

9th & 10th July 2024, Brussels

Policy & Research Dialogue Conference

Managing the Transition to Net Zero: EU Climate Policy in a Global Context



NDC ASPECTS and 4i-TRACTION have received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreements No 101003866 and 101003884.

The conference

Day 1: EU policy focus – investments, infrastructure, and international integration

Day 2: Global policy focus – hard to abate sectors, action by major emitters, cooperation



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A Resilient Climate Policy for a Just Transition to Climate Neutrality

**Keynote by Yvon Slingenberg,
(Acting) Deputy Director-General DG CLIMA**



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The two Projects: Scientific Analysis to Support Effective Policy-Making for the Transition



Wolfgang Obergassel, Wuppertal Institute



Benjamin Görlach, Ecologic Institute



NDC ASPECTS

**Assessing Sectoral Perspectives on
Climate Transitions to Support the
Global Stocktake and Subsequent
NDCs**

Wolfgang Obergassel | Wuppertal Institute



- **Learning from previous NDCs**
- **Conditions for subsequent NDCs**
 - Systematically identify transformation opportunities and challenges, trade-offs and synergies
 - Determine benchmarks for collective progress
 - Derive ambitious yet realistic national pathways for selected countries
- **Enabling conditions and options for enhanced climate action**
 - policy and governance options for ambitious, effective, and transformative climate action
 - Transdisciplinary engagement to validate and promote policy options
 - Identify and formulate options to enhance (sectoral) governance at the international level
- **Dissemination and exploitation**



