

RIETI BBL Seminar Handout

**“European Green Recovery Strategy and
Industry Perspectives”**

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Speaker: Heidi HILTUNEN

<https://www.rieti.go.jp/jp/index.html>



The EU Green Deal and Economic Recovery after Covid-19

Heidi Hiltunen
1st councillor
EU Delegation to Japan



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*"The European Green Deal
is our new **growth
strategy**.
It will help us cut emissions
while creating **jobs**."*

*Ursula von der Leyen, President of the
European Commission*

#EUGreenDeal



European
Commission

1 | The Green Deal

Our vision

- The European Green Deal aims to lead the EU into an ecological transition towards a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050, the natural capital is protected and **where economic growth is decoupled from resource/energy use and pollution**;
- Decoupling achieved already: between 1990 and 2019 economy grew by 62% and emissions decreased by 25%
- It is about **creating jobs**, increasing competitiveness and boosting innovation;
- Similarities to PM Suga's vision for decarbonisation in Japan

The European Green Deal

Designing a set of
deeply transformative policies

Transforming the
EU's economy for a
sustainable future

A zero pollution ambition
for a toxic-free environment

Preserving and restoring
ecosystems and biodiversity

From 'Farm to Fork': a strategy for a fair,
healthy and environmentally friendly
food system 5. 2020

Sustainable and smart mobility
strategy 12.2020

Mobilising research and fostering
innovation

Leave no one behind
(Just Transition)

Mainstreaming
sustainability in all EU policies

A European
Climate Pact

The EU as a
global leader

Increasing the EU's Climate ambition
for 2030 and 2050

Supplying clean, affordable
and secure energy

Mobilising industry
for a clean and circular economy,
new industrial strategy 3.2020

Building and renovating in an energy
and resource efficient way,
Renovation Wave 10.2020

"Next Generation EU"

The
European
Green
Deal

2 | The Green Deal

Coordinated climate action

Increasing the EU's Climate ambition for 2030 and 2050

A European Climate Pact

The EU as a global leader

- Long term strategy to UNFCCC in March 2020, climate neutrality by 2050
- Objective to reduce EU GHG emissions by at least 55% by 2030 - agreed in December 2020
- Impact Assessment examined in detail effects on economy, society and environment – positive impacts on sustainable growth, job creation and public health
- Review and revise where needed all relevant legislative measures to deliver on this increased ambition by June 2021
- Carbon border adjustment mechanism for selected sectors by 2021.
- A new EU Strategy on Adaptation in 2021

3 The European Climate Law

Why is it important?

Commission proposed in March 2020 – currently in legislative process

It sends a strong political message:

- **Translates 2050 climate neutrality goal into legislation**
 - **Our path to climate-neutrality by 2050 is irreversible;**
 - **A clear signal to investors about the direction of policy for next 30 years;**
 - **Europe leads on its commitment to the Paris Agreement.**
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- Article setting objective of climate-neutrality by 2050 into law;
 - Articles ensuring discipline and accountability;
 - Integration of the climate neutrality objective into the impact assessment of Commission proposals;
 - Articles highlighting the role of adaptation and public participation.

4 | The Green Deal driving the recovery

International magnitude of the crisis: key trends and economic impact

- **Governments globally will seek to spend more than 10 trillion euros**, effectively borrowed from the youth, to recovery from the COVID crisis;
- In the months and years to come, the post-COVID economic recovery and the transition to a sustainable, socially just, resilient and climate neutral economy should go hand in hand. **We must “do-no-harm”**;
- **avoid lapsing in to fossil fuel** and resource intensive recovery => short termism – lock-in – stranded assets;

5 | Energy - Priorities of the Recovery

- Decarbonisation of energy system a priority (75% of EU greenhouse gas emissions)
- 60% of reduction of emissions needed in buildings and in the power sector by 2030 (RE, energy efficiency, electrification etc.)
- Use of fossil fuels will fall substantially, coal for instance decreases by more than 70% compared to 2015
- By 2030, share of RE in electricity production will double to 65% or more
- Industry and buildings can subsequently decarbonise, with cooling and heating reaching 40% RE share by 2030

6 | The Green Deal driving the recovery

Energy at the core of the green recovery

Supplying clean, affordable
and secure energy

- **Strategy for Energy System Integration** in July 2020
- **EU Clean Hydrogen Strategy** in July 2020
- **Renovation wave** for the building sector in October 2020
doubling the renovation rate
- **Renewable offshore energy** initiative in November 2020
- Review and revise where needed the **Renewable Energy and Energy Efficiency Directive** by June 2021
- Review of **TEN-E Regulation** (Trans-European Networks- Energy Regulation)

