



Energy  
Transitions  
Commission

# Recommendations for the next EU Commission

15 October, 2024

# Agenda

- Speakers
- Session Purpose
- State of the Transition, *Sandrine Dixson-Declève*
- Key Focus Areas and Recommendations, *Rose Dortch*
- Next Steps
- Member discussion



# Speakers



**Sandrine Dixson-Declève**

Co-President, Club of Rome  
Member of the Climate-KIC  
Advisory Council



**Rose Dortch**

Global Programmes Lead,  
Energy Transitions Commission



**Elena Pravettoni**

Head of Analysis,  
Energy Transitions Commission



# Strategy to engage EU Commission

- **Member alignment session**

- Review of proposed ETC white paper
- Input on substance of recommendations
- Alignment on endorsements / communications strategy

--- For Today

- **ETC engagement with EU Commission (Q4 2024)**

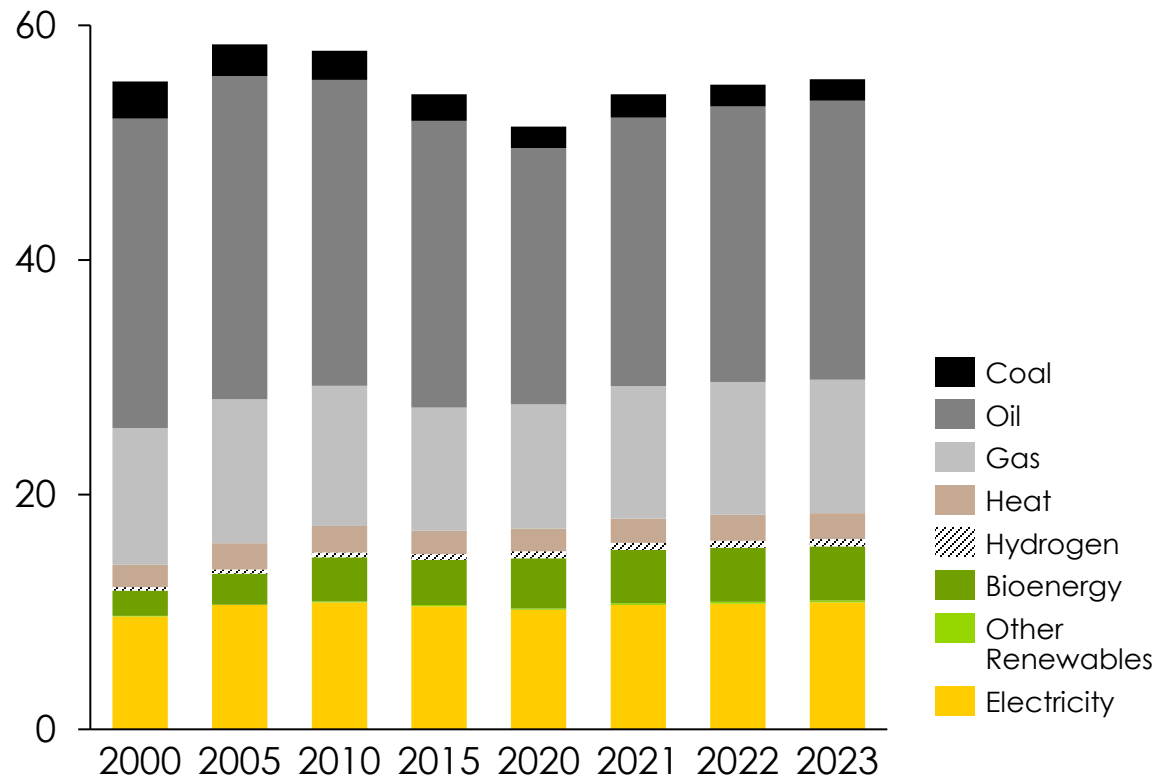
- Offer expertise on the state of the global transition
- Organize internal (closed door) meeting with EU Commission members