ENERGY-INTENSIVE
INDUSTRIES



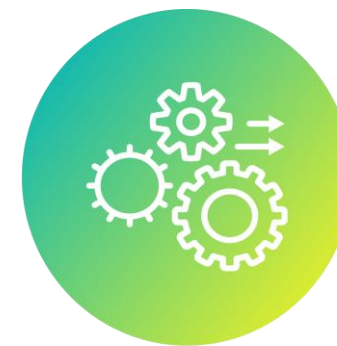
TRANSPORT
AND MOBILITY



BUILDING
SECTOR

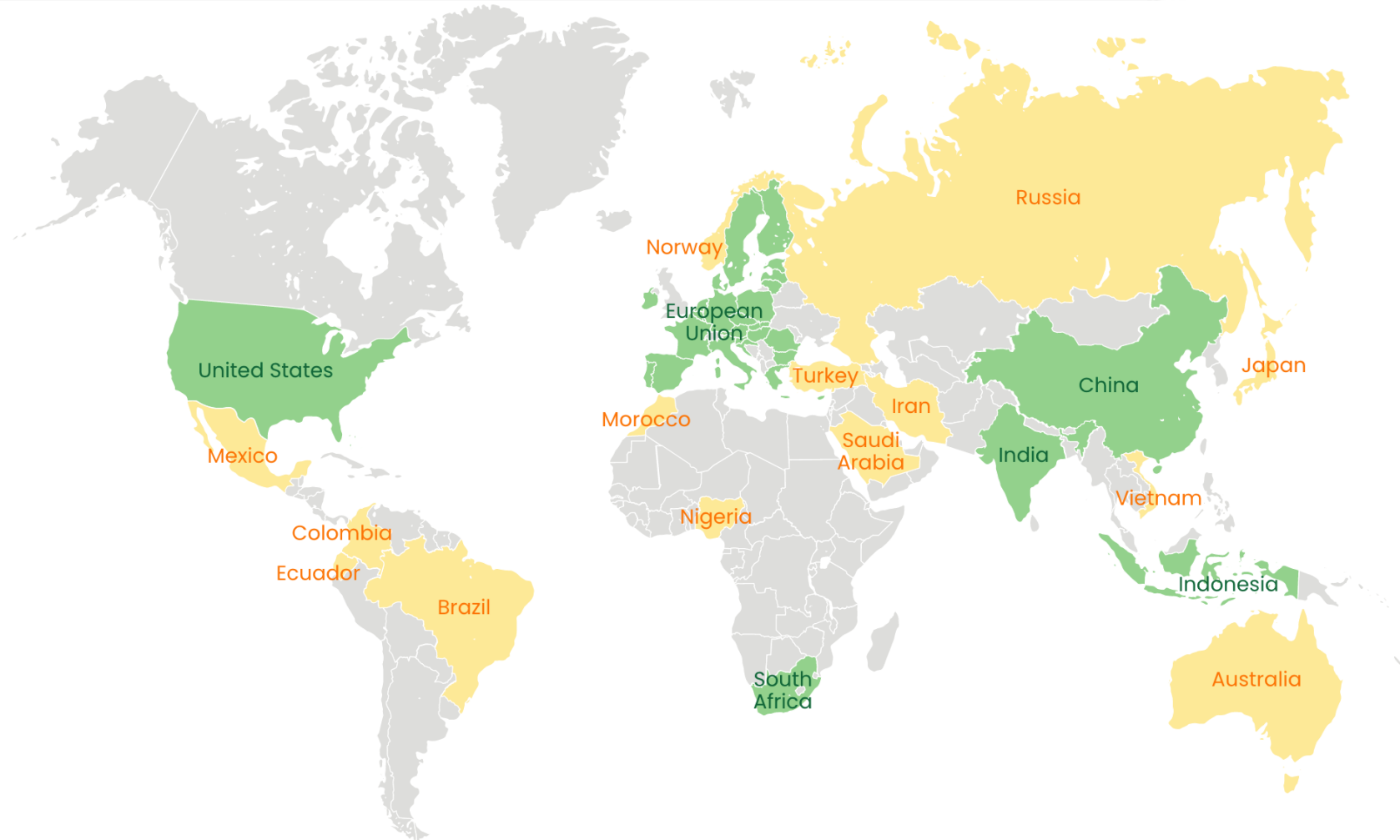


AFOLU



CROSS-SECTORAL
INTEGRATION

Geographic Coverage



- **New Messages for the “Hard to Abate” Sectors**
- **Sectoral Transformations in Other Major Emitter Countries**
- **Bending the Global Curve**
- **Avenues for International Cooperation**

Consortium



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

4i-TRACTION

innovation, investment, infrastructure and sector integration:
TRANSformative policies for a ClimaTe-neutral European UnION

Benjamin Görlach, Ecologic Institute, Project Coordinator



- **What is needed to make EU climate policy transformative?**

Addressed through the lens of four related challenges:

- fostering breakthrough **innovation**,
 - shifting **investment and finance**,
 - rolling out the **infrastructure** for a climate-neutral and resilient economy, and
 - **integration** of solutions across sectors.
- **Backward-looking stocktake:** what contributed to the achievement of EU targets, how well is current EU climate policy equipped to deliver transformative change?
 - **Forward-looking analysis:** Which policy avenues could lead the EU to climate neutrality? What governance changes are needed to embark on these avenues

Project parameters

- June 2021 – May 2024
- Nine research institutions from seven EU countries – academic institutions and think tanks on the interface between research and policy
- Strong focus on governance, combining political sciences, economics, and law



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Agenda



13:30 – 14:30	Keynote: A resilient climate policy for a just transition to climate neutrality
	Context: Scientific analysis to support effective policy-making for the transition
14:30 – 14:45	EU Focus: Making EU climate policy fit for the transition
14:45 – 15:30	Thematic Session 1: An EU Climate Investment Agenda
<i>15:30 – 16:00</i>	<i>Coffee break</i>
16:00 – 16:45	Thematic Session 2: An Integrated EU Energy Infrastructure Policy
16:45 – 17:50	Future Policy Panel: Effective EU Climate Policymaking in a Competitive Global Context
17:50 – 18:00	Closing of Day 1: Wrap-up and outlook
<i>18:00 – 19:00</i>	<i>Reception</i>

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Making EU Climate Policy Fit for the Transition to Climate Neutrality

Key Insights and Recommendations
from the 4i-TRACTION Project

Benjamin Görlach, Ecologic Institute

9 July 2024



The Transformation Gap

What is lacking to make EU climate policy fit for transformative change?

