Climate and Energy Summit 2021
The way forward

Friends of Europe's 2021 Climate and Energy Summit took place just days before the start of the COP26 climate conference in Glasgow and against the backdrop of record gas prices and the slow global emergence from the ongoing COVID-19 pandemic.

There has been enormous progress in the climate and energy arena in recent years. The science of climate change, and mankind’s role in causing and mitigating it, have become much clearer and settled thanks to a combination of publications such as the recent reports by the Intergovernmental Panel on Climate Change (IPCC) and anecdotal evidence from around the world, including heatwaves in the Arctic, wildfires in North America and Australia, and floods across the globe.

We are in ‘the decade of action’, but turning that phrase into meaningful change requires political will, huge amounts of investment and the harnessing of all the technological levers at our disposal.

The Climate and Energy Summit offered several key insights on the way forward for climate action:

• Those making the case for decarbonising the economy must ensure that it is linked to increasing prosperity, otherwise they will fail.

• Business, supported by investors, will be crucial to cutting emissions and creating green jobs, but government has a key role in creating an enabling framework and reducing barriers. The most powerful tool at their disposal is a carbon price.

• With a growing consensus on the need to reach net-zero, this must be followed by concrete trajectories for countries, industries and individual companies, so everyone knows exactly what they must do.

• It is time to scale up the finance for the green recovery and link it explicitly to the fight against climate change.

• Digital technology can play several key roles in the low-carbon transition, including improving efficiency, engaging citizens and harnessing the power of data to drive down emissions.
The decade of action needs to involve citizens

Rising energy prices are a big concern for many people, as highlighted by a citizen in the Debating Europe citizens’ panel run by Joe Litobarski, Editor-in-Chief of Citizen Outreach & Engagement at Debating Europe, as part of the European Climate Pact. The citizen raised a fear shared by many: higher energy prices will put the green energy transition and the implementation of the European Green Deal onto the back burner.

But Aleksandra Tomczak, a Member of the Cabinet of European Commission Executive Vice-President Frans Timmermans, said that with price rises being driven by a fourfold increase in the price of gas around the world, the European Green Deal would actually reduce risks associated with fossil fuel price increases by moving Europe away from a reliance on fossil fuels and vulnerability to sudden hikes in energy costs.

Nonetheless, she acknowledged that the transition would take time and there was a need to act now to prevent energy poverty. “The Commission has proposed a toolbox for how countries can deal with this crisis,” she said, including using some of the almost €30bn of revenues from the EU Emissions Trading Scheme to give vulnerable consumers lump sum payments and ensure that no one is disconnected because they cannot afford to pay their bills.

The high prices may even encourage some people to become ‘prosumers’ who install solar panels and feed their surplus power back into the grid. The European Climate Pact encourages everyone to take steps to build a more sustainable Europe for us all. Launched by the European Commission, the Climate Pact is part of the European Green Deal and is helping the EU to meet its goal to be the first climate-neutral continent in the world by 2050. Citizens can take steps – such as ‘get some solar’ – and help build a movement of people united around climate action. Litobarski highlighted steps everyone can take throughout the event.

Financing the green recovery

Dharmendra Kanani, Chief Spokesperson at Friends of Europe and moderator of the event, reminded the audience that the International Energy Agency’s ‘World Energy Outlook’ reported that there is enough money to make the transition to net-zero, but whether it would be deployed where it is needed is another issue.

Eric Usher, Head of the United Nations Environment Programme Finance Initiative, highlighted the emergence of the green bond market, which has become a half a trillion-dollar market since the first instrument was issued 15 years ago. “To some extent, this is a success story, and many proceeds are going towards building out the energy transition, but this is 5% of total global bond issuance – what’s happening in the rest of the market?”

Since 2019, considerable momentum on aligning to net-zero targets has emerged, he added, with 61% of governments and about a fifth of companies committing to cut emissions by 2050, plus a host of global alliances across the financial sector. “But 2050 is three decades out. We can’t wait 15 years to get to 5% exposure,” he added. “We need to move much more quickly.”
1. Dharmendra Kanani, Director and Chief Spokesperson of Friends of Europe

2. Aleksandra Tomczak, Member of the Cabinet of European Commission Executive Vice-President Frans Timmermans

3. Joe Litobarski, Editor-in-Chief of Citizen Outreach & Engagement at Debating Europe

4. Diana Reaich, Ambassador of New Zealand to Belgium, Bulgaria, Luxembourg, Moldova and Romania, and Deputy Head of Mission to the EU

5. Emelia Holdaway, Policy Programme Director at the Institutional Investors Group on Climate Change, and Alexandre Marty, Head of Climate and Natural Resources at EDF
“Over the past 12 months, net-zero has become a mainstream idea, but there is still plenty of uncertainty over how quickly that transition is going to happen,” said Emelia Holdaway, Policy Programme Director at Institutional Investors Group on Climate Change (IIGCC). That makes it hard for investors to plan their portfolios and engage with companies.