- **EU Commission engagement with Industry (Q1/Q2 2025)**

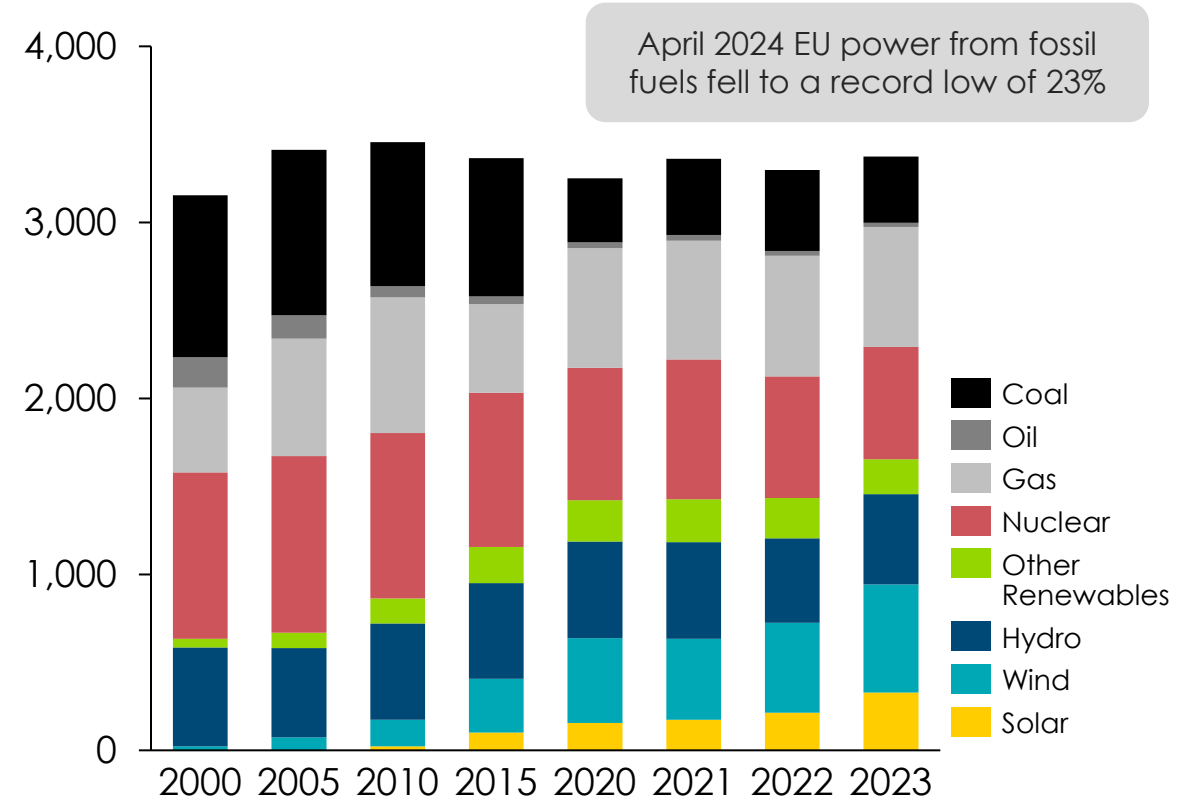


# In 2023, renewable generation surpassed 40% and wind generated more electricity than gas (for the first time)

## Final Energy Demand by Fuel (PJ)



## Power generation by technology (TWh)



Source: BNEF World Energy Outlook 2023

# Ambitious sectoral policies are setting clear pathways for decarbonisation of transport and buildings by 2050, industry set to plateau