The Transformation Gap



integration

Climate policy **integration** remains **uneven** across sectors and limited in agriculture and transport. The coordination of innovation, investment, and infrastructure remains deficient.



innovation

Progress is lacking across the **innovation** chain – but mostly at demonstration and deployment stages. This includes **limited and incoherent funding** and lack of directionality.



investment

The climate **investment gap** is in the order of **€406 billion annually** and the existing framework is insufficient to mobilise it. In parallel to ramping up climate investments, EU must end investments into fossil value chains.



infrastructure

The roll-out of **infrastructure** for a climate-neutral economy is **too slow**, especially for energy and transport infrastructure, also due to a lacking **comprehensive strategy for transnational infrastructure**.

Needs for Transformative Governance

In what ways does transformative climate policy have to go beyond „policy as usual“?

Needs for Transformative Governance

I. Integrated, participatory governance

Needed: **integrated, participatory** governance to coordinate parallel, interdependent developments across sectors, address **cross-cutting challenges** innovation, infrastructure and investment, secure **societal support** by involving stakeholders and ensuring buy-in

II. Provide directionality & certainty

Needed: **directionality and certainty** amid considerable uncertainty by aligning infrastructure, investment, and regulatory frameworks, providing greater **predictability** to investors and consumers about the possible way forward and necessary actions

III. Encourage regional differentiation, experimentation

Needed: **regional differentiation and experimentation** to capitalize on Europe's diverse regional strengths, encouraging regions to innovate based on their resources, skills, and infrastructure

IV. Market creation & alignment

Needed: **align existing markets or create new ones** to scale up solutions, mobilise private funding, and stimulate demand for climate-neutral solutions

V. Ensure Sufficient & Certain Funding

Needed: coordinated approach that **combines public and private investments**, aligns fiscal policy and financial regulation with climate neutrality and ensures a **stable investment framework**

How to Make EU Climate Policy Fit for Transformative Change?

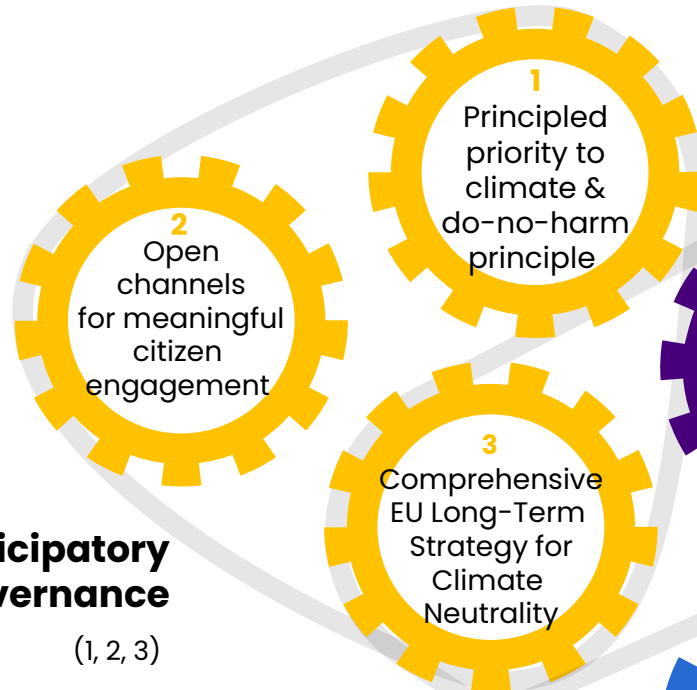
Ten Recommendations from the 4i-TRACTION Project



Policy Brief

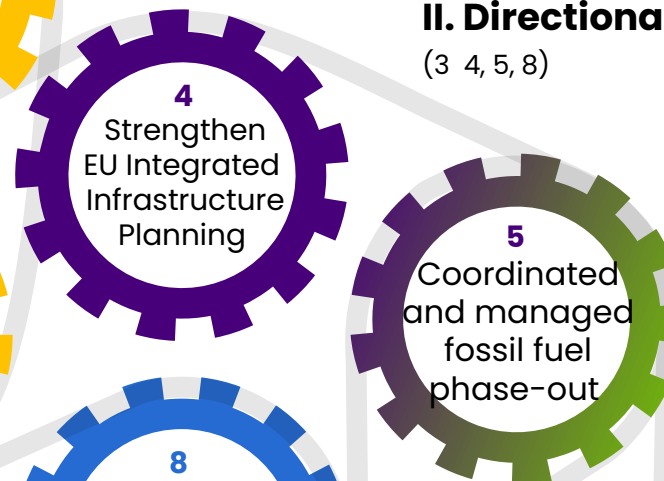
I. Integrated, participatory climate governance

