

**Energy Transitions Commission  
Commissioners Meeting  
Summary note**

**Thursday 27<sup>th</sup> June, 2024**

HSBC, 8 Canada Square, London E14 5HQ  
with virtual participation option

**Thursday 27<sup>th</sup> June 2024, 8.45 - 17.30 UKT**

| Time          | Topic   |
|---------------|---|
| 8.45 – 9.10   | Welcome tea & coffee followed by seating.   |
| 9.10 – 9.20   | Introduction  |
| 9.20 – 10.50  | <p><b>State of the energy transition &amp; implications for the ETC?</b></p> <ul style="list-style-type: none"> <li>• Overview of emissions, technology development and deployment over the past year.</li> <li>• Understanding climate progress and key debates in key regions (China, US, EU, India, RoW) and the implications for the next round of NDCs.</li> <li>• Progress in decarbonising key sectors: focus on the hard-to-abate.</li> <li>• Debating the implications for the ETC's work.</li> </ul>      |
| 10.50 – 11.10 | <b>Break</b>  |
| 11.10 – 12.40 | <p><b>Spotlight on three topical transition debates – Commission discussion</b></p> <ul style="list-style-type: none"> <li>• <b>Supply chains:</b> Will tensions and trade instruments disrupt or accelerate progress?</li> <li>• <b>Financing the transition:</b> Revisiting the ETC's conclusions in a changing macroeconomic environment, ahead of continued focus at COP29.</li> <li>• <b>Scaling voluntary climate finance:</b> how might changes to SBTi guidance affect the carbon credit market?</li> </ul> |
| 12.40 – 13.40 | <b>Lunch</b>  |
| 13.40 – 15.10 | <p><b>ETC 2024 impact and looking ahead to the ETC 2025 workplan</b></p> <ul style="list-style-type: none"> <li>• 2024 highlights so far and ETC impact</li> <li>• Revisiting the role of low-carbon molecules (sustainable bioenergy, hydrogen, synthetic fuels, CCUS &amp; CDR) ahead of COP30 in Brazil.</li> <li>• Other key priorities: continued focus on power systems, and assessing the overall economic impact of the transition.</li> </ul>  |
| 15.10 – 15.30 | <b>Break</b>  |
| 15.30 – 17.20 | <p><b>Emerging insights from the ETC's analytical work programme</b></p> <ul style="list-style-type: none"> <li>• Power systems balancing: integrated view from this year's work on Grids and power storage.</li> <li>• Energy productivity: opportunities and actions for realising efficiency improvements in buildings, road transport and the heavy industry and heavy transport sectors.</li> </ul>  |
| 17.20 – 17.30 | <b>Conclusion &amp; Wrap-up</b>   |

**Key discussion takeaways**

The ETC would like to thank its Commissioners for their active participation at the meeting and the rich discussion. This note captures the main takeaways from our discussions. All materials from the meeting are available for download [here](#). Please note that these are internal documents not to be shared beyond your organisation.

## **I. State of the energy transition & implications for the ETC?**

In the first session of the day, the ETC team led a presentation on the 'State of the Transition', re-capping key trends across the energy transition space. A key element that framed the presentation was the concept around complexity of clean energy technologies and link to the pace of deployment. Complexity of technologies (e.g. modularity, number of specialised components, etc) varies widely, spanning solar and batteries (lower complexity), to nuclear and CCS (highest complexity), with wind generation and hydrogen sitting in the middle. Overall, higher complexity technologies haven't seen the rapid cost declines of solar and batteries.

The Commission reflected on a number of points during the discussion, including on the importance of energy efficiency, barriers to low-carbon deployment, and hydrogen cost trajectories.

- On energy efficiency, several Commissioners noted its importance (highlighted by the headline target set at the COP28 to double energy efficiency this decade), but that progress is not being made and opportunities are not being maximised.
- On clean infrastructure deployment, several Commissioners mentioned barriers around power market design, skills, construction delays, as well as specific barriers for emerging markets where the pace of deployment is lagging behind. The importance of building these real world factors into the ETC's long-term view was reinforced.
- On hydrogen cost trajectories, it was noted that previous scenarios had not put sufficient weight to the EPC element of projects, which is a significant part of project costs and should not be discounted – practicalities of getting early projects off the ground are significant.

Finally, the discussion also touched on bringing more concrete perspectives to the differences between a 1.5C, 1.7C and 2C world, as well as the potential impact of changing geopolitics on the energy transition. While the ETC has previously debated that it does not feel it is the right actor to call whether or not 1.5C is attainable, explaining what is at stake across each scenario could be a useful communications piece. It was noted that whilst it is right for the ETC to focus on the core techno-economics, we cannot be blind to the implications of shifting geopolitics on the transition.

