEA's work on Africa**.
- Following the success of Association, **India requested IEA to explore membership** prospects (currently not possible due to IEA Treaty's requirement of prior OECD membership) – the IEA membership responded enthusiastically and are about to offer India a Strategic Partnership. The first step towards such status would be the signature of a **Framework Declaration between the IEA and India**, which is currently being negotiated.
- In the wake of the COVID-19 crisis, the **IEA stepped up its efforts on recovery** with a series of opinion pieces and analytical work on the effect of the crisis on the energy sector and led the calls for green recovery when designing stimulus packages. IEA Executive Director F.Birol convened a number of **mini-ministerials** culminating with the 9 July Clean Energy Transitions Summit. Commissioner Simson attended the one on 'making clean energy a key part of the global economic recovery' co-hosted by Denmark. Other high level events include the ministerial on the importance of sustainable electricity systems co-hosted with the UK; [redacted]; the 5th Global Energy Efficiency Conference (where Commissioner Simson participated) and the event on Africa co-hosted with Senegal.
- On 18 June, IEA released a **World Energy Outlook Special Report on Sustainable Recovery**, proposing a menu of measures in a Sustainable Recovery Plan, showing that it is possible to simultaneously spur economic growth, create millions of jobs and put emissions into structural decline.
- The **EU's interest is to avoid dilution of its EU status in IEA** potentially stemming from privileged relationships with Association Countries, and avoid opening up IEA Treaty which currently allows for EU accession without OECD membership requirement. IEA's oil stockholding mechanism is aligned with that of the EU, so robustness of the mechanism must be maintained by ensuring compliance. The EU fully supports IEA's outreach to non-members and focus on Clean Energy Transition, along with IEA's Energy Efficiency work.

State of play on energy cooperation with non-EU members of the IEA + China, India, including our current objectives

<u>*Recent developments in EU – USA energy dialogue, including objectives*</u>

- *Energy is a major success story of our Trans-Atlantic cooperation and has brought many tangible benefits to the US and the EU. We are working together to intensify our technical discussion and prepare the next EU-US Energy Summit.*
- *The recent surge of US LNG – with the US now being the largest supplier to the EU market – has brought more energy security and more competitive prices for the European consumers. The US industry is working to reduce the environmental footprint and make gas production and transport more sustainable.*
- *We are also keen to work on hydrogen, methane emissions, small modular reactors and many other energy transition topics with the US.*

<u>Recent developments in EU – Canada energy dialogue, including objectives</u>

- *Canada is an important energy partner for the EU. We share the same fundamental approach to the global energy markets, recognizing the importance of open, competitive and transparent energy markets and the need to actively support and promote energy efficiency and clean and renewable energies.*
- *We have a lot to gain in seeking synergies and building joint positions where possible in multilateral for a. We are having our 3rd High Level Energy Dialogue and looking forward to coordinate our positions even further and to establish a Cooperation Framework and a Joint List of actions for the coming months.*

<u>Recent developments in EU – Australia energy dialogue, including objectives</u>

- *The EU's key offensive interests with Australia are liquefied natural gas (Australia became the world's largest exporter in 2019), renewable energy and connectivity. Though entering into a fully-fledged connectivity partnership with Australia, similar to the one signed with Japan, is not considered desirable at this stage, ad hoc cooperation would be welcome, possibly in a triangular format with Japan.*
- *DG Energy has not managed to establish a policy dialogue with Australia so far, not even on LNG, possibly due to a perceived lack of relevance and therefore engagement from the Australian side. Australia has recently reached out to DG Energy in order to cooperation on hydrogen. Further discussions could be held in the autumn after the adoption of the EU Hydrogen Strategy.*

<u>Recent developments in EU – Japan energy dialogue, including objectives</u>

- *The 2020 EU – Japan energy dialogue was held as a video meeting on 3 June 2020.*
- *The EU and Japan confirmed that they will develop strong cooperation on **<u>hydrogen</u>** and on **<u>offshore wind</u>** and will start exchanges on how they can jointly support investments in **<u>RES (offgrid and mini grid) in Africa</u>**.*
- *Both sides also confirmed that they will continue the videoconference meetings to exchange on **<u>electricity market reform and design</u>** (with **inter-regional electricity interconnection and trad**e as a subject for the first next videoconference) and the jointly organised international workshops on **<u>the global LNG market</u>**, in which they promote more flexible trade. The latter work stream will include international initiatives for **methane emission reduction along the gas value chain**.*
- *In the **<u>nuclear</u>** field, Japan and the EU will hold workshops/seminars on Small and Modular Reactors (with emphasis on safety) and on nuclear decommissioning.*
- *Agreement was also reached to hold a **<u>working level discussion on currency diversification and the role of the euro</u>** in international energy trade.*
- *The EU and Japan will continue discussions on possibilities for energy research and innovation cooperation and joint support, respecting a principle of reciprocity (if an EU call is open to JP entities, also EU entities need access to a JP programme).*