(1, 2, 3)



II. Directionality & certainty

(3, 4, 5, 8)



III. Regional differentiation, experimentation

(5, 6)



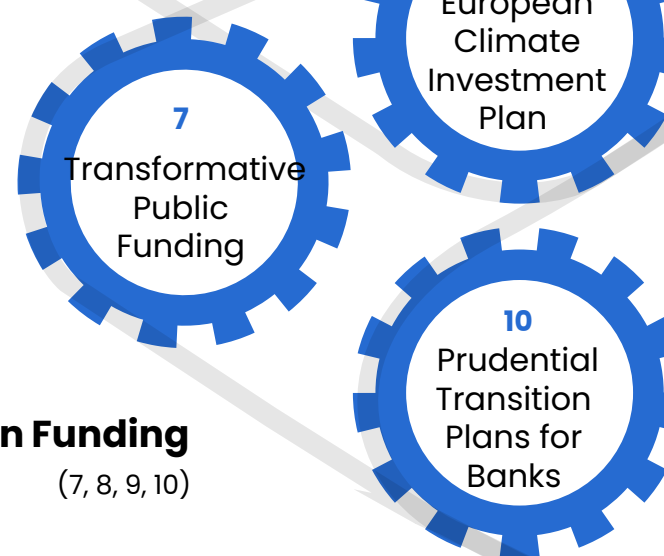
IV. Market creation & alignment

(6, 9, 10)



V. Sufficient & Certain Funding

(7, 8, 9, 10)



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Thematic Session 1: An EU Climate Investment Agenda

Input: Clara Calipel, I4CE

Panel:

- Miguel Gil Tetre, Chief Economist, DG ENER
- Suzana Carp, Head of EU Policy, Cleantech for Europe



investment

Thematic Session 1: An EU Climate Investment Agenda

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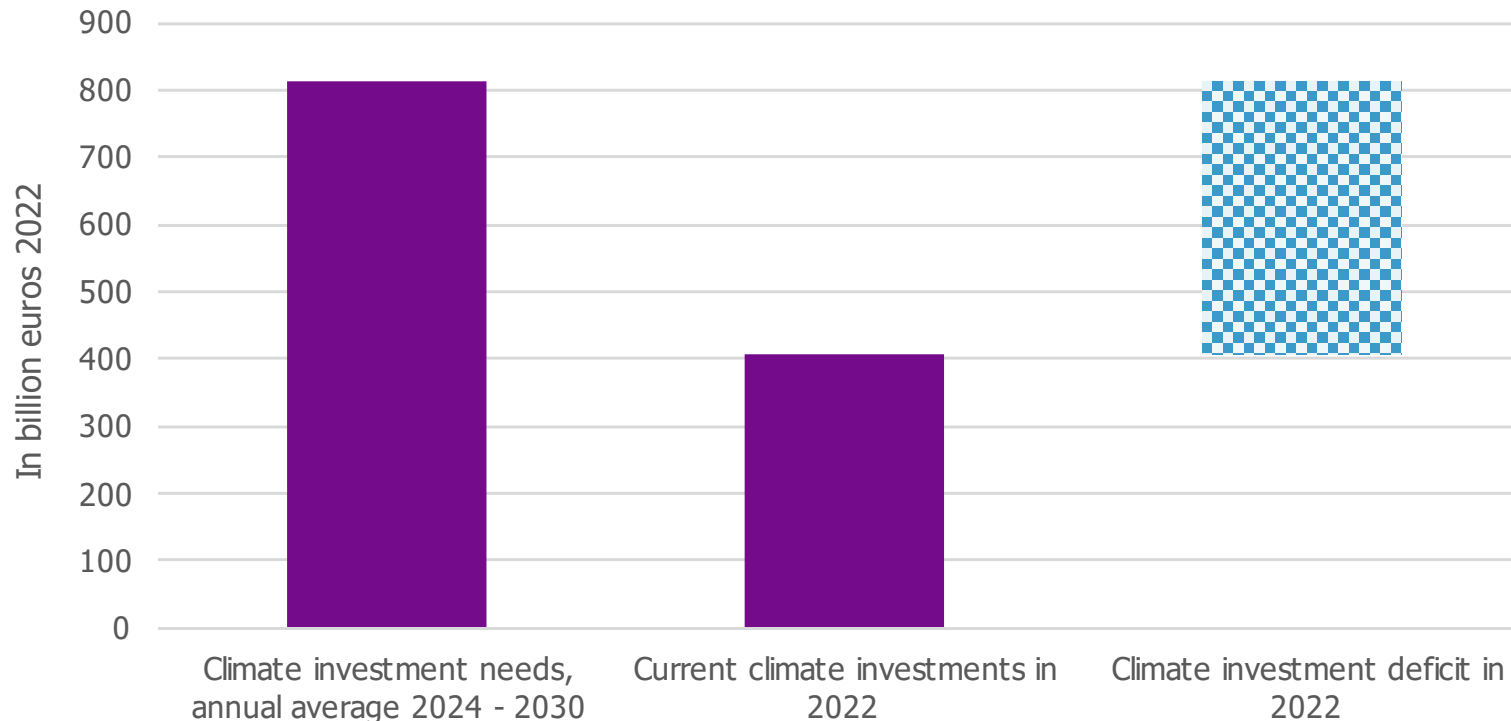
09/07/2024