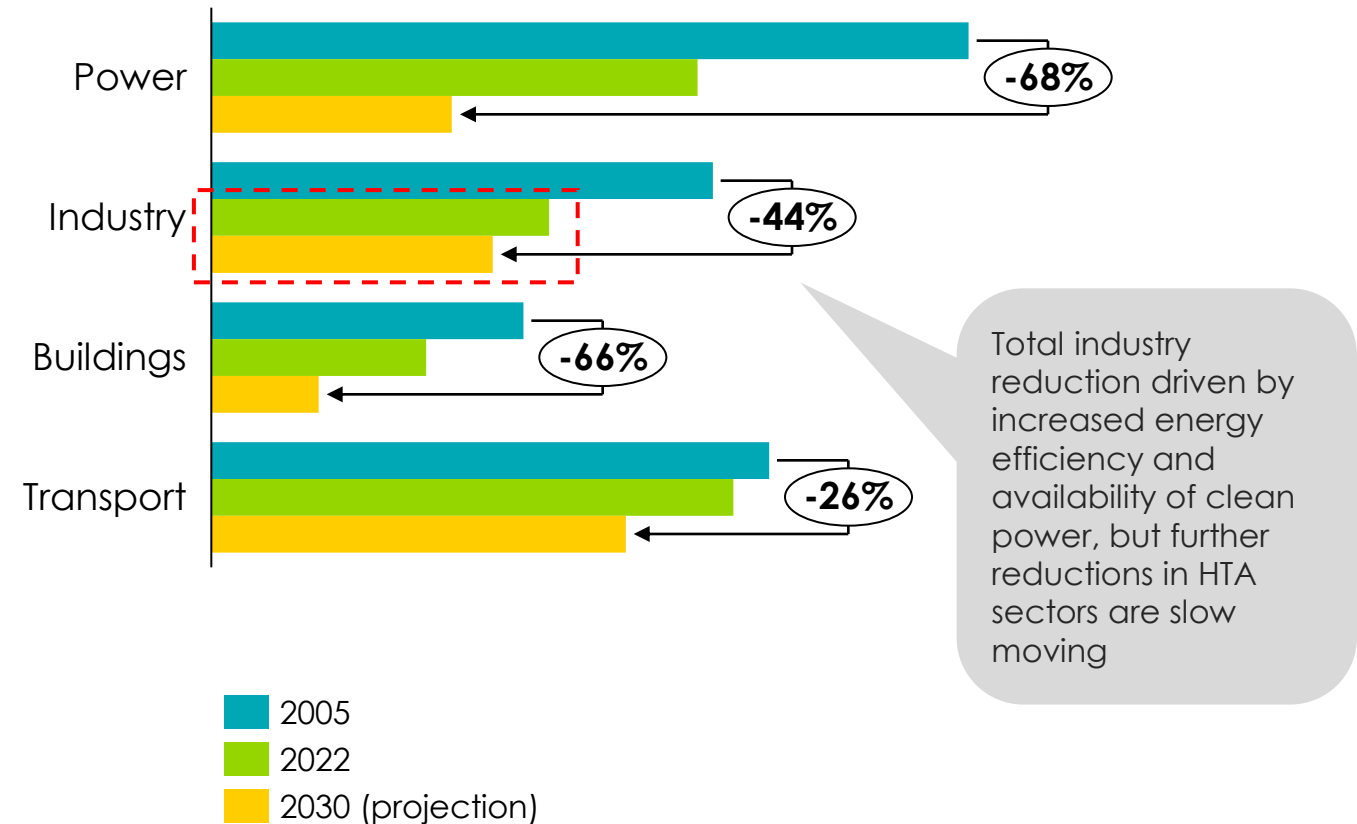
## Key new or revised policies since January 2023

By sectors and cross-cutting technologies

Sectors	<b>Power</b>	Offshore wind action plan, Electricity Market Design Reform
	<b>Industry</b>	Net Zero Industry Act
	<b>Buildings</b>	Energy Performance of Buildings Directive
Technology	<b>Transport</b>	Fuel EU Aviation, ReFuelEU Maritime, Alternative Fuels Infrastructure Regulation
	<b>Hydrogen</b>	European Hydrogen Bank, relaxation of State aid rules
	<b>Carbon removals and CCUS</b>	Industrial Carbon Management Plan, Carbon Removal Certification Framework

## GHG emissions from energy in the EU, 2005-2030

GtCO<sub>2</sub>e/year



## But this not translated directly to necessary project scale-up in key sectors



Record-high carbon prices (100 EUR/t in January), CBAM, and the phase down of ETS free allocations are now starting to drive investment decisions



