Energy Transitions Commission

State of the climate conversation ahead of COP29 and COP30

ETC Commissioners Meeting

31st October 2024

Energy
Transitions
Commission

- **What to expect at COP29 and beyond**
- ETC's focus: Key messages and events
- Financing the transition: NDCs and NCQG
- Update from the ITA

COP28-30 Timeline – assess, enable, implement

COP28 – "Global Stocktake"

- **First stocktake under the Paris Agreement**, assessing global progress toward climate targets.
- A **focus on loss and damage**, particularly on how to implement the fund established at COP27.
- Major focus on **scaling up adaptation finance** and finalising rules for carbon markets **(Article 6)**.

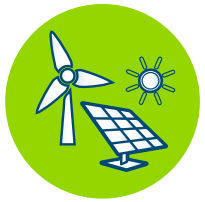
COP29 – "Unlocking Finance"

- Agree to a new global finance goal: **New Collective Quantified Climate Goal (NCQG).** Update 2009 target of $100bn a year by 2020.
- Increase involvement of **private finance to mobilise climate funds**, addressing the gap left by public finance.
- Push for **more robust international carbon markets**; standards to ensure real emission reductions.

COP30 – "Implementing NDCs"

- Focus on **reviewing and updating national climate commitments** (NDCs 3.0).
- Promote large-scale **clean energy transitions in line with updated climate goals.**
- Given the location, key focus will be the **intersection of climate action and biodiversity protection**.

COP29, 30 & 31: 4 priorities to deliver action through future COPs



Delivering and increasing the COP28 commitments to triple renewable capacity by 2030 informed by work on barriers to clean electrification and grids.

Further progressing the global debate about moving beyond fossil fuels, seeking to gain increasingly strong and specific commitments to the rapid phase-down

Supporting the work of the ITA, which is envisaged as a multi-COP initiative. Driven by MPP but with the ETC focused on identifying, and driving action on, implications for the wider energy transition (e.g., the scale of clean electricity or H_2)

Developing more ambitious and comparable NDCs in the next NDC ratchet which act as investable plans – ensuring they reflect commitments made at COP26 and COP28, real economy action, and latest technological progress.

What to expect at COP29

- **Financing the transition** & agreeing the New Collective Quantified Goal ("NCQG")
- Upcoming ratchet of **NDCs 3.0**
- Held in the **shadow of US election** (& prospect of a Trump win)
- **Limited interest in and optics** of another petro-state COP

THE BUSINESS STANDARD

Bangladesh to advocate for equitable climate finance at COP29

COP29 Baku Azerbaijan

POLITICO

Wary of Trump and Azerbaijan, businesses shun COP climate talks

CLIMATE HOME NEWS

For Cop29 to succeed, rich nations must get their parliaments to agree more finance now

AFRICA DEMANDS NCQG OF $1.3 TRILLION PER YEAR FOR DEVELOPING COUNTRIES

CARBONCOPY
MAKING CLIMATE SENSE

BusinessGreen™

COP29: Azerbaijan Presidency confirms new climate finance goal as 'top negotiating priority'

The Guardian

Cop29 at a crossroads in Azerbaijan with focus on climate finance

Fossil-fuel dependent country hopes to provide bridge between wealthy global north and poor south at November gathering

'You only go to the party if everyone is going': finance bosses to skip COP29

Business expectations lowered for summit to be held in Baku next month

FINANCIAL TIMES

Looking ahead to COP30

COP30

Main area of focus:

- Position Brazil within the **global context** to understand the **opportunity to become a green supply chain leader.**
- **Biodiversity** focus given Amazonian location – looking at the intersection of climate action and biodiversity protection.
- Delivery of new ratchet of national climate targets – **NDCs 3.0**

Partners:

SYSTEMIQ

iCS instituto CLIMA e SOCIEDADE

transição energética

ETC priorities:

- Establish "ETI Brazil" programme to build partnerships and potentially impact the **system-wide vision for a Net-Zero Brazil**
- **Make the case for renewables beyond bio**
- **Analytical programme in 2025** in lead-in to COP30:
  - The role of low-carbon molecules across sectors
  - Power Systems Transformation
  - Economic Impact of the transition
- Continue NDC campaign

Looking ahead to COP31

COP31

- **Australia (& Pacific islands) frontrunners** (although Turkey also in the mix)
- Considering hosting in Adelaide, which is leading Australia in renewables > "**The Renewables COP" ?**
- **Likely focus areas:**
  - Loss & Damage
  - Economic opportunity – low-carbon industrial hubs
  - Accelerating coal-phase out

Partners:

Australian Industry Energy Transitions Initiative

MISSION POSSIBLE PARTNERSHIP

Energy
Transitions
Commission

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- Update from the ITA
- Financing the transition: NDCs and NCQG

COP29
Baku
Azerbaijan

11-22 November

Two pillars of COP29:
Enhance Ambition,
Enable Action

Theme days of priority to the ETC:

November 14: Finance, Investment and Trade

November 15: Energy / Peace, Relief and Recovery

ETC Chair **Adair Turner** and
Director **Ita Kettleborough** will be attending

COP29 Thematic Days

November 11	COP29 Opening
November 12	World Leaders Climate Action Summit
November 13	World Leaders Climate Action Summit
November 14	Finance, Investment and Trade
November 15	Energy / Peace, Relief and Recovery
November 16	Science, Technology and Innovation / Digitalisation
November 17	Rest Day and No Thematic Programming
November 18	Human Capital / Children and Youth / Health / Education
November 19	Food, Agriculture and Water
November 20	Urbanisation / Transport / Tourism
November 21	Nature and Biodiversity / Indigenous People / Gender Equality / Oceans and Coastal Zones
November 22	Final Negotiations

ETC plans for COP29

Inform

ETC COP29 Focus

Nationally Determined Contributions and **Financing the Transition.**

MPP – Industrial Transition Accelerator (ITA).

Regional

ETC regional teams focused on country specific content.

Pre-COP29 Briefing
5 Nov 2024

Member briefing highlighting key messages.

Amplify

Event Programme

ETC panel event - 15 November 2024

- *Supply Chains in Transition: Trade Policies, Geopolitics, and the Path to Net-Zero*

Participation in high profile events and support members events with speakers & content.

Working with Global Optimism (Groundswell), WMBC, GRA and event organisers Climate Action, World Climate Foundation.

Social Media

Amplifying the core messages, insights and activities through social media

Engage

Member Networking

ETC member drinks – 14th November 2024

ETC Portal – for news of member events/networking.

Media Briefing

Pre-briefings with Tier 1 media outlets.