Clara Calipel, research fellow, I4CE

Delivering the European Green Deal

- To mitigate climate change and ensure Europeans can access clean, affordable and secure energy, the EU has set itself several ambitious targets for 2030 and 2050.
- In line with the EU climate and energy targets, Member States have updated their National and Energy Climate Plans.
- Delivering the European Green Deal and Member States NECPS requires significant investments, both public and private.
- Investment decisions made today shape the EU's future for decades to come.

The climate investment deficit to reach EU 2030 targets



- Meeting the EU's 2030 climate targets requires at least **€813bn** of annual investment in the **energy, buildings and transport sectors**.
- This leads to annual climate investment deficit of **€406 bn**.

The climate investment deficit to reach EU 2040 target

Table 16: Average annual energy system investment needs (billion EUR 2023).

	S1			S2			S3			ΔLIFE		
	2031-2040	2041-2050	2031-2050	2031-2040	2041-2050	2031-2050	2031-2040	2041-2050	2031-2050	2031-2040	2041-2050	2031-2050
<u>Supply</u>	<u>236</u>	<u>377</u>	<u>306</u>	<u>289</u>	<u>328</u>	<u>308</u>	<u>341</u>	<u>281</u>	<u>311</u>	<u>-59</u>	<u>-14</u>	<u>-36</u>
Power grid	79	88	84	88	81	85	96	75	85	-15	-2	-9
Power plants	97	187	142	128	157	142	151	133	142	-28	-6	-17
Other	59	102	81	72	90	81	94	73	83	-16	-6	-11
<u>Demand excl. transport</u>	<u>332</u>	<u>377</u>	<u>354</u>	<u>355</u>	<u>357</u>	<u>356</u>	<u>372</u>	<u>338</u>	<u>355</u>	<u>-23</u>	<u>1</u>	<u>-11</u>
Industry	38	31	35	46	24	35	48	22	35	-7	-3	-5
Residential	225	250	237	237	242	239	248	230	239	-12	4	-4
Services	49	78	63	53	73	63	57	67	62	-4	1	-2
Agriculture	19	19	19	19	19	19	20	18	19	0	0	0
<u>Transport</u>	<u>866</u>	<u>875</u>	<u>870</u>	<u>861</u>	<u>885</u>	<u>873</u>	<u>856</u>	<u>882</u>	<u>869</u>	<u>-80</u>	<u>-85</u>	<u>-82</u>
<u>Total</u>	<u>1433</u>	<u>1629</u>	<u>1531</u>	<u>1505</u>	<u>1570</u>	<u>1537</u>	<u>1570</u>	<u>1501</u>	<u>1535</u>	<u>-162</u>	<u>-97</u>	<u>-129</u>
Total excl. transport	567	754	661	644	685	664	713	619	666	-82	-12	-47
<u>Memo:</u>												
Real GDP (period average)	19444	22369	20906	19444	22369	20906	19444	22369	20906	19444	22369	20906