“There is a role for governments to be laying down timetables. We’re starting to see that with the phase out of coal power and internal combustion engines (ICE). With milestones, investors can integrate that into their calculations around asset write-downs and stranded assets,” she added. “When will gas be out of the power mix? How long will internal combustion engine heavy goods vehicles be on the road? These are the kind of things investors need to know.”

While previously climate change suffered from what former the Bank of England governor, Mark Carney, called the “tragedy of the horizon” – meaning that they did not consider it as a material issue because the impacts would not be felt within investors’ short-term time horizons and that – current measures, such as the phase out of ICEs and the EU’s Fit for 55 package, mean that the financial sector is seeing political and technological changes happening this decade. Meanwhile, a third of Americans have now experienced a climate phenomenon of some kind, namely wildfires, flooding or drought.

This means, said Usher, that “the signals from government, from technology and from the climate are within the current business cycle”. As a result, the market is taking climate change more seriously, but it likes stability and to know where policies are headed. With inconsistency caused by political cycles, businesses are increasingly looking through current policies and basing their actions on the science and the impacts of climate change, assuming that there will be a policy response at some point.

“Businesses need to lean in today to start managing risks and to become part of the transition and leaders of the economy of tomorrow,” Usher said.

Alexandre Marty, Head of Climate and Natural Resources at EDF, agreed, saying that his company is following the science, but he added that “we need long-term signals to secure the investment required”. In Europe, there are two key long-term signals, the EU Taxonomy and the general framework on state aid. These have to support all low-carbon technologies, he added, including nuclear.

“We need the EU to take a technology-neutral view based on the science,” added
Yves Desbazeille, Director General of FORATOM, but Katie Treadwell, Energy Policy Officer at WWF, said that “we need not just low-carbon energy, but low cost, low impact and low conflict. Is nuclear really capable of doing that?”

Kanani said that nuclear has become more palatable to people than in the past. Diana Reaich, Ambassador of New Zealand to Belgium, said that she was “open-minded but not convinced. But, to use a Kiwi term, sometimes you have to swallow dead rats to get to where you need to be.”

There is a huge investment gap on climate action, but both the EU’s Multiannual Financial Framework and the NextGenerationEU fund have a clear focus on climate, said Mechthild Wörsdörfer, European Commission Deputy Director-General for Energy.

Meanwhile, the 22 member state recovery and resilience plans that the Commission has seen so far are putting almost 30% of their funds towards issues such as energy efficiency and the renovation of buildings, while another 15% is going to renewables and networks, and a further third going to sustainable mobility.

“This is public money and now we need private money,” she added. As more companies pledge to go net-zero, that money is increasingly flowing, but there is also a need to reduce other barriers such as delays in permitting processes.

Indeed, many investors keen to fund clean energy projects have been asking where the green projects are that they can get involved in, said Holdaway. “There is a lag between money being committed to a project and that project being available for investment.”

Just as important as putting money into clean energy is taking money away from dirty sectors, Usher pointed out. “We need more innovations about what can be done to keep this stuff in the ground, like Germany’s programme to shut down coal capacity. We need to get high-carbon generation offline, but there are going to have to be some tough political decisions.”

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3. Mechthild Wörsdörfer, Deputy Director-General for Energy at the European Commission

4. Nancy Saich, Chief Climate Change Expert at the European Investment Bank

5. Janneke de Vries, Director of European Partnerships and Head of the Europe Office at the World Resources Institute
Nancy Saich, Chief Climate Change Expert at the European Investment Bank (EIB), said that there should be a traffic light system that recognises that in some sectors there are currently no low-carbon solutions available and “not everything can be green straight away”. That would allow an amber rating – better than red, but still not yet green – for companies that are making efforts to cut their emissions. “The crucial thing is to move away from ‘doing significant harm’,” she pointed out. “We need to focus on what we have to stop doing.”

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Nancy Saich, Chief Climate Change Expert at the European Investment Bank (EIB)

Energy in the digital age

Alongside the existential crisis of climate change, the other key megatrend of the past few years has been the rise of the digital age, which has changed our lives profoundly. But how can the power of the digital age help us to tackle climate change?

“We need one green digital transition,” said Kanani, “so that we are aligning political and financial efforts, and everyone is pulling in the same direction.”