Solar and wind deployment in 2023 at all time high but wind still not on track to meet REPower EU targets



Pipeline of announced decarbonization projects for hard-to-abate industry sectors falls far short of 1.5°C pathway – and very few projects reaching FID



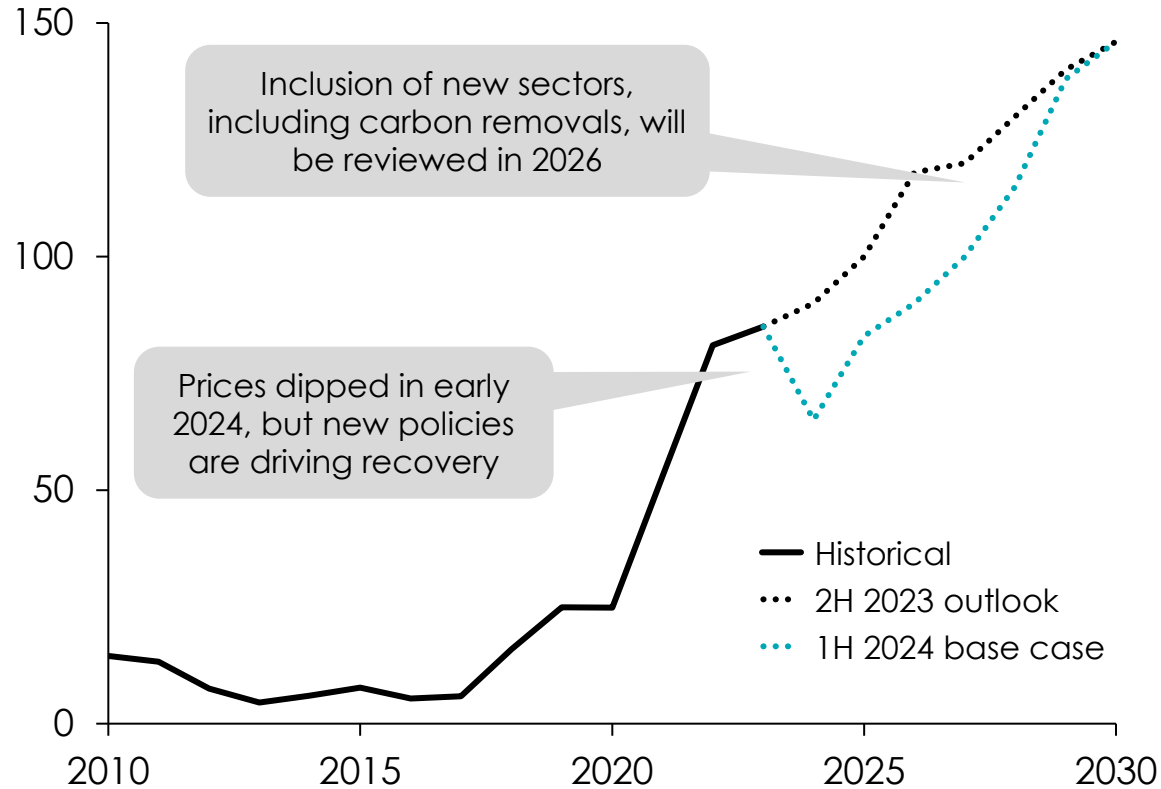
Although public funding available is similar to that of the US, there is a lack of access, coherence and clarity for European spending



