

A joint call for European energy and climate innovation leadership

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Europe's climate debate moves on from "how much to do" to "how best to achieve it" - and rightly so.

With its objective of becoming the first climate neutral continent in the world, Europe not only wants - but with an investment- and innovation-strong industry also will be able- to contribute significantly, and far beyond its own emission levels, with innovative and economically viable technologies to achieving global climate targets.

Therefore, the BDI, Confindustria and Medef jointly call on Europe to boost its leadership in energy and climate innovation to ensure security of supply, energy resilience, climate neutrality and global competitiveness of EU industries. Only by unlocking Europe's industrial strength will a fair and cost-efficient transition be possible, and Europe be able to serve as a global role model that others will wish to join in.

We seek regulators support for the following ten joint recommendations:

- 1. Pursue technology open pathways to net-zero building on even stronger industrial ecosystems**
The transformation to net-zero has to be steep but nevertheless gradual, market-driven and open to different technology solutions to be able to manage social and economic disruptions. Politics, society, science and economy need to urgently cooperate and drastically increase the quality and timing of the development, planning, financing and implementation of climate policy measures to leverage the innovation potential of businesses and competitiveness.
Innovation will only be possible through a dynamic and profitable industrial base.
- 2. Accelerate the deployment of existing CO₂-neutral technologies and the development of further technologies - massively invest in energy, transport and digital infrastructures**
80% of the technologies needed for 2030 are available but need to be deployed rapidly to turn decarbonisation potentials into concrete results.
In addition, R&I in new and breakthrough technologies beyond 2030 needs to accelerate to lift up Europe's global technology leadership, such as for instance on CCUS. Revised state aid rules will be needed to stem unprecedented technology switches, such as through carbon contracts for difference or long-term power purchase agreements. Important Projects of Common Interest (IPCEI) can play a role in accelerating the deployment of such technologies.
- 3. Lead in scaling the EU and global hydrogen economy**
In addition to electrification, new energy carriers as well as alternative and renewable fuels will be indispensable decarbonisation solutions besides offering new global lead market opportunities for European industries. Hydrogen can turn into a true game changer and leapfrog of climate innovation. However, more speed, more harmonisation and more international cooperation is needed. REDIII should introduce a harmonised EU classification and certification of renewable hydrogen and low carbon gases, to turn today's niche product into a commodity. In addition, hydrogen should be integrated into the existing EU gas market regulatory framework. The completion of the internal European gas market is essential to promote market efficiency, to strengthen the competitiveness of the European Union and to increase security of supply. Achieving an integrated, liquid and interoperable gas market, while removing existing regulatory, operational and tariff barriers, would facilitate also a correct and swift integration of renewable and low carbon gases in the overall energy system.

4. Develop a global carbon pricing roadmap and common price for 2030 at least at G20 level

For a market driven, cost-effective transition and a fair global level playing field for industry it is essential that the global community converges its carbon prices and in a first step agrees on a common price for 2030.

5. When rescoping the EU ETS prevent upheavals for incumbents

Should carbon pricing be introduced in other sectors, notably transport or buildings, only separate emissions trading schemes could be envisaged at the beginning, with a view of eventually merging the systems in the long run considering highly different abatement costs in the different sectors, especially in terms of carbon leakage risk, timeframe of investment cycle, price elasticity and availability of affordable low carbon technologies. Also, the effects on international industrial competitiveness must be taken into account and ETS revenues should continue to be reinvested in climate protection and energy savings projects.

6. Shield European industry from unfair competition on the road to net-zero

With increased EU climate ambitions and a continued uneven global level playing field carbon leakage risks are real and need to be tackled seriously, notably through a sufficiently high volume of free allowances and indirect cost compensation under the EU-ETS. Any WTO-conform carbon border adjustment mechanism requires a sectoral, gradual approach and test phase first.

7. Ensure the availability of abundant renewable energies at competitive prices in an integrated and upgraded low-carbon energy system

An integrated energy system with a resilient EU-wide infrastructure, functioning markets and abundant renewable energy at competitive prices is a pre-condition for reaching climate-neutrality while maintaining industrial value creation networks in the EU.

8. Accelerate a market-driven Circular Economy, low-carbon mobility and building renovation

We recommend mobilising investment in enhancing building performance, sustainable transport and mobility solutions and applying an integrated approach to boost the management of energy consumption, energy production and energy storage of buildings. The use of digital solutions will help manage increasing complexity, such as in the future energy system, in smart buildings, in smart mobility or in an increasingly circular economy to manage resource use and efficiencies.

9. Unlock the potentials of digitalisation and the data economy

Digitalisation is an important catalyst, enabler and accelerator of a cost-efficient transition. It is essential to set in place a trustworthy, secure and cost-efficient data infrastructure and to unlock new business models through EU data spaces, fair data access and data sharing rules.

10. Ensure consistency throughout the Fit-for-55 package and the entire negotiation process

We call for a comprehensive mix of "fit-for-55" instruments with consistent policies that are essential for providing investment and legal certainty to companies, especially for hard to abate industries during the transition period, in times of unprecedented change.

To conclude, a strong and innovative industry is a prerequisite for Europe to win the global race in climate innovation and digitalisation with its own technologies and concepts on an equal footing with the United States and China. At the same time, a strong industrial base is also Europe's catalyst for an energy and climate transition that does not compromise on Europe's high economic and social cohesion or citizens welfare and prosperity. Our companies of all sectors and sizes remain committed to the EU's climate goals.

Germany, France and Italy face different situations in terms of energy mix, areas of innovation, industrial structure or consumer patterns. However, in view of further upcoming meetings between the BDI, Medef and Confindustria, we demonstrate that we share the same commitment to go beyond national particularities to work together to transform business models and to develop solutions to reach the objectives of the clean energy transition, which represents a central part of the EU Green Deal.