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Pilar del Castillo Vera, Member of the European Parliament Committee on Industry, Research and Energy (ITRE)

Pilar del Castillo Vera, Member of the European Parliament Committee on Industry, Research and Energy (ITRE), told the summit that “to achieve our new climate targets, we will need to fully embrace the digital transition”.

Digital technologies are crucial to increase the use of renewable energy and make energy use more efficient. “Digital will enable huge energy savings and allow consumers to access a range of energy services,” she added.

Kirsten Dunlop, Chief Executive Officer of EIT Climate-KIC, agreed. “I would very much welcome every effort to drive this twin transition into one integrated set of transitions that is designed in systemic terms.”

Disconnected supply chains caused by COVID-19 and fuel poverty caused by the huge spike in energy prices are a massive threat to climate action momentum. “It’s almost a demonstration of why we must bring green and digital together and not think of them as two separate things,” she added. “We need much more holistic, integrated outcomes that give us the orders of magnitude changes that we need.”
Digital is essential to our green goals, but we will not reach the reductions we need, especially in hard-to-abate sectors, unless digital technology is designed to foster social and environmental outcomes. “That’s not showing up in mainstream Industry 4.0 at all.”

“We have major leaps forward to make and we need to think about how industrial policy and digital policy encourages that.”

One example is in improving the performance of power grids, Castillo Vera said. “The potential energy gains from AI are extraordinary, in a sector where transmission losses of 6% to 8% are considered normal.”

With energy companies now generating huge amounts of data, both sectors need the right infrastructure in place, from high-capacity networks and 5G to working together on the spectrum for smart grids. “Digital and energy will be a winning alliance, but we need the proper tools for it to happen.”

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Lubomila Jordanova, Chief Executive Officer and Co-Founder of Plan A

At the same time, lots of solutions are being put forward with no scientific backing, warned Lubomila Jordanova, Chief Executive Officer and Co-Founder of Plan A. “Greenwashing is a challenge. We’re dealing with the future of humanity, so you need to be mindful about what you are funding. A lot of funding from VCs uses KPIs that a scientist would not choose.

“We need solutions that make economic sense, but also make sense in terms of the challenges we face. The start-up perspective is important because we need to develop solutions. Start-ups don’t need billions of euros; they just need an opportunity. I work with a lot of organisations that are willing to try things, but we need to accelerate at scale.”

One way of engaging people in tackling the climate emergency is through citizen science, she added. “It is really effective when citizens can be part of the value proposition. For example, in Italy, surfers and other beach users gather data on microplastics in the sea.”

Municipal authorities and civil society can be more nimble than national governments in mobilising people and demonstrate success in particular places, Jordanova added. Digital technology can help with that, Dunlop said. “The digital transformation is not an end in itself. It serves a purpose. If its purpose is to create a sustainable world, it creates a narrative for acting together.”
1. **Lubomila Jordanova**, Chief Executive Officer and Co-Founder of Plan A

2. **Pilar del Castillo Vera**, Member of the European Parliament Committee on Industry, Research and Energy (ITRE)

3. **Tonu in action**

4. **Kirsten Dunlop**, Chief Executive Officer at EIT Climate-KIC

5. **Luca Camuncoli**, Head of Press and Communications at EDF EU Affairs
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Recalibrating the climate compass

There has been a marked shift in attitudes towards climate change from governments, investors, businesses and consumers around the world in the past few years, thanks to a growing scientific consensus and the increasingly visible impact of extreme weather events.

“It is clear that the scientific consensus has alerted the world to the situation we are in,” said Ko Barrett, Vice Chair of the IPCC. “We know temperatures have risen already and it is likely we will reach 1.5°C. If we don’t act, we will surpass 2°C. We need widespread transformative action to have any hope of preventing that.

At the same time, the EU has shown the world that you can decouple economic growth and emissions, said Stéphane Crouzat, French Climate Ambassador. “Since 1990, we have reduced emissions by more than 20% and increased GDP by more than 60%. We have shown it is possible, but it is only 20% and we need to cut more than 30% within nine years to keep our promise to cut emissions by 55%. It’s a huge challenge we are facing.”

To make progress in Glasgow, social justice must be at the heart of everything, said Eamon Ryan, Irish Minister for Environment, Climate, Communications and Transport. “Contributing to climate finance is the first step to make Glasgow work. But there is an ambition ‘to keep 1.5 alive’. I hope the energy from Glasgow will create momentum to increase action.”

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Crouzat said that “it boils down to persuasion. Paris is a universal agreement where everyone sets their own goals. Persuasion works within the EU. We have managed to come up with extremely ambitious goals. Public pressure can force action.”