# Despite fluctuating carbon prices, EU ETS remains a strong market lever

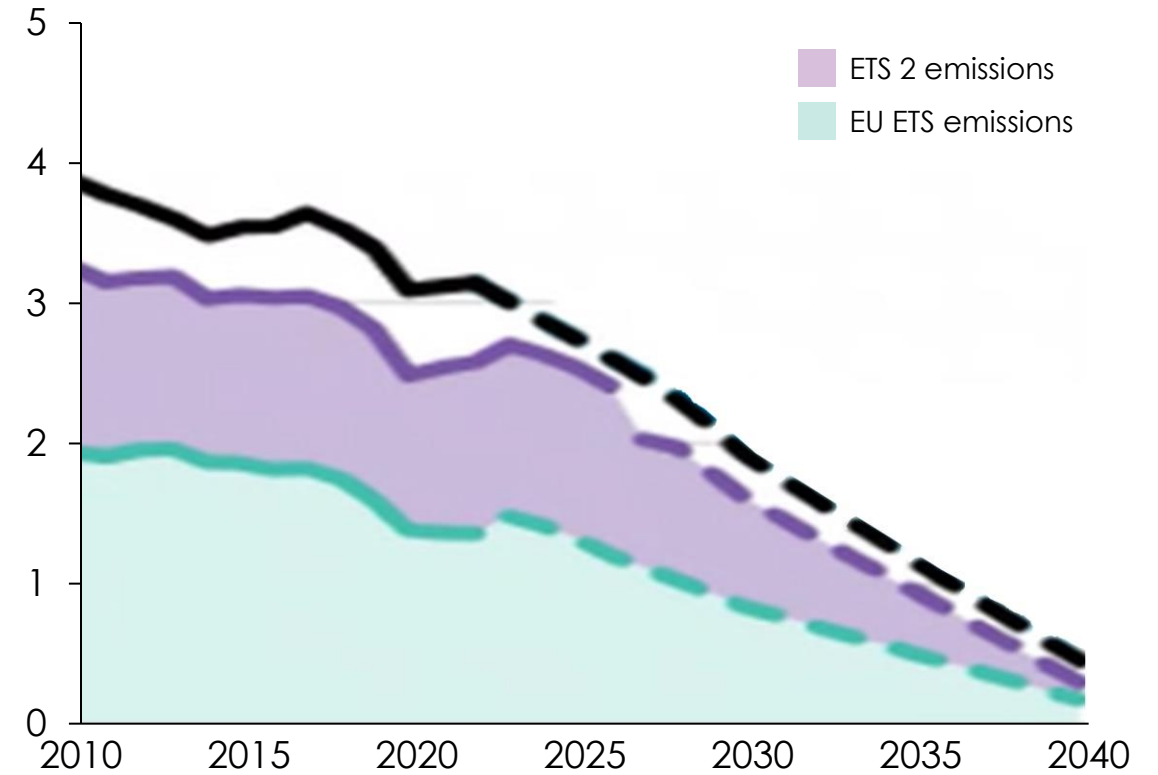
## Historical and forecast price of EU emission allowances

EUR/metric ton, nominal



## EU ETS emissions caps and possible 2040 target

Billion metric tons of CO<sub>2</sub>e



**Carbon price could reach 200EUR/t around 2035**

**EU ETS goes to zero by 2040**



Note: sectors included in ETS are power generation and industrial plants (e.g., cement, steel, refineries); ETS2 includes buildings, road transport and other smaller industries not previously covered by ETS (e.g., ceramics, pulp & paper);

Source: BNEF; Trading Economics (2023) EU Natural Gas; ICE Endex (2023) Dutch TTF Natural Gas Futures (accessed 06/02/24); BNEF (2023), 2H 2023 LCOE Update

## Key focus areas and recommendations



Hold the ground




Complete the picture



Find competitive advantage



# Hold the ground and continue to showcase climate leadership

- **The global energy transition is now a certainty and failure to move in line with global trends will damage both emissions and investment.**
  - Mixed signals risk slowing progress, key areas of uncertainty:
    - Policy shifts
    - Fossil fuels phase down
    - Pace of EU emissions reductions
  - While watering down short-term targets might ease the pressure on incumbents, it could actually lead to these **incumbents becoming irrelevant even faster and more drastically in the near future**
- 
- **Adopt ambitious international targets**
    - Adopt the proposed 2040 target for 90% emissions reduction, and use this to bring forward a world leading NDC ahead of COP30.
    - Encourage other high-income countries to increase their contributions to the NCQG on finance.
  - **Commit to targets through firm policy, which phases down fossil fuels over time**
    - Maintain currently agreed-upon timelines for decarbonising transport (ICE vehicle sales ban for 2035), and clarify key aspects of buildings policy (i.e. the phase out date for fossil fuel boilers within the Energy Performance of Buildings Directive).
    - Reform tariff structure and energy taxation frameworks which still favour fossil fuel over electricity use. The revision of the Energy Taxation Directive should be a priority for the next Commission.
  - **Strengthen carbon pricing as a key tool**
    - Through robust implementation of CBAM, smart extension of the scheme to other sectors (e.g., ETS2 – see below), and longer-term inclusion of carbon dioxide removal (CDR) mechanisms.