- *The EU and Japan agreed to start regular exchanges on* ***CCUS****.*
- *The Japanese side will hold further internal consultations and revert back to DG ENER regarding possible dialogue in the area of city-to-city cooperation and the Global Covenant of Mayors and of energy efficiency.*
- *Finally, the EU and Japan agreed* ***to step up cooperation and, where possible, coordination, in the international organisations and multi-lateral*** *fora in which they are both active (IEA, G7, G20, Energy Charter, CEM).*

Recent developments in EU – China energy dialogue, including objectives.

On energy, we have been strengthening our positive agenda, most notably with the signing of the Joint Statement on the Implementation of the EU-China Energy Cooperation at the 2019 annual high-level Energy Dialogue and in the margins of the EU-China Summit, and with the launch of the EU-China Energy Cooperation Platform in May 2019.
We continue the exchange of policies for clean energy – power market reform, development of renewables and energy efficiency. Reform of the Chinese power market – the largest in the world (140% of US or EU size) is building upon EU experience with the Clean Energy package. According to International Energy Agency, a reformed Chinese power market reform can achieve 7% of the CO2 reduction only due to efficient and market-oriented approach.
In parallel, we also aim at reinforcing the level playing field and equal opportunities for the EU energy companies in China. At the same time, we need to defend our strategic energy assets in the EU such as electricity and gas grids, which were a target of Chinese acquisitions over the last years following the 2008 financial and economic crisis. Investments in this type of infrastructure are not possible in China. We also need to avoid distortive effects of Chinese state ownership on the EU internal market.

Recent developments in EU – India energy dialogue, including objectives.

A virtual EU – India Summit will take place on 15 July.

A meeting of the EU – India Energy Panel (the energy dialogue meeting at highest level of th administrations) is being planned and can be expected to take place before at the end of summer/beginning of autumn 2020.

Based on India's ambitious renewables targets, the post-COVID 19 recovery efforts offer a clear window of opportunity to further develop and establish a strong EU – India partnership to deliver the reliable, sustainable and affordable energy system that India wants and needs. This can entail major business opportunities for the EU's energy technologies sector.

The already well-established ***EU – India Clean Energy and Climate Partnership (CECP),*** *adopted at the EU – India Summit in March 2016, constitutes an excellent framework to further step up cooperation in view of supporting green recovery. Within the CECP, an intense energy dialogue and cooperation with India is in place, focusing on concrete technical-level exchanges (workshops, seminars, study tours,…) on energy policy frameworks, business-to-business interactions and joint projects in areas such as energy efficiency in buildings, renewables (offshore wind and solar), smart grids and energy storage (with a view to integrating large shares of renewables in the energy system). Electricity market design and reform is another key area of cooperation.*

Implementation of the EU's connectivity strategy towards Asia can also be used to realise sustainable energy infrastructure in the wider South Asia region (for instance inter-connection projects to enhance integration of renewable electricity).

In particular, green recovery cooperation with India should aim at ***directing financing to investments in sustainable energy access, renewables and its integration****, and avoid that recovery would be based on using (domestic) coal and cheap(er) fossil resources, given that India's energy sector is very price-sensitive. Prior to COVID19, India was witnessing a very rapid deployment of renewable energy at very competitive prices. Progressive energy sector stakeholders, such as Tata Power's CEO, underlining the economic case for renewable energy as better than that for coal-fired power generation, stated that India should refrain from additional coal-based power generation capacity and advocated a coal phase out by 2050. Green recovery efforts should strengthen the pre-COVID trend and avoid a backwards turn towards fossil fuels in India's energy mix.*

Internationally, ***India's G20 Presidency in 2022*** *could be an opportunity to jointly promote an ambitious G20 agenda in support of a global clean energy transition.*

The ***International Solar Alliance****, which India launched together with France at COP21 in Paris, and which the EU supports financially, has the potential to be a flagship international initiative to support green recovery worldwide through supporting the deployment of solar energy in all sun-rich countries.*