Broadcast media push – international channels

Member Meetings

Bilateral meetings with senior execs

ETC events at COP29

Drinks reception

- ***Date & Time:*** *November 14th, 17:30 – 19:30, local*
- ***Venue:*** *Black City Lounge & Terrace (Baku Marriott hotel Boulevard)*
- ***Location:*** *4C Khagani Rustamov St, Baku 1010, Azerbaijan*
- ***Access:*** *by invitation only*
- *Opportunity to engage in member networking*

** If you would like to attend please RSVP to our PMO team.*

- ***Title:*** *Supply Chains in Transition: Trade Policies, Geopolitics, and the Path to Net-Zero*
- ***Date & Time:*** *November 15th, 10.30 – 11.30, local*
- ***Moderator:*** *Adair Turner*
- ***Climate Action Innovation Zone***
- ***Venue:*** *Sustainable Innovation Forum, Baku Marriott Hotel Boulevard, Baku, Azerbaijian*
- ***Location:*** *4C Khagani Rustamov St, Baku 1010, Azerbaijan*

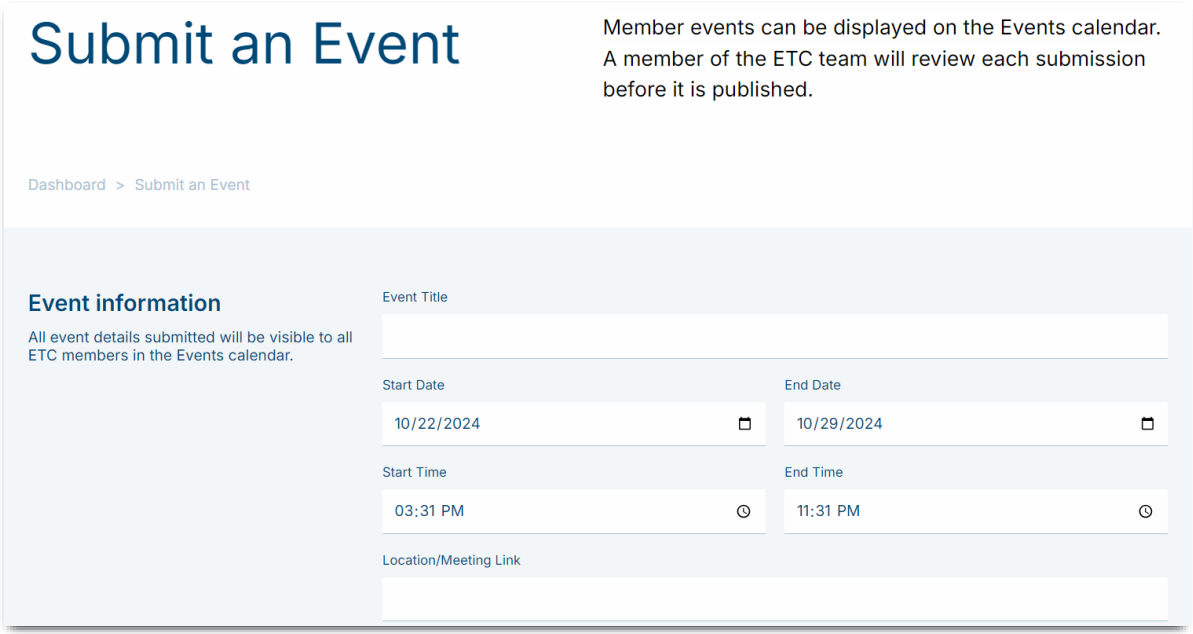
ETC Members at COP29

Confirmed participation at COP29

- Arup
- Aspen Technology
- BNEF
- DP World
- Iberdrola
- Quadrature Climate Foundation
- Longi
- Octopus Energy
- National Grid
- SSE
- Schneider Electric
- Shell
- The Energy and Resources Institute (TERI)
- Vattenfall
- World Resources Institute
- Institute of Climate Change and Sustainable Development (ICCSD)

We encourage you to share the details of your COP29 event with the broader member community **via the ETC Member Portal.**

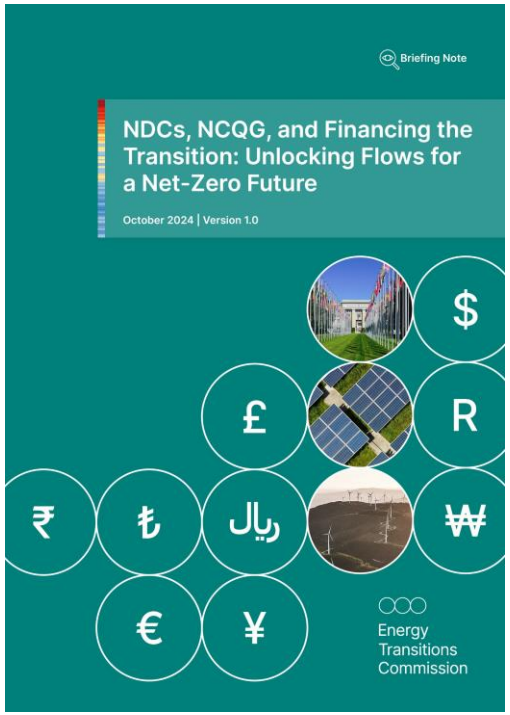
To submit your event, log in to your account, navigate to the "Submit an Event" section in your account settings, and complete the form. Once submitted, we will be notified and ensure your event is published on the portal for all members to view.



Energy Transitions Commission

- What to expect at COP29 and beyond
- ETC's focus: Key messages and events
- **Financing the transition: NDCs and NCQG**
- Update from the ITA

What is “climate finance”? – a term often vaguely and broadly used



Estimated climate finance requirements for energy transition, adaptation and loss and damage around the world

Exhibit 4.1

Average cost per year in 2030
$ billion per year

	Category	Total Costs ($ billion per year in 2030)	Area of the World	Sources of Finance
	Mitigation – Investment	1950	High income countries and China	Private investment, with some limited public support
	Mitigation – Investment	900	Middle and low income countries	Mix of private investment, MDB lending and additional investment catalysed by MDB actions
	Mitigation – Concessional	300	Estimate for all middle and low income countries	Primarily concessional/ grant mechanisms
	Adaptation	250	Estimate for all middle and low income countries	Mix of MDB lending and concessional, grant mechanisms
	Loss and Damage	400	Estimate for all middle and low income countries	Grant payments only

Note: Mitigation investment numbers are 2026–2030 averages.

