4. December 2020

CEE-6 industry and employer associations call on EU leaders to insist that climate action comes with effective safeguards and maintaining economic competitiveness

At their upcoming meeting of the European Council (EUCO) on 10-11. December 2020, the Heads of State and Government will make a **key decision on the EU's 2030 climate target**. Following a proposal by the European Commission, the 2030 climate target shall be increased from currently -40% greenhouse gas (GHG) emissions to -55% (in order to meet the climate neutrality objective by 2050). This comes while Europe is facing unprecedented challenges of the global merit and in context of the COVID -19 crisis.

This target increase will have **severe implications for industrial sectors** as well as the overall energy system:

- **A GHG reduction of -55% by 2030 would entail severe shocks for some industrial sectors in particular**. This is implied clearly by the Commission's impact assessment (IA)[1]. According to the IA's model in case of a -55% GHG target additional investments in the energy system of 90 billion EUR/ p.a., on top of 336 bn. EUR/p.a. to reach the current -40% target are needed (at least 4.000 bn. EUR until 2030). However, the EU economy would only marginally benefit, in the best-case scenario possibly expanding cumulative by only 0.55% by 2030. By comparison, the overall growth expectations towards 2030 are cumulative 21-24% until 2030.[2] Many of the EU ETS sectors are facing lack of possibilities how to further and significantly reduce their emissions through the next decade, and thus, each further mitigation initiative of the companies becomes much more expensive
- **As a result of a higher 2030 GHG target, also the EU's 2030 energy targets will be increased further**, as part of the envisaged revisions in June 2021. Increasing in particular the EU's 2030 energy efficiency target would lead to severe implications as Member States, who already struggle to fulfil the planned contributions to this target[3], would be pressured to implement the Energy Efficiency Directive (EED) in an even stricter manner, **potentially leading to additional burden for energy intensive sectors**. Increase of target for the share of renewable energy should remain binding at the EU level.
- **In general, the revision of many pieces of legislation in order to achieve a higher 2030 GHG target brings a high level of uncertainty to European businesses** and contradict the idea of regulatory predictability. As an example, the EU ETS directive will be revisited at a time when NAP IV will have just started and the impact of changes approved in 2018 will not be known at all.

As it is seems likely that the Heads of State and Government will agree to the higher 2030 EU GHG target of -55% without individual impact assessment on Member States, despite severe implications for some industrial sectors, the following **accompanying safeguard measures for industry need to be ensured**:

- Member States should set their national contributions for higher 2030 EU GHG target based on their national starting positions and specifics.

---

[1] COM Impact Assessment on the Climate Target Plan (17/9/2020): https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0176&from=EN

[2] See also BusinessEurope analysis: https://www.businesseurope.eu/sites/buseur/files/media/position_papers/iaco/2020-11-18_pp_2030_impact_assessment.pdf

[3] As part of its assessment of the national energy and climate plans (NECPs), COM criticized nearly all Member States for insufficient contributions to the EU's current 2030 energy efficiency target (AT, BE, BG, HR, CY, CZ, DK, EE, FI, GR, HU, IE, LV, LT, MT, PL, PT, RO, SK, SI, SE).

- **Carbon leakage protection via free - allowances** in the EU Emission Trading Scheme (ETS) for energy intensive sectors needs **to be continued towards 2030 and beyond.**
- When a Carbon Border Adjustment (CBA) mechanism is introduced, this must be **complementary to continuous carbon leakage protection** via free allocation and indirect cost compensation within the existing EU ETS, besides being WTO compatible. Otherwise, third-country companies would have unfair advantage due to source shifting and/or cost absorption.
- Industry needs **additional investment support to stem the transformation** that a -55% GHG target would entail. Most, if not all, of the auctioning revenues should be forwarded back to the EU ETS system to enable many projects implementation and to protect competitiveness of sectors at highest carbon leakage risk. An ideal solution would be to **expand the ETS Innovation Fund** by **earmarking certificates from the market stability reserve** for investments by energy intensive sectors, and to ensure the effective implementation of other tools, such as **Important Projects of Common European Interest or Clean Partnerships**, and where applicable **the Just Transition and Modernization Funds**. Also, a large portion of **the new EU Recovery and Resilience facilities** should be **earmarked specifically for industrial de-carbonization and transformation projects**.
- The **EU's 2030 energy efficiency target should be regarded only as an indicator,** not a strict-to-follow target, and be **expressed in "energy intensity"** (not as an absolute reduction of energy consumption as currently the case). This shall allow for the necessary flexibility when implementing energy efficiency measures and reaching a higher GHG target in a cost-effective manner.

Given these circumstances and the implications of the upcoming decision to be made by policymakers, **CEE-6 industry and employers' associations** from Austria, Croatia, Czech Republic, Hungary, Slovenia and Slovakia **call on their respective governments and European policymakers to ensure that these conditions are addressed when deciding on the EU's 2030 climate target**.

It is important that the European Green Deal takes a balanced approach, in line with the New Industry Strategy for Europe, as the transition to a carbon neutral EU economy largely depends on industry's ability to de-carbonize while being locally and globally competitive. Ultimately, we jointly believe that only if **the triangle of climate action, competitiveness and security of supply of energy and critical resources is set in a balanced manner**, Europe will be able to fulfill its goals and ensure prosperous businesses and industry leading this transition.

Croatian Employers' Association - Croatia
Industriellenvereinigung – Austria
MGYOSZ – BUSINESSHUNGARY - Hungary
Republiková únia zamestnávateľov – Slovakia
Svaz průmyslu a dopravy ČR – Czech Republic
Združenje Delodajalcev Slovenije - Slovenia