State of play on the European Climate Law proposal

On 28 May, the ENVI Committee had the first exchange of views on the draft opinion prepared by the rapporteur [redacted]. On current planning, ENVI will vote on the opinion in September and the position of the Parliament is scheduled to be debated and voted in plenary in October. Also the ITRE (associated), AGRI, TRAN and REGI committees will give opinions on the proposal. At the March Environment Council the Commission presented the Climate Law proposal, followed by an exchange of views on the European Green Deal. Until now, three meetings of the Environment Working Party have taken place. The June Environment Council features a debate on green recovery, and touches on the link between the recovery plan and the climate-neutrality objective. The proposal is a priority for the upcoming DE Presidency, which intends to put the file on the agenda of the October Environment Council.

Long-Term Strategy (Clean Planet for all)

- The EU aims to be climate-neutral by 2050 – an economy with net-zero greenhouse gas emissions. This objective is at the heart of the European Green Deal and in line with the EU's commitment to global climate action under the Paris Agreement.
- The Commission set out its vision for a climate-neutral EU in November 2018, looking at all the key sectors and exploring pathways for the transition.
- The Commission's vision covers nearly all EU policies and is in line with the Paris Agreement objective to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C.
- As part of the European Green Deal, the Commission proposed on 4 March 2020 the first European Climate Law to enshrine the 2050 climate-neutrality target into law.
- The European Parliament endorsed the net-zero greenhouse gas emissions objective in its resolution on climate change in March 2019 and resolution on the European Green Deal in January 2020.
- The European Council endorsed in December 2019 the objective of making the EU climate-neutral by 2050, in line with the Paris Agreement.

- The EU submitted its long-term strategy to the United Nations Framework Convention on Climate Change (UNFCCC) in March 2020.

Analysis Green Deal – CAP reform (Staff Working Document of 20/05)

This analysis concludes that the **CAP reform proposal is compatible with the Green Deal** and its associated strategies such as the Farm to Fork Strategy and the Biodiversity Strategy. **It has the potential to accommodate the Green Deal's ambitions**.

However, the capacity of the future CAP to accommodate the Green Deal's ambitions depends on the final compromise reached. It requires a suitable share of the EU budget devoted to each pillar of the CAP and maintenance of key provisions of the Commission's proposal in the final legislation. **The final legal text should include**:

a) an adequate "**no backsliding" principle** obliging MS in their CAP Strategic Plans to show an increased ambition than at present with regard to environmental- and climate-related objectives;
b) an **ambitious system of conditionality** maintaining key standards;
c) **mandatory eco-schemes**;
d) **ring-fenced spending for the environment and climate** of 30% of the rural development budget for each CAP Strategic Plan, excluding payments for areas with natural constraints, as well as the ring-fencing of the sectorial interventions;
e) **data collection requirements** and common data approaches between policies; and
f) provisions to **improve the position of farmers in the food supply chain**.

Transport in the Green Deal

- The Green Deal Communication calls for accelerating the shift to sustainable and smart mobility and notes the need of reducing transport emissions by 90% in 2050; it also announces the publication of a **comprehensive strategy for sustainable and smart mobility in 2020**. It also foresees the following specific elements:
- On **multimodality**:
  - By 2021, measures for capacity increase in rail and inland waterways to support shift of freight from road;
  - By 2021, a revised proposal for Combined Transport Directive (if need be);
  - Restarting work on adopting proposal for truly Single European Sky
- On **automated and connected multi-modal mobility**:
  - further support to develop of smart traffic management systems and mobility as a service solutions though funding instruments such as CEF
- On **pricing**
  - As part of Energy Taxation review: end of fossil fuel subsidies and review of tax exemptions, including for aviation and maritime fuels
  - As part of ETS review: extend ETS to maritime and reduce allowances allocated for free to airlines.
  - As part of Eurovignette deliberations: possible withdrawal if level of ambition of Commission original proposal is not maintained
- On **sustainable alternative fuels**
  - the objective of having 1 million public recharging and refuelling points by 2025 for up to 13 million low and zero-emission vehicles
  - from 2020, a funding call to support recharging and refuelling infrastructure
  - from 2020, assessment of legislative options to boost production and uptake of sustainable alternative fuels for the different transport modes (blending mandates aviation/waterborne)
  - by 2021, the revision of the Alternative Fuels Infrastructure Directive
  - the revision of the TEN-T regulation