Mitigation - Investment

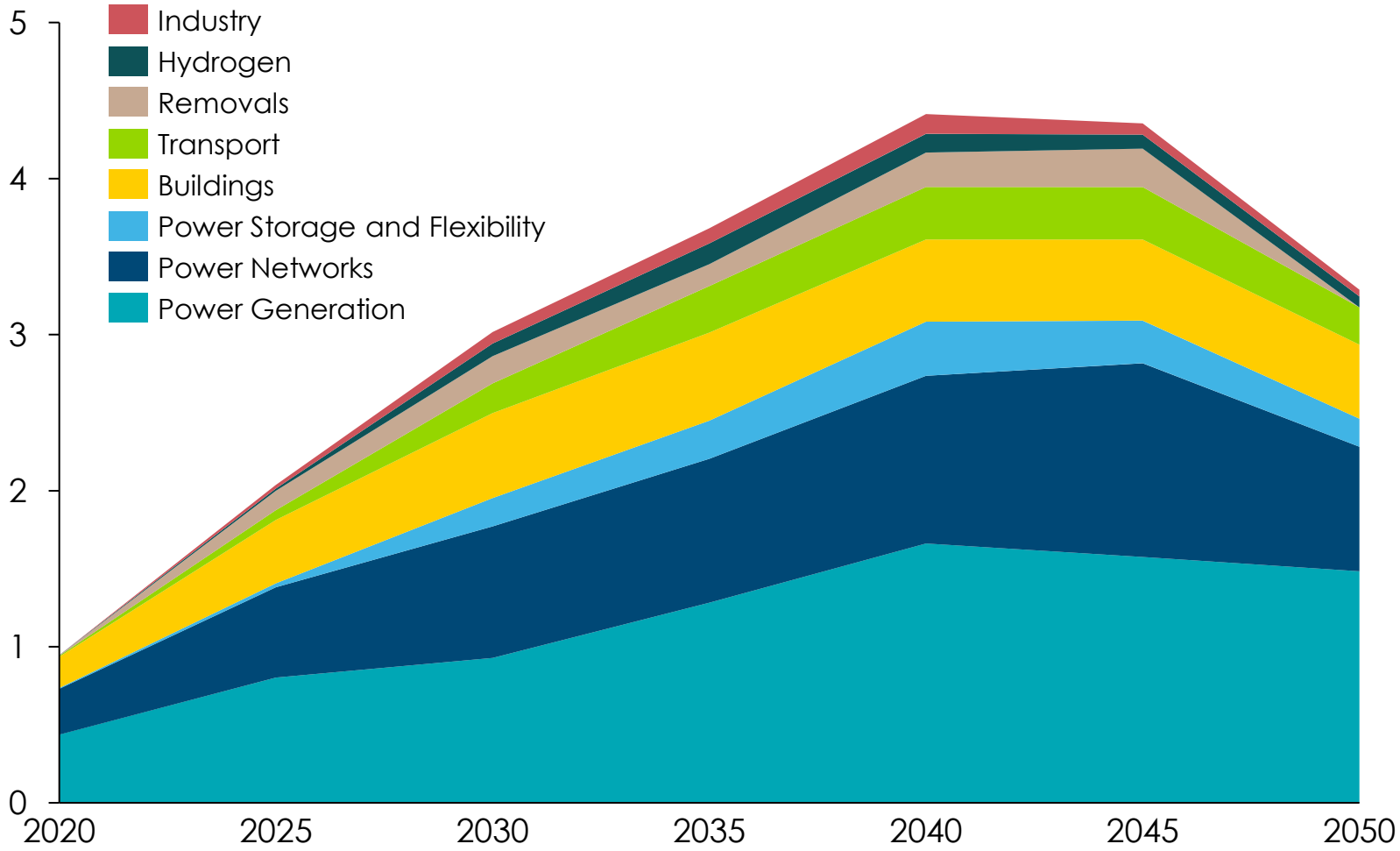
These investments average around **$3 trillion annually until 2050**

Most of this investment will be financed by **private institutions** delivering an attractive rate of return to investors if appropriate **real economy policies** are in place

MDBs and other public financial institutions must also play a significant role to support financial flows to middle and low-income countries.

Annual capital expenditure in the energy system

Trillion $



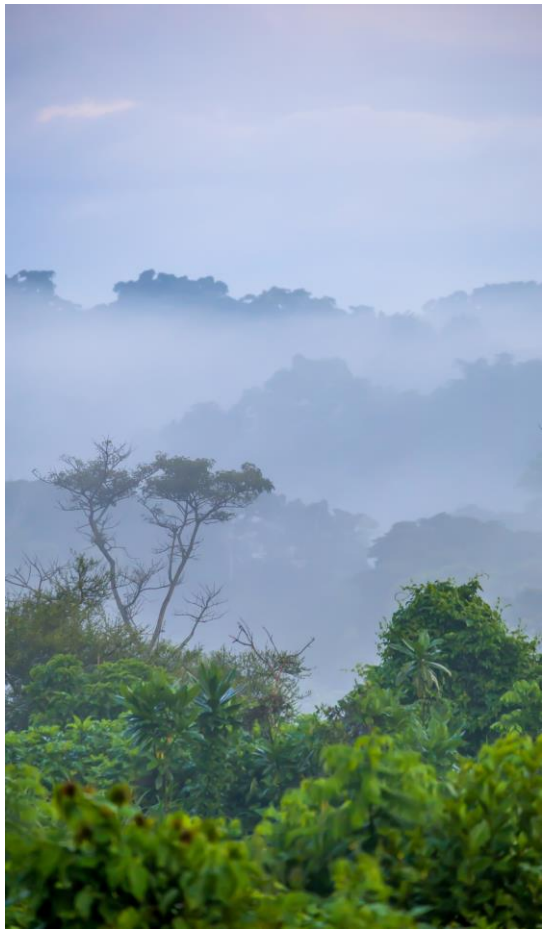
Mitigation – Concessional/grant

$300 billion of this type of payment may be required to mitigate emissions in specific areas:

- **close coal plants early,**
- **end deforestation, and**
- **finance carbon removals**

– which may not generate a return on investment.

but actual flows are unlikely to reach this magnitude, necessitating other measures, such as **strong policy**



Adaptation & Resilience

The Songwe-Stern 2022 report suggested these might reach **$250 billion per annum** in middle and low-income countries

A significant part will be financed from **domestic resources** (especially in middle-income countries) but there is a major essential role for loans provided by **MDBs** and for **concessional payments or grants** from high-income countries.