*(Session material available [here](#))*

## **II. Spotlight on three topical transition debates – Commission discussion**

#### a. Supply chains: Will tensions and trade instruments disrupt or accelerate progress?

Building on ETC's 2023 report *Better, Faster, Cleaner: Securing clean energy technology supply chains*, the ETC secretariat presented summary thoughts on the evolving global clean tech supply chains debate. The analysis recognised that many of the cost reductions witnessed in key clean technologies such as solar, batteries and electric vehicles are driven from China, and policy moves to exclude Chinese made goods may risk slowing the transition. The Commission debated the analysis, including the impact of trade instruments being put in place around the world on low-carbon business models and the transition. The Commissioners recognised that further fact-based analysis here could be useful.

In particular, the Commission highlighted the importance of mapping which supply chains have the potential to diversify and to identify those that are of strategic interest for serving domestic long-term geopolitical interests. The discussion concluded by emphasising the importance of incorporating guiding principles in the analysis. These principles should ensure nuanced and well-informed statements, helping to assess whether the net benefits of promoting local supply chain policies outweigh the economic risks of interrupting established global supply chains. The ETC secretariat will consider how to further this analysis within the ETC 2024/25 work programme.

*(Session material available [here](#))*

#### b. Financing the transition: Revisiting the ETC's conclusions in a changing macroeconomic environment, ahead of continued focus at COP29.

The ETC secretariat reflected on the trends in low-carbon finance in the year since publishing the 2023 report *Financing the Transition: How to make the money flow for a net zero economy*, including the implications of rising real interest rates, the lack of progress on reform of climate development finance and the need for clarity ahead of discussion on the New Collective Quantified Goal on finance at COP29.

The discussion highlighted the challenges of higher cost of capital and geopolitical tensions. Examples given were restrictions on location of origin impacting how capacity can be allocated for projects, and higher cost of capital in the west impacting on the private sector's ability to invest in innovation, and on investing in early stage venture capital.

Members were in agreement that there has been minimal progress in terms of MDB reform. Key challenges to overcome include MDBs competing for the same projects, these projects being within the risk appetite for commercial banks and therefore crowding out the private sector, and weakness in local currency markets. However, the steps taken by middle and smaller market banks in Asia to build up knowledge around green financing was noted.

Ahead of COP29, the Commission noted the importance of “repackaging” the ETC finance work, to provide clarity on the quantity of finance needed, the sources it should come from (public, private, multilateral) and the emergent risks of not acting swiftly enough on reform of development finance.

*(Session material available [here](#))*

### c. Scaling voluntary climate finance: how might changes to SBTi guidance affect the carbon credit market?

The ETC secretariat presented a short summary on the evolving debate on using corporate carbon credits, building on recent controversy at the Science Based Target Initiative (SBTi) – a core standards setting body. The topic is relevant to ETC work on carbon dioxide removals<sup>1</sup> and financing the transition<sup>2</sup> in particular. The ETC Secretariat noted key differences between nature-based and tech-based carbon removals, as nature-based solutions are limited in scalability, while tech-based solutions like air capture are infinitely scalable and modular. It was highlighted that despite this potential, current cost projections for tech-based removals are conservative, and remain much higher compared to nature-based credits.

Removals are essential for meeting climate goals, and the Commission also referenced some specific examples of initiatives to integrate removals into strategies (e.g. Shell, the EU, and the World Bank).

Challenges faced by the Voluntary Carbon Market (VCM) due to uncertain compliance standards and concerns about Scope 3 measurement and verification were discussed. The Commission discussed that to improve SBTi guidance, a comprehensive understanding of climate finance and clear principles for enhancement are needed.

The Commission encouraged the ETC secretariat to develop some explainer content clarifying the role and relative importance of voluntary carbon finance in the global transition, building on the past ETC work.

*(Session material available [here](#))*

## ETC 2024 impact and looking ahead to the ETC 2025 workplan

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<sup>1</sup> [ETC \(2022\), \*Mind the Gap: How Carbon Dioxide Removals Must Complement Deep Decarbonisation to Keep 1.5°C Alive.\*](#)

<sup>2</sup> [ETC \(2023\), \*Financing the transition: How to make money flow for a net zero economy.\*](#)

ETC Director Ita Kettleborough highlighted the work that the ETC has achieved to date in 2024, including 4 key member meetings, 9 expert workshops, 2 report launches, 2 webinars and 2 regional trips.