That persuasion must be linked to prosperity, asserted Mauro Petriccione, European Commission Director-General for Climate Action. “If we don’t have a policy to decarbonise the economy that is also a policy for prosperity, we will fail,” he said. “Prosperity and social justice are the core elements that will bring this forward – what in this policy can make our economy more prosperous and efficient?”

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Mauro Petriccione, European Commission Director-General for Climate Action

Karsten Sach, Director-General for Climate Policy at the German Federal Ministry for Environment, Nature Conservation and Nuclear Safety, agreed that there must be greater solidarity. “The finance is still not that great. We [the industrialised world] have not delivered on the $100bn target.”

Carbon neutrality and net-zero by 2050 targets have become normal, so it is now about implementation, he said. “We need to be more ambitious,” he added. “Many countries need to enhance their NDCs (nationally determined contributions). We need to engage them to do more.”

“And this new level of ambition needs to be underpinned by concrete sector-based initiatives. There must be more long-term clarity on what the targets mean. We need to design trajectories for each country and each company and, especially for developing countries, we need more detailed adaptation strategies,” he added.

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The private sector will be key in bringing about the energy transition, said Claire Waysand, Executive Vice President, Corporate Secretariat, Strategy, Research & Innovation and Communication at ENGIE, but it cannot act alone. “We need both public and private sector to effectively channel the energy transition. We need a mix of energy sources; we need new technologies such as green hydrogen to emerge, and we need a framework to support that.”

Petriccione agreed: “The real issue for European industry is not innovation and knowledge, it is the ability to deploy that innovation in the market. We can’t allow the
1. Claire Waysand, Executive Vice President, Corporate Secretariat, Strategy, Research & Innovation and Communication at ENGIE

2. Alessandro Galimberti, Technical Climate Change Adviser at AVSI Foundation

3. Cartoon by Tonu
market to develop on its own if we are to go at the speed we need to.”

That means Europe needs to create the right market conditions for new technologies. “We were very successful with renewables, but it took a lot of time and a lot of money. Can we do things faster for green hydrogen and green steel that can be withdrawn once the industries are established? If so, that gives you a very modern, very competitive industry.”

At the same time, there are still parts of the Paris Agreement that are not yet defined, including on carbon pricing. “Companies have moved tremendously over the past five years,” said Sach. “They need clear price signals and help in creating new markets, such as a contract for difference for clean steel, or regulation like we have seen in the car market.”

Waysand concurred, saying: “From the EU we need carbon pricing. It’s a very powerful tool to make corporates, consumers and cities make the right choices. We need to channel investment into new technologies. But we also need to be mindful not to distort the economy so there is a role for a well-designed carbon border adjustment mechanism (CBAM).”

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Crouzat agreed that “we don’t want carbon leakage by allowing carbon-intensive products to flood the EU market in competition with products that have been made under stringent rules. There will be a long discussion within the EU and a lot of pushback from other countries, although we will ensure that any mechanism will be foolproof when it comes to WTO regulations.”

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Stéphane Crouzat. French Climate Ambassador

In Russia, which would be affected by any CBAM, the move has triggered a lot of discussion about introducing their own mechanism. “That is exactly what we want,” he said.

He added that he thought a good price signal will emerge. “At Paris, the carbon price was about €5. Now it’s about €60 and that’s before we add more stringent rules as part of the Fit for 55 Package. The carbon price will go up even more and that will encourage people to use less carbon-intensive fuels.”
In addition, Waysand pointed out that “for some very carbon-intensive economies, gas is a technology that they will need to transition”.

Above all, what is needed is clear, consistent policies, Petriccione said. “Policy coherence is the Holy Grail and one thing bringing that is climate change. We are getting there in creating a modern, inclusive, climate neutral Europe for all.

“We now have a goal linked to science and we know how we get there. There is enough ambition, enough action and enough money to be on track for 1.5°C. If COP26 comes out with that, that would not be unreasonable.”

**Conclusion**

The path towards a net-zero future is now much clearer, and this is both good and bad news for policymakers. We know what each nation, sector and company must do. But we have reached the stage where some hard political decisions need to be made very quickly. Unfortunately, political realities and recent evidence suggest that they will not be made fast enough.

Yet there is an inexorable logic behind the net-zero pledges that governments, investors and businesses have signed up to. This logic will have implications for every part of the economy, so moves to decarbonise must take into consideration the need for a just transition, to ensure that workers and communities dependent on carbon-intensive industries do not miss out on the opportunities of the low-carbon economy, which will be huge.

In the same way that there are considerable synergies between the fourth industrial revolution and climate action, agendas to rebuild prosperity and to decarbonise must be linked to achieve success.
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