THE WORLD BANK

AFRICAN DEVELOPMENT FUND
FONDS AFRICAIN DE DEVELOPPEMENT

IsDB
البنك الإسلامي للتنمية
Islamic Development Bank

New Development Bank

ADB
ASIAN DEVELOPMENT BANK

IDB
Inter-American Development Bank

European Bank
for Reconstruction and Development

AIIB
ASIAN INFRASTRUCTURE INVESTMENT BANK

Loss & Damage

The Songwe-Stern report estimated that these costs in middle and low-income countries might reach **$200-$400 billion per annum by 2030.**

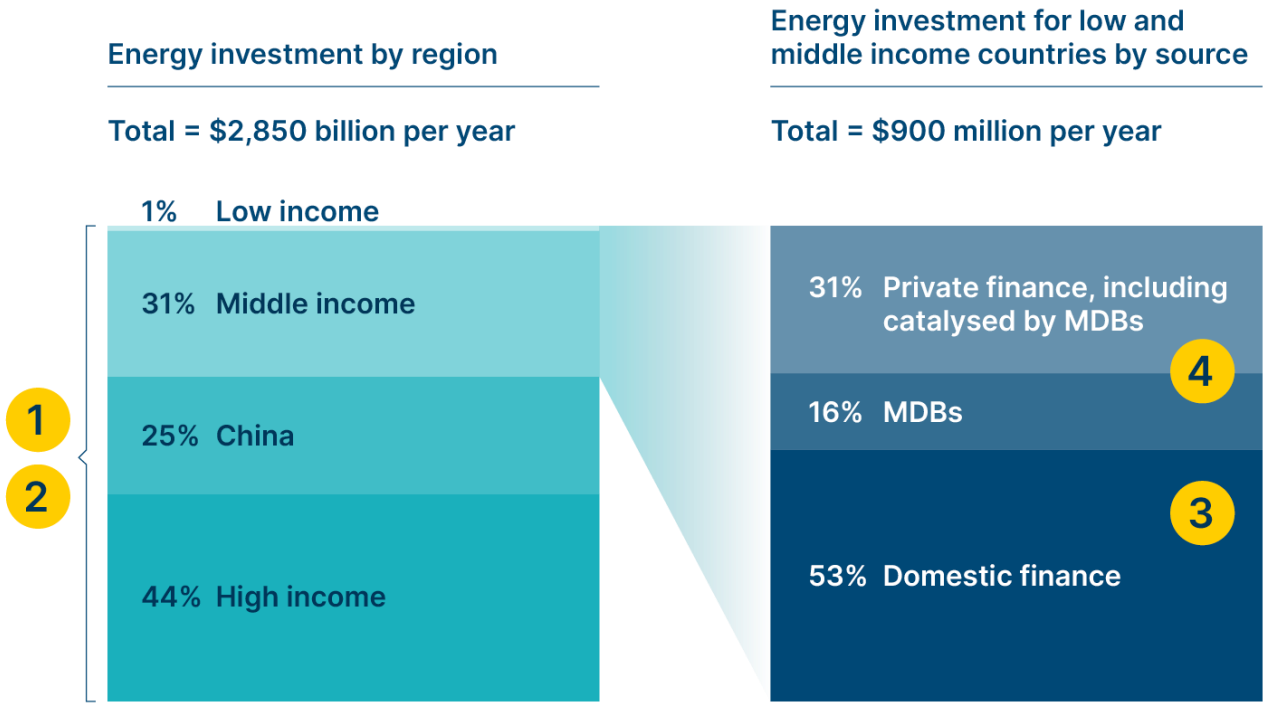
At COP27 in 2022, the **principle was agreed that higher-income countries should contribute** towards meeting these costs.

4 principles to unlock investment for the energy transition

Four critical actions to ensure adequate mitigation investment

Exhibit 3.1

Annual climate finance requirements
$ billion per year, 2023–2030



Actions required to make the finance flow

1. Well-designed **policy and regulations** to unlock private finance
2. Targeted **public finance support**
3. **Domestic finance mobilisation** in middle and low-income countries
4. **MDB mobilised external finance** in middle and low-income countries

Note: Numbers may not sum due to rounding.

Source: ETC (2023), *Financing the Transition: How to Make the Money Flow for a Net-Zero Economy*.

NCQG beliefs and debates

Quantum	India calls for $1 trillion per year climate finance from next year, submits its proposal to the UNFCCC	THE TIMES OF INDIA
Donor Base	G7 to demand wealthy developing nations pay up on climate change	FINANCIAL TIMES
Timeframe	New Climate Finance Goal: Too many options, too little time?	DownToEarth
Target Coverage	TRACKING LOSS AND DAMAGE IN THE NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE	The Loss & Damage Collaboration
Sources of Funding	Quality – not just quantity – matters in the new climate finance goal	CLIMATE HOME NEWS
Reporting	Lessons from the $100B target can shape the next climate finance goal	devex Do Good. Do It Well.™
Wider financial system alignment	Delivering on climate finance and long-term alignment of financial flows: NCQG and 2.1.c	E3G

4 key priorities for the NCQG

The NCQG conclusions will have the best impact on **global mitigation efforts** if they include:

1. **Clarity on the types of finance flows required** and what is covered by any NCQG commitments.

2. **Strong focus on the very large-scale financial flows required** to support mitigation and adaptation in middle- and low-income countries.

3. **Expansion of the definition of contributing countries** to include at least China and high-income oil and gas producers such as Saudi Arabia, United Arab Emirates and Qatar.

4. **Strong support for new sources of funds** to support climate. E.g.,
   - Global carbon taxes on aviation and shipping as proposed by the Nairobi Declaration.
   - The allocation of revenues arising from CBAMs to support climate finance flows to low-income countries

4 recommendations for the next round of NDCs

1. **Set more ambitious emission reduction targets** to reflect technological progress and cost reductions, and bring NDC objectives in line with policy commitments already made.

2. **Define strong links between targets and supporting policy**, acting as comprehensive roadmaps for implementation.

3. **Contain absolute or equivalent emissions targets** for specific sectors and cover all greenhouse gases.