Building and renovating in an
energy and resource efficient way

Designing a set of
deeply transformative policies

The EU as a
global leader

A European
Climate Pact

7 | Energy - Three Priorities of the Recovery

1. Energy System Integration

- **EU strategy for energy system integration** presented in July 2020
- An integrated EU energy system will have 3 characteristics:
- A more efficient and “circular” system, where waste energy is captured and re-used, energy flows between users and producers reducing wasted resources and money
- A cleaner power system, high share of RE, with more direct electrification of end-use sectors such as industry, heating of buildings and transport.
- Decarbonised fuels used for hard-to-electrify sectors like heavy industry or transport

7 | Energy - Three Priorities of the Recovery

1. Hydrogen

- **EU Clean Hydrogen Strategy** adopted in July 2020;
- Aims to boost clean hydrogen production in Europe
- Three phases;
 - **1st until 2024**, support the installation of at least 6GW of renewable hydrogen electrolyzers in the EU, and the production of up to 1 million tonnes of renewable hydrogen
 - **2025-2030**; hydrogen needs to become an intrinsic part of our integrated energy system, with at least 40GW of renewable hydrogen electrolyzers and the production of up to 10 million tonnes of renewable hydrogen in the EU
 - **2030 onwards**, renewable hydrogen will be deployed at a large scale across all hard-to-decarbonise sectors

7 | Energy - Three Priorities of the Recovery

3. Renovation Wave

- **Buildings** are responsible for approximately 40% of EU energy consumption and 36% of the greenhouse gas emissions;
- **Renovation Wave** initiative launched in October 2020
- Aim to improve energy performance of buildings, to double renovation rate of buildings by 2030
- Will enhance the quality of life for people living in and using the buildings, reduce GHG emissions, foster digitalisation and improve the reuse and recycling of materials.
- By 2030, 35 million buildings could be renovated and up to 160,000 additional green jobs created in the construction sector.
- Increased EU funding through NextGenerationEU

7 | Energy - Three Priorities of the Recovery

4. Offshore Renewable Energy

- **EU Strategy on Offshore Renewable Energy** presented in November 2020
- Objective: to increase Europe's offshore wind capacity from its current level of 12 GW to at least 60 GW by 2030 and to 300 GW by 2050.
- to complement this with 40 GW of ocean energy and other emerging technologies such as floating wind and solar by 2050.
- investment of nearly €800 billion will be needed between now and 2050 to meet these objectives.

8 | Just Transition

Coal phase-out

- Coal still represents 40% of global electricity generation;
- In the EU electricity generation from coal has decreased by 27% since 2005;
- **17** EU Member States have decided to stop **using coal for electricity generation**;
- 48% of EU's existing coal power capacity to be phased out by 2030;
 - **Gross electricity generation from coal in Denmark: from 43.8% in 2010 to 21.6% in 2018;**
 - **Gross electricity generation from coal in Germany: from 41.7% in 2010 to 35.6% in 2018;**
 - **Gross electricity generation from coal in Greece: from 53.7% in 2010 to 32.3% in 2018.**

8 | Just Transition

Making sure no one is left behind – Coal Regions in Transition

- Introduction of Just Transition Mechanism to ensure that no region is left behind in clean energy transition and mobilise at least EUR 150 billion, through:
 - **Financial Support;**
 - **Transition Plans;**
 - **Attractive Conditions;**
 - **Technical Assistance;**
- Platform for Coal Regions in Transition promotes knowledge sharing and exchanges of experiences between EU coal regions.