Particular focus was given to the analytical insights published on offshore wind and Nationally Determined Contributions and the ongoing communications campaigns on these efforts:

- Since the launch of the Offshore Wind insights briefing in May, the communications team has progressed its 6-month campaign to engage with industry and trade media and more widely on social media via a series of videos with support from ETC membership.
- The team also presented the comms campaign around the NDCs insights briefing launched in June, which targeted a global audience. The ETC has been working in close collaboration with partners leading to a closed-door workshop at the Bonn Climate Change Conference (SB60) at the UNFCCC's office. The communications team will continue to build on this momentum and amplify the messaging in coming months through COP29 in Baku to COP30 in Belém.

The ETC team shared achievements in repackaging existing ETC insights on EU energy security, Finance and Clean Electrification. And on its new audience engagement strategy to inform influencers via five key channels: media, social media, digital storytelling, partnering with others and targeting special interest groups.

Looking ahead, the ETC secretariat took stock on progress towards achieving the agreed 2024-25 work programme, and ask for any reflections. Key topics include: finalizing ongoing ETC insights on power and buildings, kicking off new analysis on low-carbon molecules, assessing the economic impact of the energy transition and further deep dives on power systems transformation.

The Commission noted the importance of focusing on these topics over the next 18 months, and suggested a focus on emphasizing the delivery challenges that will arise within these, addressing big questions on who pays (consumers vs. taxpayers) as well as acknowledging the negative impacts of any delayed transition. Additionally, Commissioners suggested that focusing on geothermal energy, white hydrogen and digitalization within and in addition to these workstreams would offer interesting insights. Commissioners also noted the importance of both Brazil and South East Asia as focal regions for the next 18 months.

Commissioners noted that industry associations could be a big opportunity to reach new audiences and broaden ETC's influence and ETC analysis could be valuable for members to bring to forums where they are meeting with industry peers. Among the noise, there was encouragement to help deliver clear, simple and factual messages which can be widely amplified, for example infographics and videos. Commissioners expressed interest in repackaged ETC analysis on Financing the Transition leading into New York Climate Week and COP29, and to support the continuing debate in the EU around energy security and competitiveness.

(Session material available [here](#))

### III. Emerging insights from the ETC's analytical work programme

#### **a. Power systems balancing:** integrated view from this year's work on Grids and power storage.

The power system balancing session opened with providing an overview of ETC's Power System Transformation work plan, highlighting two key areas the ETC is focusing on this year: Building and Optimizing Grids and Managing the System Balancing Challenge.

On the Building and Optimizing Grids work, the Commission highlighted the need for accelerated grid development globally. Key challenges identified include slow permitting processes, societal acceptance, and gaps in skills, components, and materials. There was consensus on the necessity of strategic vision and coordinated efforts across grid stakeholders and the need to improve access to finance to drive grid expansion, and recognition of the need to demonstrate that actions to optimise the use of existing infrastructure have been maximised in order to have the social licence to build more.

On Managing the System Balance Challenge, the Commission noted the importance of this work in demonstrating the potential of both existing and emerging technology solutions to increase variable renewable energy penetration. Successful examples from Germany or the UK are seen as practical demonstrations for decision-makers worldwide of what is already possible to reach at least 30% of wind and solar grid penetration with existing dispatchable energy infrastructure. To go beyond this share and considering limited carbon budgets, the Commission stressed the need to provide a stocktake of fossil-free balancing solutions, including demand side flexibility and interconnection capacity, and reviewing storage technologies. Concluding, the Commission highlighted the importance to include evidence-based approaches and compelling case studies to persuade policymakers about the feasibility of integrating high levels of intermittent energy sources.

(Session material available [here](#))

#### **b. Energy productivity:** opportunities and actions for realising efficiency improvements in buildings, road transport and the heavy industry and heavy transport sectors.

The team shared the work to date on the ETC's energy productivity workstream. The presentation brought together insights about energy productivity from the ongoing

Buildings and Road Productivity work, but also the existing Mission Possible Partnership work on the hard-to-abate sectors (i.e., aviation and cement).

Members recognised the importance of the clarity of what the ETC was bringing to the table here, on an issue where transparency and definitions are often lacking . The Commission also commented on the fact that district heating should also be a key lever in decarbonising buildings. Others discussed the potential levers to incentivise increases in efficiency, such as market driven approaches, regulations, green procurement strategies and other incentives.

*(Session material available [here](#))*