4. **Identify the investments required** to deliver emissions reductions and the broad balance of financing sources envisaged

Comms Campaign: before and during COP29

Collaborating with ETC members and partners ahead of and during COP29

Targeting Tier 1 International Media

We encourage members to get involved with the campaign across digital, media and events

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Industrial Transition Accelerator

Overview

October 2024

ITA
INDUSTRIAL
TRANSITION
ACCELERATOR

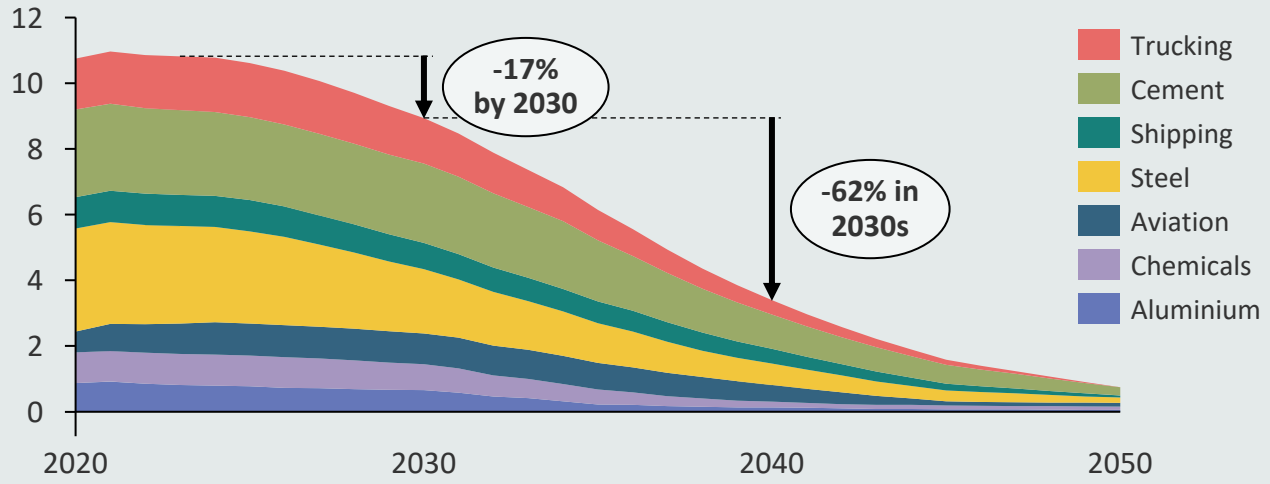
Disclaimer

The ITA recognizes that its activities must not be a vehicle for individuals or organizations to reach unlawful business agreements, exchange competitively sensitive information, or engage in other aspects of anti-competitive behavior. ITA's policy, therefore, is to take appropriate measures to comply with U.S. antitrust laws and foreign competition laws, and the ITA expects the same from its members when acting on behalf of the ITA or participating in ITA activities.

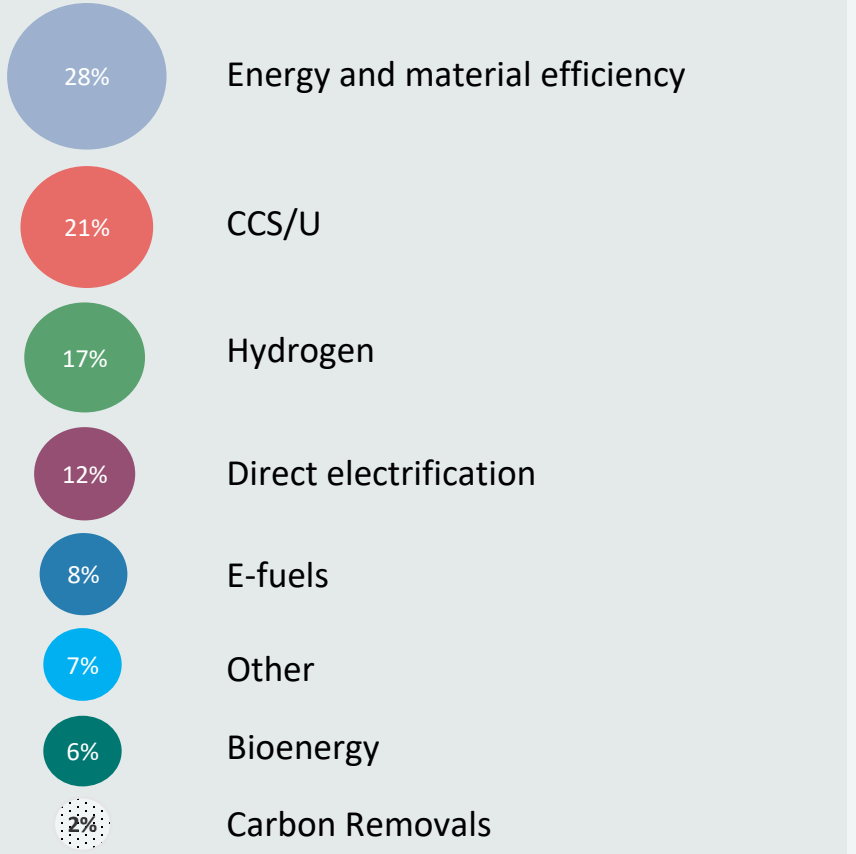
The decarbonisation path for heavy industry and transport relies at 70% on the deployment of clean technologies

~30% of today's emissions stem from high-emitting heavy industry and transport sectors

Scope 1 & 2 emissions by sector on 1.5˚C aligned path to Net Zero
Gt CO_2 p.a.