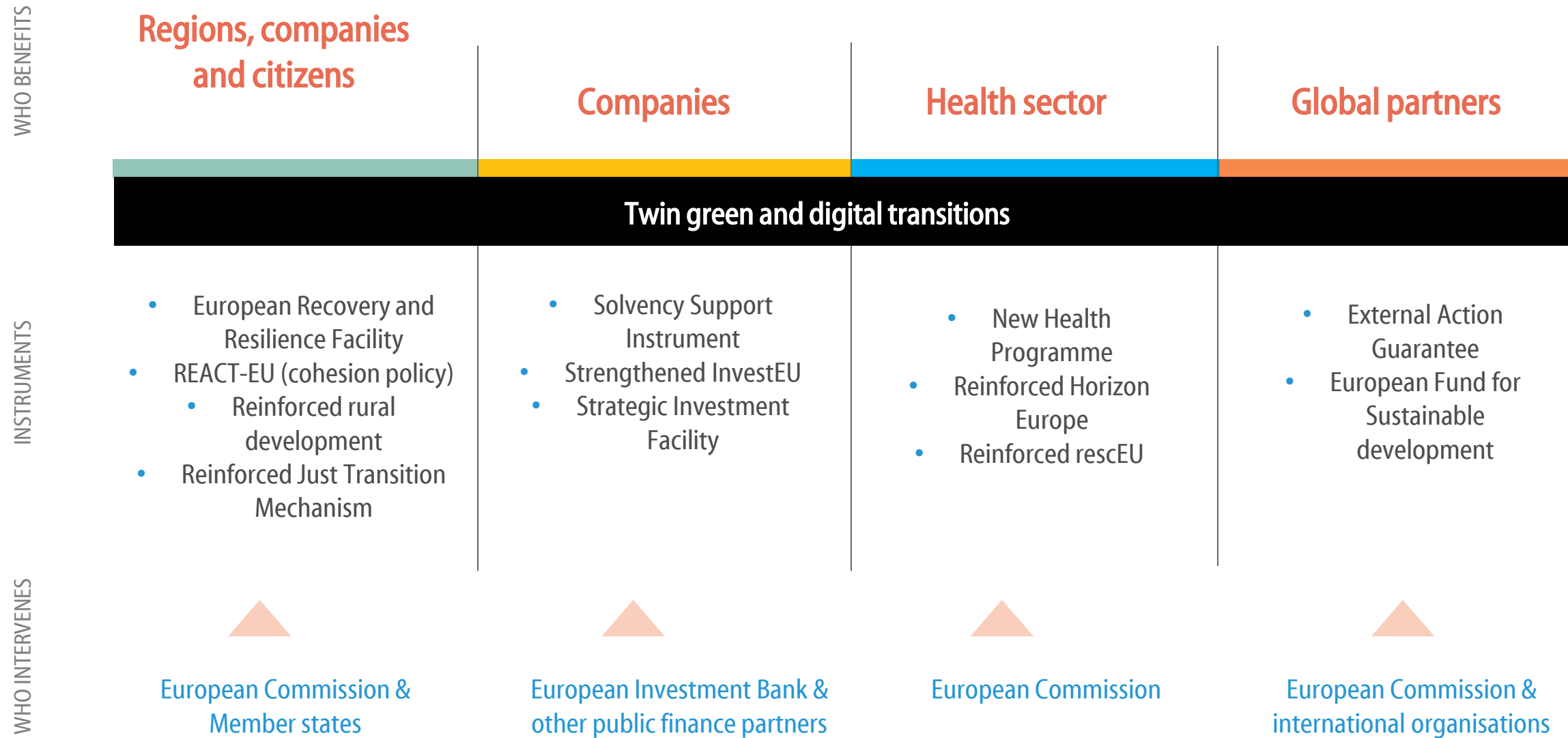
9 | Next Generation EU

Repair and Prepare for Next Generation

- **€ 750 billion** (€ 500 billion in grants and € 250 billion in loans) over 7 years;
- Three main pillars:
 1. **Support to MS for investment and reforms**: enhance cohesion among countries (Recovery and Resilience Facility (€ 560 billion), top up to cohesion policy for redistribution and supporting social policies (€ 55 billion), Top up to the Just Transition fund (€20 billion);
 2. **Incentivising private investment**: support companies through crisis (Solvency Support Instrument (€ 31 billion), EU budget guarantee for investments (upgrading InvestEU) and prioritise strategic investment (Facility of € 15 billion);
 3. **Lessons learned from the crisis**: Building EU resilience (EU4Health programme (€ 9.4 billion) and supporting partner countries (including humanitarian assistance for € 16.5 billion);