# Complete the picture for the energy transition

- The focus on clean power and efficiency needs to be extended to deliver **emissions reductions across all sectors & ensure implementation is done in a fair way which brings citizens and consumers along in the transition.**
- Key areas of focus include:
  - Fairness in pricing mechanisms
  - Ensure policy leads to actions across all sectors
  - Ensure Member State implementation



- **Enable affordability.**
  - Target financial incentives at low-income households
  - Increase use of two-way contracts for difference (CfDs) in the power sector
  - Encourage electricity network pricing mechanisms that favour expansion and optimisation of electricity networks, whilst safeguarding vulnerable consumers.
- **Expand policy to reach all sectors.**
  - Expand the European Hydrogen Bank model to other emerging, strategic net-zero technologies to facilitate access to EU and Member State funds.
  - Provide certification for green H<sub>2</sub> and renewable fuels of non-biological origin
  - Provide clear rules and incentives for CCUS deployment
  - Integrate CDR into EU ETS to provide pricing signal that incentivizes CCS
  - Expand offtake for low carbon goods (e.g., steel, ammonia) through direct public procurement, and green “market maker” mechanisms.
- **Accelerate deployment.**
  - Support Member States in administrative delivery of the energy transition
  - Address political and social bottlenecks through industry and townhall dialogues, and communicating the advantages of the energy transition.
  - For industries experiencing an overcapacity of workers (e.g., automakers), enact measures to help reskill workers and deploy them in sectors that are in dire need of skilled workers (e.g., energy system, power grids, etc.).



# Find our competitive advantage

- Risk that global environmental goals clash with local and regional trade and industrial policy
- Balancing these policy actions, and prioritising where EU can have genuine competitive advantage, will be crucial
- While supply chains continue to be a concern related to energy security, there is an inherent difference between renewables and fossil fuels
- The goal should be appropriate diversification, whilst maximising both a low-cost transition and expanding competitive advantage into targeted areas.



- **Consider where EU competitive advantage best exploited, target support there**
  - Identify the subset of key clean technology industries where the EU has a competitive advantage and seek to develop local manufacturing capacity
  - Time-bound subsidies to build local industries, not permanent tariffs
  - Follow fact-based approach to unfair competition concerns and welcome foreign products when no local substitutes exist at a good price
  - Understand where support from the state might be needed
- **Harness economies of scale to maximise buying power of EU as a single market**
  - Set (or reinforce) ambitious sector specific targets for clean technology scale up into the 2030s and ensure these are reflected at the Member State level.
  - Harmonise technical standards for renewable technologies and consider expanding national level local content requirements to a wider pool of EU
  - Continue to increase regional cooperation where capacity likely shared
- **Invest in shared infrastructure.**
  - Rapidly scale up investment in electricity grids via a targeted fund/financing mechanism, outside of funding for gas/CCUS
  - Co-ordinate and deliver key shared infrastructure assets required for transition
  - Reduce differences in national regulations that create barriers to cross-border electricity trade within the EU.
  - Invest in key technologies to support the decarbonisation of shipping.



# Next steps: options to engage the EU Commission

## A Full ETC member endorsement

- Send to all members for review / sign-off
- Publish and cite all ETC members in press release

## B Subset of members endorse

- ETC members opt-in to endorse
- Publish and explicitly mention these members in press release

## C No formal endorsement

- No members formally endorse
- Publish but do not mention anyone at press release

## D Internal influencing document

- Do not publish
- Send to members to use for internal purposes & use for Commission engagement without publishing



# Discussion