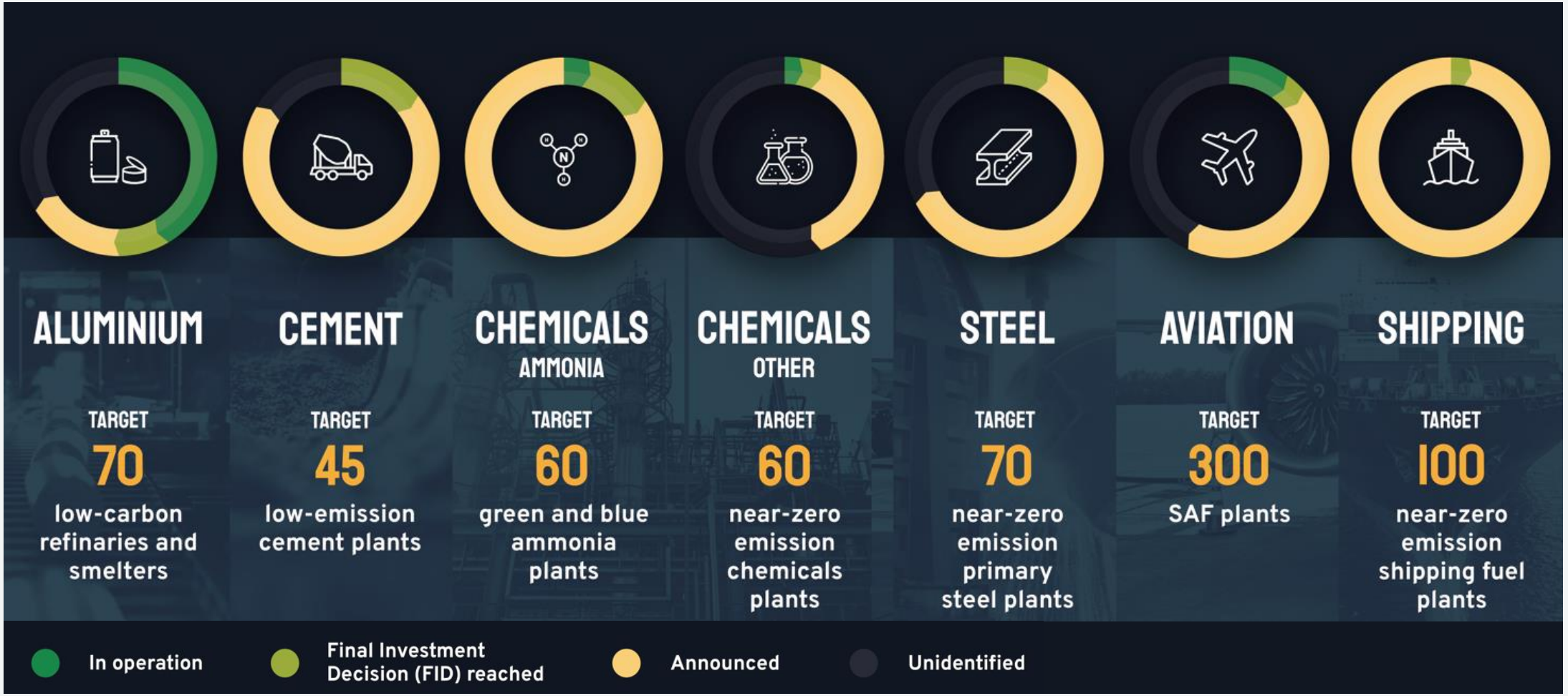


% of cumulative emissions saved, 2020-50



Source: Mission Possible Partnership, Sector Transition Strategies

Today's pipeline of announced decarbonisation projects falls short of what is needed by 2030



Source: Mission Possible Partnership, Global Projects Tracker, April 2024 / Note: Update to be released at COP29

Through exchanges with project developers, we have confirmed that 5 critical challenges are slowing down investment

1

Green Demand

Struggle to find buyers for low / zero-carbon products given green premium ranging from 10% to 200% – in the absence of appropriate policy incentives.

2

Misaligned Policies

Struggle with country-specific ill-suited policies (e.g. power market design, taxation policy) & with lack of global harmonisation (e.g. EU CBAM & SAF criteria).

3

Clean Energy

Struggle to secure access to large volumes of low-cost, renewable electricity and clean hydrogen, and to develop carbon transport and storage infrastructure.

4

Finance

Struggle to mobilise own balance sheet in low-margin context, to get financing given market uncertainty & to access low-cost capital in developing markets.

5

Technology

Struggle to deploy lower-TRL technologies at commercial scale & to access new technologies developed by competitors (esp. in developing countries).

The ITA's work programme revolves around two pillars to tackle key challenges at the local and global level

Pillar 1
Project Support

Objective:

Progress a portfolio of deep decarbonisation projects in the ITA sectors towards final investment decision over the next 2-3 years in 2-4 geographies, prioritising emerging and developing countries.

Model:

ITA will establish partnerships with national governments and mobilise domestic and international industry, energy, demand, and finance players in support of a pipeline of projects in each geography.

Workstreams:

- Programme launched in July 2024 in Brazil
- Partnership in place with the UAE and exploring a regional programme in the Middle East and North Africa
- Proposed programme in India

Pillar 2
Conditions for Investment

Objective:

Strengthen investment case for deep decarbonisation projects globally by growing global uptake of key policy, value chain, and finance solutions, to facilitate a broader cohort of projects that those directly supported.

Model:

ITA will build upon and boost existing initiatives, broadening their reach and elevating their conclusions through the ITA's multistakeholder network.

Workstreams:

- Critical policy levers
- Low-emissions product standards
- Offtake de-risking

The ITA's Project Support Programmes could encompass a range of interventions, which will be tailored to local pipeline needs

Lever	Potential Ecosystem Support	Potential Bespoke Support
Value chain orchestration	Convene producers in one sector (e.g., steel) with their suppliers (e.g., iron ore) & buyers (e.g., automotive) to align on what each level of the value chain needs to do to scale-up transactions	Work with individual project developers to identify and develop corporate partnerships (incl. upstream & downstream) improving investment case for their projects
Green demand aggregation	Collaborate with relevant international buyer's clubs to stimulate domestic and international demand for a specific green commodity and draw their attention to domestic suppliers	Work with individual project developers to identify, engage and secure domestic & international offtakers, leveraging offtake derisking tools identified by ITA's global workstream
Energy Infrastructure	Map clean energy infrastructure requirements (i.e. renewables, hydrogen, biofuel, CCUS) required to support project pipeline in a given industrial cluster	Work with adjacent projects in a given industrial cluster to identify operational synergies (e.g., shared H2 storage) and support pre-feasibility studies for joint investments
Green industrial policy	Collaborate with government counterparts, corporates and financial institutions to make recommendations on strengthening industrial policy framework in a way that directly impacts project feasibility	Support individual projects on applying for & securing financial and non-financial public support in line with local policy frameworks
De-risking & finance	Collaborate with GFANZ to engage public and private financial institutions on developing specific financing solutions for green industrial projects in the country	Collaborate with GFANZ to engage select public and private financial institutions on investing in individual projects
Community engagement	Work with group of project developers in a given industrial cluster to engage local community and develop compelling case for industry decarbonization (e.g., job creation, workforce upskilling, depollution)	Work with individual project developers to engage with local communities in the vicinity of the project, address social and environmental concerns & avoid potential local opposition

In its first year, the ITA has developed tools to help suppliers & buyers scale-up green transactions