- On **cutting pollution**
    - In 2021, more stringent air pollutant standards for combustion engines
    - legislation to regulate access of most polluting ships and obligation for docked ships to use shore-side electricity
- **Ligh-Duty Vehicles: Review of CO_2 standards for cars**
  - Packaging the revision of the CO2 standards in June 2021 with the other legislative proposals announced in the European Green Deal allows framing the review in the context of the overall increase of ambition to 50%/55%.
  - It offers the opportunity to analyse the possible contribution of road transport to the EU's 2050 objective of climate neutrality on the basis of an effective and efficient set of policies and measures for the transition towards zero-emission mobility.
- **Heavy Duty Vehicles: lorries and trucks**
  - CO2 emissions from lorries, buses and coaches, i.e. heavy-duty vehicles (HDVs), account for around 6% of total EU CO2 emissions and for a quarter of those from road transport. These emissions have continued to increase during the last decade.
  - Contributing to the objective of a climate neutral economy by 2050 requires an integrated approach, building on zero-emission solutions for road freight transport and related infrastructure, the use of zero and low-carbon fuels, improvement of the freight transport efficiency, including shift to rail and appropriate infrastructure charging.
  - The review to be carried out by the Commission in 2022 will be of key importance to review the 2030 target based on a thorough assessment of its cost-efficiency, giving particular attention to the potential of the operation of zero- and low-emission vehicles and the necessary infrastructure for this purpose in the period after 2030.

Energy Security in times of crisis

From the beginning of the crisis, the Commission, as well as Member States and TSOs, have been closely monitoring the security of supply situation at high level.

No security of supply difficulties in the EU during the pandemic, not even in the most affected Member States. However, some concern risen regarding the mobility of specialised staff and supplies for certain operations and maintenance activities, for what the Commission issued different guidelines for Member States.

While the European energy system has proven to be resilient, thanks to the good preparedness of the sector, it is important to remain vigilant.

DG ENER is also launching a study on the resilience of the critical supply chains for equipment (covering RES and grid technologies).

SUMMARY OF THE GOOD PRACTICES TO ADDRESS PANDEMIC RISKS

The document identifies a series of 20 good practices to address risks in the energy sector that are associated with a pandemic, such as COVID-19. It has been prepared following the 'Videoconference of EU Energy Ministers on preparedness and recovery in the energy sector' (28 April 2020).

RISKS AND CHALLENGES at a glance:
Short-term:

– ensuring energy supply, – movement and availability of specialised energy workers, – movement and access for Euratom safeguards inspectors, – access to components and raw materials that are critical for energy, – access to protective equipment and medical testing for energy workers, – business continuity of critical energy infrastructure, – preparedness to rebound of energy demand, – cyber and hybrid threat preparedness.
Long-term: – uncertainty regarding the duration of the pandemic, – specialised workforce unavailability or lower resilience, – additional unexpected contingencies, including extreme weather events – reliability of critical supply chains, – impact of delays of postponing maintenance, – large project delays and investment reductions, – non-realistic emergency stockholding for upcoming calendar years, – loss of control of critical energy assets.

The document takes stock of exchanges in the relevant expert groups created through European legislation. These include the Electricity, Gas, and Oil Coordination Groups, as well as the European Nuclear Safety Regulators Group and the European Offshore Authorities Group.

GOOD PRACTICES FOR THE ENERGY SECTOR at a glance:
– preserving supply to vulnerable customers; – declaring the energy sector as an essential service; – preserving free movement for specialised energy workers; – preserving essential transport flows moving to ensure energy supply chains; – well-functioning of the internal energy market; – strong risk preparedness plans; – strong business continuity and contingency plans; – solidarity and cross-border coordination, communication and information sharing; – teleworking for non-shift activities and non-core activities; – rescheduling non-essential maintenance works; – hygiene and sanitary measures, as well as training on hygiene protocols; – cross border assistance, cooperation and training for operators; – redundancy of control rooms and implementation of remote control; – establish base camps and reserves of volunteers for critical infrastructure; – reduction of regular exchange of personal; – pre-confinement of staff before accessing isolated locations; – in key locations, early detection, evacuation measures and specific support to workers; – reinforce cybersecurity measures and cooperation; – pragmatic risk-based approach by national regulators, in particular the nuclear sector; – attention to the economic impact on energy companies, subcontractors and investors.

Contacts – briefing contributions DG ENER: [redacted]

ENER briefing contributions: [redacted]

AGRI briefing coordination/CAP reform: [redacted]

MOVE: [redacted]

CLIMA: European Climate Law: [redacted]