



Position Paper

5 October 2018



EUROCHAMBRES Position on the Strategy for long-term EU greenhouse gas emissions reduction

Limiting the impacts of man-made global warming is one of the most important challenges of the 21st century. EUROCHAMBRES, the Association of European Chambers of Commerce and Industry, fully support a coherent and consistent long term emissions reduction strategy. The European economy is among the most energy and resource efficient worldwide. As an exporter of clean technology European businesses contribute to the global action against climate change. In order to reach the goals of the Paris Agreement, the European economy has to remain innovative and competitive. EUROCHAMBRES therefore call on the Commission to take into account its strong voice in the design of the strategy. Measures against carbon leakage, strengthening competitiveness, fostering innovation without excessively narrowing down technological pathways and global promotion of European positions and actions must be the keys for a successful strategy.

In March 2018 the Council invited the Commission to present a long term greenhouse gas emission reduction strategy until the first quarter of 2019, taking into account the Paris Agreement and the national plans. The Commission has subsequently pledged to present such a strategy before December 2018. Since 2011, when the last strategy was published under the heading “Roadmap for moving to a competitive low carbon economy in 2050”, there have been numerous developments at the European stage: Ambitious emission reduction as well as energy efficiency and renewable energy targets.

At global level the developments are shaped by the Paris Agreement. This historical pact entered into force on 4 November 2016 and aims at limiting the global average temperature increase to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1,5°C above pre-industrial levels. The EU’s goal is to reduce its domestic greenhouse gas emissions by at least 40% until 2030.

The European economy is at the forefront of society when it comes to taking action to achieve these challenging goals. Numerous sectors have proven their dedication, their innovation potential and their willingness to take the risk to invest in new technologies and processes in the past and will do so in the future. Eg the chemicals sector managed to decrease its greenhouse gas emissions by around 60% since 1990, while at the same time increasing its production volumes. This impressive result stems both from process optimisation and the reduction of power consumption. The European steel industry decreased its greenhouse gas emission by almost 40% between 1990 and 2013 and the cement sector achieved reductions of close to 30% in the same period.¹

With a share of more than 90% of all companies, SMEs represent the innovative backbone of the European economic fabric. They are the ones who develop new business models, design new products, explore new

¹ Wyns, T., Axelson, M. (2016): Decarbonising Europe’s energy intensive industries – The Final Frontier; Institute for European Studies, Vrije Universiteit Brussel

markets and thereby greatly contribute to wealth creation on our continent. European legislators thus have to enable an environment for them to maintain and strengthen their international competitiveness by providing a functioning internal market and a stable financial system. Companies need coherent regulation on the one hand, and clear, consistent incentives and signals about the desired long term direction of our economy on the other.

Against this background, EUROCHAMBRES recommend the following guidelines to take into account in the elaboration of the Strategy for long-term EU greenhouse gas reduction:

1) Investors need planning security

As mentioned above, the European Union committed to very ambitious emission reduction targets, namely -40% until 2030. EUROCHAMBRES are convinced that it is counterproductive to change this objective yet again as especially companies and investors need security for long-term planning. Targets must be reachable as well as feasible. Frequent adaptation to new objectives leads to higher costs for companies. Newly implemented strategies have to be revised before even delivering results. Implementation on national and company level suffers. Furthermore, European targets need to be defined in the light of international developments. The European business location should not be put at risk as a whole for making up for the lack of ambition of other economic areas.