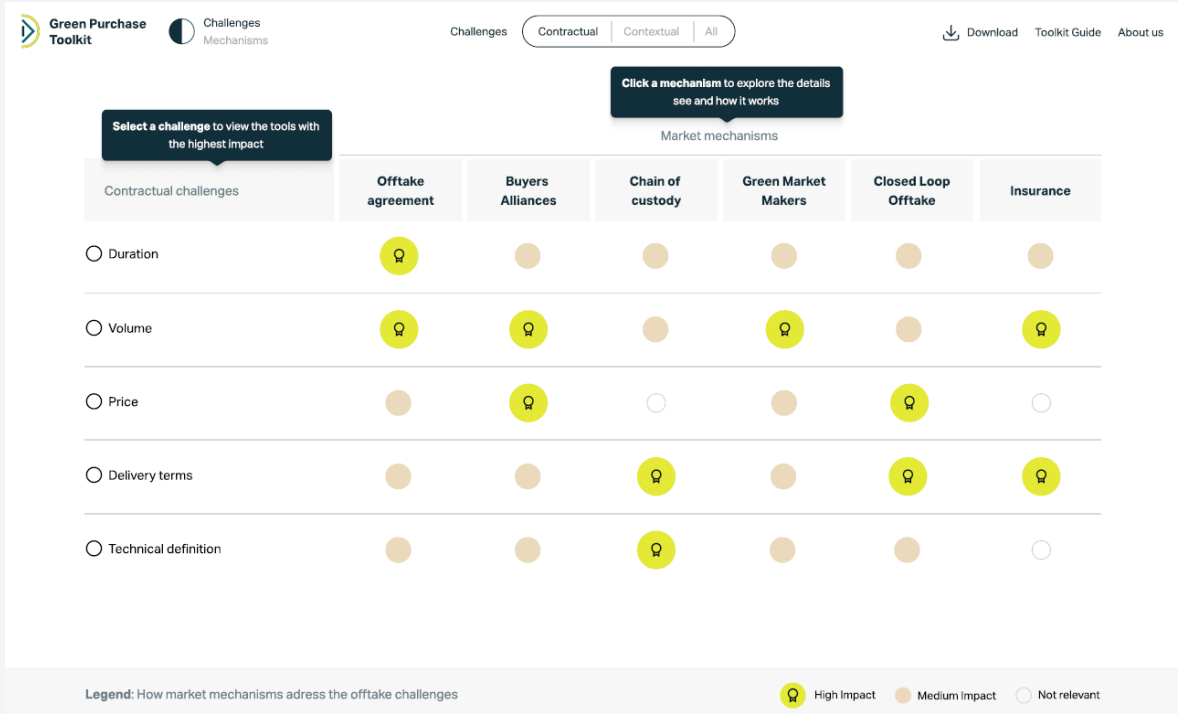
Low-Emissions Product Standards Map

High rating | Medium rating | Low rating

Product	Accounting methodology	Low-emissions definition	Certification system	Level of uptake/ proliferation
Aviation fuel				
Ammonia				
Methanol				
Aluminum				
Cement and concrete				
Steel				

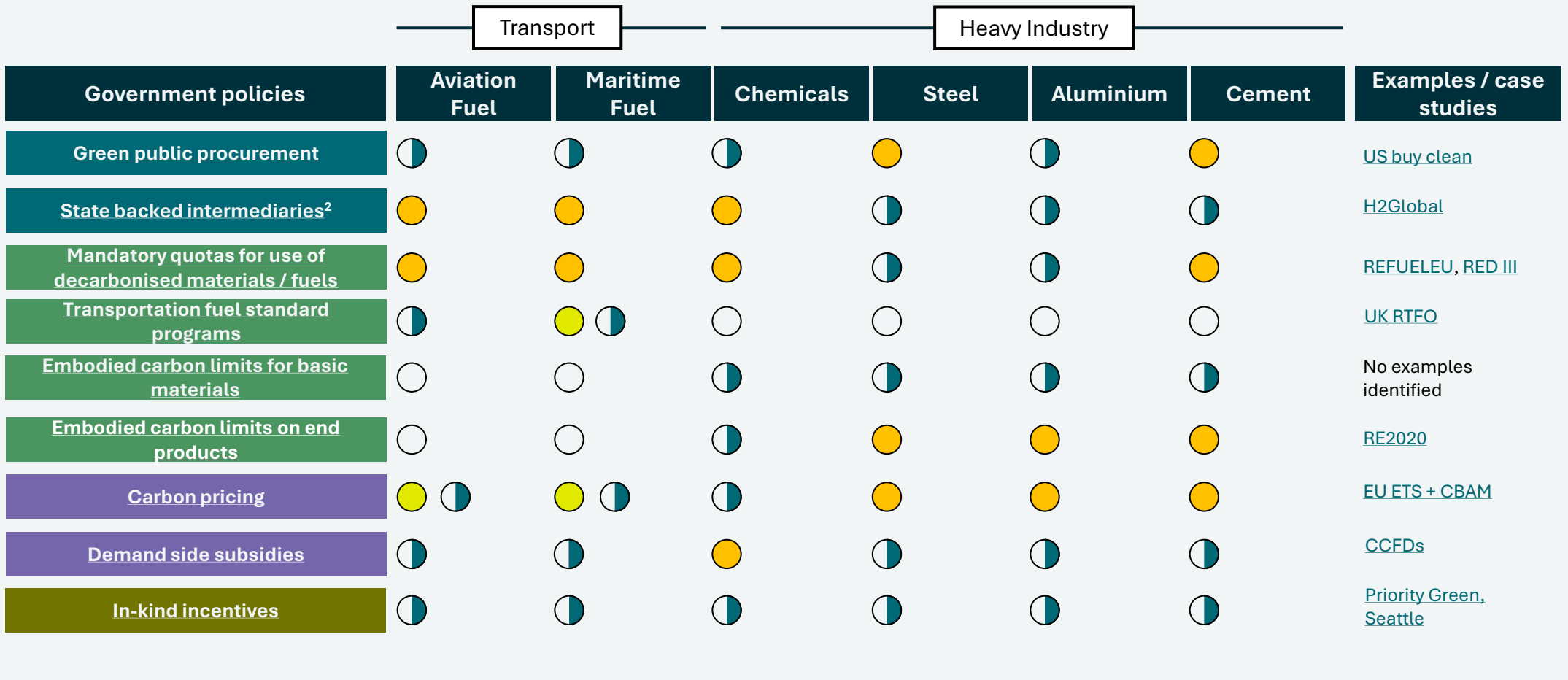
Launched at NYCW 2024 / Available on MPP/ITA website
In partnership with RMI

Green Purchase Toolkit



To be launched at COP29
In partnership with WBCSD & Deloitte

The ITA policy playbook on demand stimulation highlights most critical levers by sector



- High impact sub-national / national / regional measure
- Sub-national / national / regional measure
- Limited/no relevance
- Multilateral measure (not a focus of this work)

Government procurement mechanism

Mandatory mechanism

Market based mechanism

Non-financial incentives

1 – Focussing on ammonia (particularly for fertilisers) and methanol
2 - Alternatively, these could also be based on a blended finance model with a mix of public and private funds

Overview: Green Public Procurement (GPP)

Green public procurement policies encourage public entities to procure goods, services and works with a lower environmental footprint. This can be used to create demand for lower-carbon products, helping to scale production of these goods. As of 2018, public procurement accounted for around 12% of global GDP and comprises a high share of the demand for construction materials: 40 - 60% for concrete and ~25% for steel. This creates huge potential for GPP of green building materials. In the transport sector, the majority of the world's major ports and many airports are publicly owned (though government demand for aviation/shipping services is a much lower share) providing opportunities to support the development of enabling infrastructure via GPP. Some countries have large state-owned fertiliser companies that could procure or produce green ammonia as a chemical feedstock.