9 Instruments for the Recovery Plan

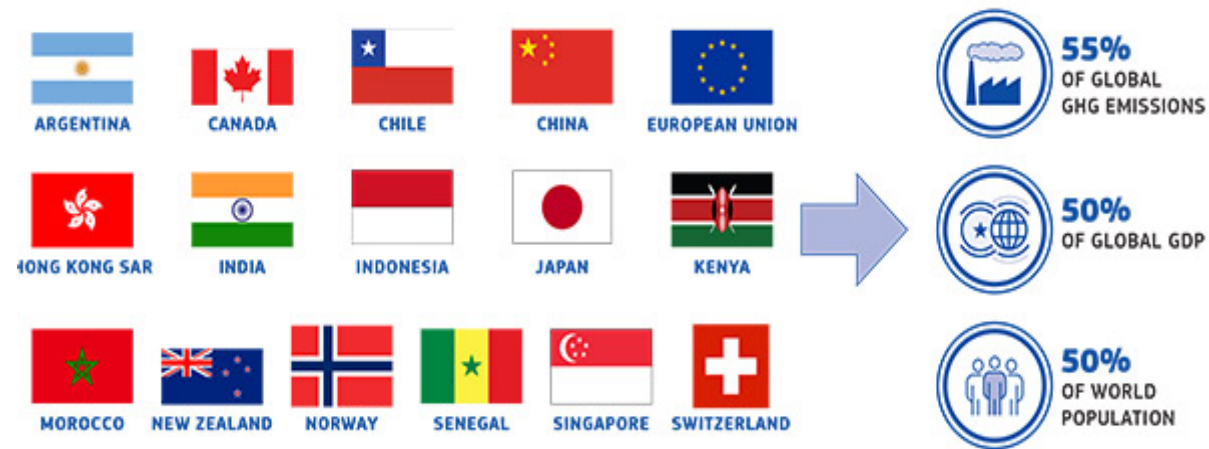
Supporting Member States to recover, repair and emerge stronger from the crisis



10 | Financing the Green Transition

Achieving climate action through the mobilisation of international private investors

- The **global nature of financial markets** offers a great potential to help all countries on their transition path by linking financing needs to global sources of funding. This potential however, is still largely untapped;
- To **mobilise international investors** => promoting integrated markets for environmentally sustainable finance and, develop a coordinated approach, while respecting national and regional contexts;
- This is the reason why the **European Union** together with relevant **public authorities** from **Argentina, Canada, Chile, China, India, Kenya and Morocco** launched on 18 October 2019: **International Platform on Sustainable Finance (IPSF)**;
- There are now 16 members; incl. **Japan, Indonesia, New Zealand, Norway, Singapore, Switzerland etc.**



10 | Financing the Green Transition

The International Platform on Sustainable Finance

Objectives



PROMOTE INTEGRATED MARKETS
for environmentally sustainable finance



SCALE UP THE MOBILISATION
of private capital towards environmentally sustainable finance at global level



- Exchange and disseminate information to **promote best practices** in sustainable finance
- Compare the different initiatives and identify **barriers and opportunities** to help scale up environmentally sustainable finance internationally
- Respecting national and regional contexts, enhance international coordination where appropriate

Main focus of work

- **Green taxonomies** (i.e. classification of sustainable economic activities)
- **Green financial product standards and labels** to provide more confidence to investors and
- **Disclosures of sustainability-related information**



WHAT THE IPSF IS

It is a multilateral forum for facilitating **exchanges**.

It compares and coordinates efforts on initiatives and approaches to environmentally sustainable finance, while respecting national and regional contexts.

It is a forum for **public authorities** in charge of developing environmentally sustainable finance policies and initiatives (ministries of finance/economy, central banks, and supervisory and regulatory authorities).



WHAT THE IPSF IS NOT

It is **not an institutionalised body**, nor does it create any binding, legal or financial obligations on any member under domestic or international law.

It does not create global standards nor does it impose to its members to adhere to other members' rules or approaches on environmentally sustainable finance.

It is not a forum for **private companies** whether or not, working on environmentally sustainable finance issues.

11 | International cooperation

Making sure that our ambitions don't work in isolation

- Demonstrating increased ambition on climate change ahead of COP 26
- The G20 countries are responsible for around 80% of GHG:
 - Support the long term goals of clean energy transition and objectives of the Paris Agreement;
 - Commit to promoting open, transparent, flexible and competitive energy markets;
 - Continue working on energy efficiency; access to modern, affordable, sustainable, and clean energy for all; phase out inefficient fuel subsidies.

12 Towards a clean energy transition and climate neutrality

Key focus areas – cooperation with Japan

- **Energy dialogue:**
 - ✓ Hydrogen;
 - ✓ Offshore wind energy;
 - ✓ LNG and Electricity market reform;
 - ✓ International cooperation: RE in Africa etc.
- **Cooperation on carbon neutrality policies – 2050 target**
- **Mobilise public and private finance towards green investments – International Platform on Sustainable Finance**
- **Multilateral cooperation – UNFCCC, G20, G7, donor cooperation**

Keep in touch



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**Thank you for
your attention!**