



## Consultation feedback

23 June 2020



### **EUROCHAMBRES' input to the public consultation on the 2030 Climate Target Plan**

**EUROCHAMBRES, the Association of Chambers of Commerce and Industry support an ambitious European climate policy and the objective of climate neutrality by 2050. We welcome the Commission's commitment to achieve this goal by enhancing competitiveness of the European economy through accelerating innovation and modernisation of businesses. Yet, the European Green Deal and subsequent proposals very often focus on tightening targets and limits. Instead the European Commission has to provide the right framework to encourage companies to work towards climate neutrality and thus fulfil the targets.**

In the context of the Covid-19 crisis, EU policy must therefore aim to provide businesses with the best possible support to achieve the necessary recovery and transition to a more sustainable, low-carbon economy.

The emissions reduction target of -40% by 2030 means that the EU has the strictest climate goal worldwide. As basis for future adaptations, EUROCHAMBRES suggest intensifying the efforts to reach the current 2030 objectives before debating about an increase. From our point of view it is not advisable to pre-empt the results of the announced comprehensive Impact Assessment and already commit to a specific target increase in the corresponding legislation.

With these points in mind, EUROCHAMBRES have a number of recommendations:

#### **1. Keep in mind the bigger picture**

The aim of the EU climate policy must be to achieve the stipulated goals with cost-optimal solutions. The negative impact of Covid-19 should therefore also be taken into account in the comprehensive Impact Assessment. We highlight the following elements:

- In order for the market to come to the cost-optimal solution, the principle of technology neutrality must be upheld in legislation, non-legislative initiatives and funding programmes.
- In order to take due account of the impacts of Covid-19 the maximum participation and the possibility of contributing of all EU citizens, Member State representatives, NGOs, industry and other stakeholders has

to be guaranteed. A timely extension of the Impact Assessment process should be considered to ensure a deep and profound analysis.

- The Impact Assessment should also consider the national and regional level in order to be able to account for the different starting points and capacities of the Member States.
- The baseline scenario should be clearly defined. The baseline scenario should only include measures adopted by the end of 2020, which is therefore the future business-as-usual (BAU). Beyond this scenario, more ambitious requirements can be modelled (e.g. to tighten the target for 2030 and beyond). This breakdown is crucial for determining the overall costs of the transition towards a low carbon economy and also for comparing the cost and effectiveness of a possible tightening of the 2030 target. The aspect of global competitiveness of EU businesses has to be taken into consideration.
- The formal UNFCCC *global stocktake* will take place in 2023, which would be a good point in time to present an updated NDC if necessary. By then it will also be clearer whether other world regions increase their climate ambition as well. We would also like to point to discrepancies in the reporting between UNFCCC and EU methodology, the former taking land-use, land-use change and forestry (LULUCF) into account. This should be consistent in our opinion, especially when debating a potential increase in ambition.

## 2. Stricter targets alone will not solve the problem

Increased climate ambition will inevitably lead to a cost increase for many sectors. It is therefore paramount to debate about the framework conditions that allow these sectors to benefit from the transition to a more sustainable economy. This includes the implementation of existing legislation throughout the EU and providing for sufficient planning security. Furthermore, we highlight the following elements:

- The infrastructure has to be adapted and expanded for an increased uptake and further promotion of renewable energy. Permitting procedures therefore have to be effectively simplified and accelerated.
- Companies and especially SMEs have to be encouraged and enabled to participate in the transition. Existing hurdles to self-consumption of renewable energy have to be removed as fast as possible.
- The debate about revising recently adopted legislation and targets contained therein yet again does not contribute to planning security and thus potentially harms the attractiveness of Europe as an investment location.
- Legal consistency is essential for planning security. It must be ensured that the recently proposed economic recovery programme and any change in climate and environment legislation go hand in hand.
- Further assess the development of the volume-based carbon pricing system for the potential future incorporation of additional sectors.

## 3. Keep European industry competitive

Industry – especially production facilities – must be kept in the EU. Especially in the context of the Covid-19 crisis jobs and an increasing employment rate must be secured. Thus, businesses should not find themselves in the need to relocate and transfer production to other countries. Appropriate protection measures to ensure competitiveness are essential, if the EU unilaterally tightens up climate and energy policy objectives. The analysis of what is needed to maintain Europe's attraction as excellent investment location and the competitiveness of European industry must be followed by concrete measures. We highlight the following elements:

- In the context of increasing climate ambition, an effective protection against Carbon Leakage, also for SMEs, is paramount. Higher carbon prices will represent an additional burden in particular for companies that operate internationally and face competition from less regulated economic actors. Against this background, we suggest a detailed analysis of the potential impact of higher carbon prices on different sectors and the economy as a whole, taking into account the repercussions of the Covid-19 crisis.

- Free allowance allocation for the best performing installations must be maintained. This instrument is an effective tool to incentivise industries to intensify their efforts towards playing among the best and to invest in climate-neutral technologies.
- In our opinion the EU should refrain from a rushed re-revision of the ETS Directive, which has been adapted only recently for the upcoming trading phase IV. The ambitious implementation of existing legislation and targets should take precedence.
- A potential carbon border adjustment mechanism must be carefully assessed and in compliance with WTO rules.

#### **4. Reinforce the EU's role as global leader**

Effective climate protection is only possible if efforts worldwide are intensified. Against the background of a decreasing European share of global emissions unilateral measures will only have limited effect. It must be the aim to show other regions how climate policy and economic growth can be effectively combined. We highlight the following elements:

- The EU climate policy should intensify its efforts to promote a global carbon price for selected sectors. The negotiations on Art. 6 (market mechanism) of the Paris Agreement have to be continued and swiftly concluded.
- The EU's climate policy must remain global at its core. The EU and Member States should, therefore, make use of international market mechanisms to achieve their own climate goals. As a first step, the European Commission should evaluate this option in its impact assessment.
- Compensation for the hard-to-abate, usually process related emissions of specific industries constitutes an important element of many corporate sustainability strategies. Unclear international rules on the recognition of project certificates represent a major factor of uncertainty for businesses. Transparent rules and quality standards would facilitate investment into climate protection and could help companies to leverage the existing potential.
- Green solutions 'Made in Europe' must be promoted internationally. This is a win-win for the climate and the European economy.

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*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.*

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