Note: "ΔLIFE" compares the cost of the LIFE scenario to the S3 scenario, which both meet the same overall net GHG reductions by 2040.

Source: PRIMES.

- According to the European Commission, **~€1500** bn euros will be needed per year over the next decade (2031-2040) to meet the **EC's 2040 target**.
- Closing the climate investment deficit also has co-benefits for EU infrastructure modernisation, EU competitiveness and energy security.

A European Long-Term Climate Investment Plan to Close the Climate Investment Deficit

- While several instruments and policies exist at EU and national level to finance climate action, there is currently no mechanism in place to coordinate the different elements, including both public and private finance.
- In order to deliver the European Green Deal, and related national policies, and to close the climate investment deficit, the EU should implement a climate investment plan with a long-term view.
- This EU long-term climate investment plan should answer several questions, such as:
 - How much EU-level funding will be mobilized and how?
 - How much money is expected to come from public budget at Member States level and sub-national levels?
 - How to align subsidies, taxation and fiscal policies with EU climate objectives to provide a clear price signal for private investments?

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Coffee Break

We continue at 16:00



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Thematic Session 2:

An Integrated EU Energy Infrastructure Policy

Input: Bettina Kampman, CE Delft

Panel:

- **François Beaude, Strategy Lead, ACER**
- **Savannah Altvater, Head of Distribution & Market Facilitation, EURELECTRIC**



infrastructure

Infrastructure – policy recommendations

from the 4i-TRACTION Project

Bettina Kampman, CE Delft

9 July 2024



Strengthen EU Integrated Infrastructure Planning – Why?

- ➔ A climate-neutral energy system requires a **very different infrastructure** than we have today
- ➔ Some of the changes are **drastic**: power grid reinforcements, district heating networks, a hydrogen grid that extends to different regions and end users
- ➔ Infrastructure needs to be **expanded & adapted quickly enough** to facilitate the necessary CO₂-mitigation efforts in energy supply and demand
- ➔ Recommendations aimed at overcoming the **key challenges**:
 - ➔ Funding
 - ➔ Coordination
 - ➔ Long lead times

Infrastructure: policy recommendations

- Building on existing EU-coordination programmes and institutions, the EU should take a stronger role **in ensuring the necessary transnational infrastructure** is planned and implemented.
- Develop an **EU Integrated Infrastructure Plan** that aligns with the EU's climate goals and long-term strategy.
- Strengthen EU governance by designating **infrastructure** as one of **the key dimensions of the EU Governance Regulation**.
 - Strengthen and expand infrastructure-related planning requirements in NECPs and LTSs.
- EU infrastructure policy should first focus on **expanding electricity infrastructure**.

All this can build on existing institutions and policies

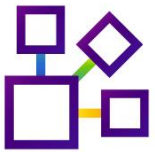
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infrastructure

Closing of Day 1

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Future Policy Panel: Effective EU Climate Policymaking in a Competitive Global Context

Panel:

- **Marta Torres Gunfaus, Director, Climate Change Programme, IDDRI**
- **Thomas Pellerin-Carlin, MEP-elect for S&D group**
- **Hilton Trollip, University of Cape Town**

Moderation: Matthias Duwe, Ecologic Institute



Your opinion, please...



on key factors influencing EU policy

To join you can

a. scan the **QR code**

OR

b. go to **menti.com** & enter **89 61 50 2**

OR

c. click on the **link** in the chat

Closing of Day 1

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Day 2: Global policy focus – hard to abate sectors, action by major emitters, cooperation

- **Welcome coffee from 08:30**
- **Start at 09:00**

See you tomorrow!