2) Businesses must be protected against carbon leakage

Higher European climate targets are likely to result in stricter regulation for companies leading to increasing CO₂ costs for industries. As long as the imbalance of CO₂ costs remains between the EU and other economic areas, especially energy-intensive businesses need a carbon leakage protection as a “location guarantee”. Most European production facilities, no matter which sector, belong to the most efficient ones worldwide in terms of greenhouse gas impact. Their international competitiveness must therefore be safeguarded. This would not only be in the interest of the European society, by keeping jobs in the EU, but equally of the climate. If the protection of European businesses is no longer guaranteed, they will shift their production to other economic areas and risk emitting even more greenhouse gases. Jobs and economic growth in Europe would be jeopardised. Thus, the European Union’s growth and employment objectives must be supported – instead of contradicted – by future climate and energy policy considerations. The Paris Agreement alone does not have the potential to create an international level playing field. Therefore, the EU has to intensify its efforts to bring on board other countries, especially with regards to a transparent, harmonised and coherent measurement, reporting and verification (MRV) procedures for all countries. In addition, the EU should also aim at pricing CO₂ at global level.

3) A future Climate and Energy Strategy has to increase competitiveness

Strengthening the global competitiveness of European companies has to be one of the primary goals of the EU’s long term climate strategy. In this regard, a secure and affordable access to energy plays a key role. The effect of energy prices, a core element of our competitiveness, has to be taken into account when planning such a strategy. EUROCHAMBRES are convinced that further and faster integration of the energy market, resolute action against distortions, such as barriers for active market participation including self-consumption and a common European approach to safeguard security of supply are the way forward.

In this context it is of the utmost importance to ensure a consistent and coherent legal framework. Business needs legal certainty to thrive. The EU thus has to make sure that different legislation is aligned with the objective and does not end up contradictorily. In order to achieve this goal, the underlying sectoral strategies also have to be streamlined.

4) Decarbonisation is only feasible with new technologies and innovation

Different solutions can lead to the same result. The EU climate strategy should not restrict the innovative potential of European companies by providing too narrow pathways of technology development. Given the right incentives, the market will promote proper solutions for the stipulated objectives. Especially SMEs, providing regional jobs and know-how, are closest to the needs of consumers. The strategy must thus contain various scenarios for various technologies and must remain neutral among them, however keeping

a strong commitment to the promotion of energy efficiency among SMEs. In addition, underlying assumptions have to be evaluated on a regular basis in order to factor in societal, technological and economic progress.

In order to enable innovative activities in a wide variety of sectors, after all a transformation of the entire economy is needed, legislators not only have to make sure that sufficient public funding is available, but also stimulate private investment in research and development. SMEs require additional incentives in order to be able to commit to continuous R&D. In this regard, it is useful to improve the framework for public-private collaboration and collaboration between SMEs and large companies.

Last but not least, the strategy has to incorporate the EU's ambitions to untap the financial market's investment potential. The legislator has to find the right balance between incentives and obligations to channel the funds into the desired direction. Especially SMEs still find it hard to finance their activities when it comes to energy and resource efficiency.

Conclusion

With its innovative potential and its proven capacity to reinvent itself and overcome even the biggest hurdles, the European economy is a centrepiece in the efforts to fight against climate change. The business community can provide important insight into market mechanisms, disruptive technologies and business models and the courage it takes to take the risk of being an entrepreneur. It must thus be included in the process of developing a long term strategy to voice its ideas and concerns from the earliest stage onwards. In order to achieve a commonly agreed long term strategy on the reduction of greenhouse gases and above all to reach the targets stipulated therein the private sectors' contribution is indispensable.

At the same time climate protection is a global challenge. The European Union has to encourage other economic areas to follow the European way. Accordingly, the Union and its businesses should also look beyond its borders and actively promote their stance and the actions taken. It is imperative to have internationally coordinated measures in place in order to provide for an environment for European companies to thrive. After all, Europe is a major exporter of clean technology and know-how and this not only benefits our economy, but the climate as a whole.

EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 93% of which are SMEs – through members in 44 countries and a European network of 1700 regional and local Chambers.

**Further information: Mr. Clemens Rosenmayr, Tel. +32 2 282 08 90, rosenmayr@eurochambres.eu
Press contact: Mr. Luis Piselli, Tel. +32 2 282 08 92, piselli@eurochambres.eu**