Priority for implementation by sector

We have developed an indicative prioritisation of each policy by sector, based on the share of a typical country's demand it can apply to, and its potential impact on a business case. Depending on local, national context this may be more or less impactful in different sectors. A full methodology is in Annex 2 for each sector. Based on this analysis GPP is assessed to be most critical for cement and steel given the high share of public sector procurement of these commodities.

Sector	Aviation	Maritime	Chemicals	Aluminium	Cement	Steel
Prioritisation	Low	Low	Medium	Medium	High	High

Included for deep dive in this report

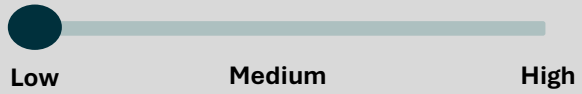
Sources: Mission Possible Partnership: Low-Carbon Concrete and Construction (2022) , World Resources Institute Next Steps on the US Journey Toward Industrial Decarbonization (2023), OECD: Local Governments and Ports , Aviation Learnings, Bloomberg NEF: Scaling Up Hydrogen: The Case for Low-Carbon Ammonia (2024)

EXAMPLE

Government procurement mechanism

Key Features: Green Public Procurement

Carbon leakage risk

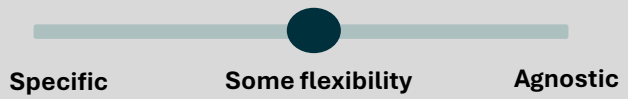


Public procurement policies are typically accompanied by a set of product or project requirements that would determine eligibility. There is low risk of public entities circumventing the policy by procuring materials that are excluded from the list. To avoid carbon leakage risks, importers of materials would need to demonstrate that they meet these requirements.

Burden of cost

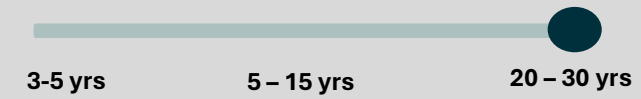
As some low/near-zero carbon products and services are more costly than their grey substitutes, the burden of cost falls on the government to increase spending in order to afford these products.

Technology Agnostic



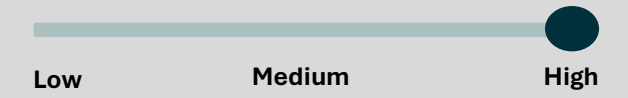
There is some flexibility in how GPP policies are set. For example, in the construction sector, this can be done at the product level (specific), or by setting emissions limits at the project level (agnostic). A hybrid approach could be to set minimum standards at product level, with overall limits set at the project level.

Long term stability



GPP policies are dependent on public funding, but have shown longevity as instruments (e.g. over 10 years). For example Japan's Act on Promoting Green Purchasing was first established in 2001 and remains in force today.

Ability to ramp up over time



GPP policies can be reviewed over time and be made more stringent as the cost and availability of low and near-zero products and services become more available.

Complexity

To ensure the success of these policies, governments need to ensure there is adequate funding to procure green materials, and that a strong foundation of standards, emissions accounting methodologies and certification is in place. Furthermore, responsibility for decarbonisation and procurement is often split across different departments and bodies requiring coordination.

Sources: World Bank , WRI , Japan Ministry of the Environment

EXAMPLE

Government procurement mechanism

Implementation examples of GPP programmes

Key examples of policies adopted by countries

Jurisdiction	Description of GPP Policy	Status	Sectors
USA 	Federal Buy Clean Initiative: Promotes the use of low-carbon steel, concrete, asphalt and flat glass, which comprise 98% of construction materials used in federal procuremet[1].	✓	Steel, Cement
Netherlands 	The Dutch Sustainable Public Procurement policy includes a criteria database to measure the environmental impact of projects, one of which is low CO2 impact materials for construction. However, more detailed standards are yet to be published.	✓	Steel, Cement
Canada 	Canada's Policy on Green Procurement: requires disclosure and reduction of the carbon footprint of materials in major construction projects. This sets limits e.g. that GHG emissions from ready-mix concrete must be at least 10% below industry average. Standards for other materials are expected to be published in future.	✓	Cement

Several other countries, particularly those who are signatories to the IDDI GPP pledge, have or are developing relevant GPP programs, including UK, Germany, Japan, Sweden, China, Saudi Arabia, and the UAE[2]. India is exploring a potential GPP programme including steel and cement.

Covers >=10% demand ✓ In place (and enforced) ✓ In place, but to be implemented

Examples of key enabling initiatives / detailed studies

- The Industrial Deep Decarbonisation Initiative: Is a major collaborative effort bringing together governments and private entities to establish a fair and transparent global market for low-carbon industrial products, with an initial focus on steel and cement. IDDI is promoting GPP by encouraging pledge and has developed a Green Public Procurement guide that can assist governments in setting bold objectives for purchasing low-carbon materials for construction projects.

Sources: SECI, CEEW Centre for Energy Finance, US Government website

Alongside the playbook, ITA will publish a letter to governments to urge them to implement policies stimulating green demand

- **We urge all governments to strengthen their policy frameworks between COP29 and COP30 to stimulate additional demand for low- and near-zero-carbon materials, chemicals and fuels**.

- Letter highlights key policy measures that have the greatest potential to unlock investment:

<u>For chemicals & fuels:</u>
- Global fuel standards & carbon pricing through IMO/ICAO
- Domestic fuel standards & carbon pricing where no global progress
- Mandatory quotas
- Subsidy mechanisms to bridge price gap (esp. for fertilizers)

<u>For materials:</u>
- Carbon pricing (drawing attention to predictability & carbon leakage)
- Mandatory targets in public procurement (esp. for cement & steel)
- Embodied carbon emissions standards and/or mandatory quotas for specific products (automotive, white goods) & buildings

- Exact mix of policies & specific design to be tailored to the **national context**

➔ **To endorse the letter: https://forms.monday.com/forms/a8a7786ffbbc8582de24490f068f3040?r=euc1**