

# EPP Position Paper: Decarbonising Europe's economy with ambition

adopted by the EPP Presidency

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## 01 Resolution on Europe's Recovery

### Harnessing the momentum

While people around the world battle with the health and economic repercussions of the coronavirus pandemic, climate change continues to take its toll on the planet. The unprecedented summer heat waves, droughts, wildfires and floods add to the overwhelming scientific evidence of global warming, while the slowdown of the gulf stream, the melting ice sheets and the increasing loss of biodiversity suggest that we are fast approaching the tipping point of no return and underline the urgency to act swiftly and resolutely. The world can draw many parallels from fighting a pandemic and combatting climate change as the virus brought to the forefront many well-known truths and at the same time revealed new consciousness. Such global threats do not recognise any borders and can only be managed through collective action that starts long before they become full-blown crises. When things get serious, citizens demand science-based solutions and responsible politics. Populism and misinformation become dangerous and even deadly. Yet the most important lesson from dealing with the coronavirus is the resilience of the people, their innovativeness and the ability to swiftly adapt to new ways of life.

Harnessing this momentum and using the coronavirus recovery as a catalyst for sustainable growth and restarting the economy – expected to significantly contract this year – will bring about a healthier population, resilient jobs and a thriving planet for the future generations. Simply returning to business-as-usual is not an option. We need a new social contract that brings all society on board. The EPP is committed to making 2020 the year to be remembered as the year of ambition.

### Raising the climate ambition

Five years ago, the world leaders agreed on the historic international binding commitment to reduce the greenhouse gas emissions and limit the global warming to 1.5 degrees Celsius. Since then, it has become evident that for the EU fulfil the requirements of the Paris Agreement and to meet its own goal of climate neutrality by 2050, it needs to step-up its climate ambition.

Taking into account the increased sense of urgency, as well as the encouraging conclusions of the European Commission's impact assessment on both climate and economic benefits of early action, the EPP believes that the 2030 target for lowering the carbon emissions by 40% can be raised to 55% while still strengthening the competitiveness of our businesses, creating jobs and prosperity for citizens.

At the same time, the challenge of this ambitious step should not be underestimated. The low-carbon transition must be based on social market economy and bring about new opportunities and innovative solutions rather than mounting restrictions. Lengthy political debates on abstract targets are incomprehensible or even irrelevant to most citizens and create uncertainty for businesses. Instead, we should boost investments, facilitate sustainable finance and enable the private sector to advance the research and innovation in new technologies and driving their deployment. Family businesses and small and medium enterprises can especially benefit from embracing the new smart solutions early on and driving the shift from bottom up. Improving access to finance, advancing digitalisation and cutting red tape is paramount for boosting the competitiveness during the transition.

To achieve that the clean transition is fair and doesn't leave anyone behind, it ought to account for the contrasting socio-economic conditions, the discrepancies among the various business sectors and the different starting points in each member state. The EPP supports climate policy that is backed by evidence

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and encourages science-based decision-making, by establishing an EU scientific panel or harnessing the full potential of scientific bodies such as the Joint Research Centre.

At the same time, measuring progress only by the old metrics of production growth will not deliver the desired levels of quality of life and wellbeing for the people. Instead we must focus on strengthening the resilience of our economic model, bringing the citizens with us and increasing the overall community gain. The Sustainable Development Goals Agenda should guide this process and foster healthy ecosystems, equality and fair access to essential services such as high-quality mobility, housing, nutrition, education and healthcare for the families. The EU multiannual budget and the Next Generation EU recovery package will further boost investments in line with reaching the goals of the Paris Agreement and encourage innovative and low-carbon technologies.

### Powering the low-carbon transition

Sustainable transition will require a systematic approach and a paradigm shift in all major sectors. The emissions trading scheme, as the cornerstone of EU climate policy, should be strengthened and expanded to more sectors of the economy to progressively cover all fossil-fuel combustion emissions. A robust carbon price should give the necessary signal to the businesses and drive the energy system transformation in moving away from carbon intensive processes in the most cost-effective way. This will bring forward a greener energy mix and significantly reduce the share of fossil fuels in energy consumption. We must end the fossil energy subsidies and shift funds to large-scale low carbon infrastructure and services. Revenues from the extended carbon trading will act as another building block towards this goal. Technologies for capturing, storing and re-using the CO<sub>2</sub> will further reduce the emissions in areas where the transition is slower. Targeted financing schemes will support fair transition for the most vulnerable regions, their communities and the workers.

Electricity production must be fully decarbonised. Investments in renewable energy and energy storage systems need to be ramped up. Expansion of renewable electricity production will create local jobs and further boost the communities with opportunities for consumers to generate their own energy and resell it. Deployment of electrification and harnessing the potential of low-carbon energy-efficient hydrogen by enabling investments and removing the unnecessary regulatory barriers will help with further decarbonisation of the industry and the transport sector. We should allow all transport modes to operate in a sustainable way at a level playing field, while boosting multimodality and attracting private investments in deployment of mature technologies, new infrastructure and fleet renewal.

Insulation of buildings is a low hanging fruit with immediate energy-efficiency results and economic benefits for the residents. Tapping into the vast decarbonising potential of the construction sector will propel us further towards reaching the climate neutrality goal while boosting job creation in the local communities. Integrating renewable energy in heating and cooling and improving the renovation rate of building will further drive their energy-efficiency. Profits from the energy savings and emissions trading should be particularly geared to address the impact on the low-income households.

European farmers are important partners in combatting climate change through their efforts in improving the sustainability of our food systems within the common agricultural policy. The potential of soils and forests as carbon sinks should be harnessed as part of the solution. Investments into sustainable biomass production can further advance the energy transition.

## EU driving the global change

All the efforts envisaged above will not be enough if the EU's international partners do not step-up their ambition too. Worldwide, the EU is accountable for less than 10% of the carbon emissions and has been steadily reducing them in the last decade while the other major emitters followed an opposite trend. This distorts the international competition and opens the door to carbon leakage, exporting the EU's carbon emissions by moving the production to countries with less stringent climate measures. Factoring the carbon cost of products imported to the EU should contribute to a level playing-field and the EPP is keen to explore the potential of carbon border adjustments to enable fair competition. Trade partnerships are an important instrument for further advancement of the low carbon transition and the EPP supports that all the EU's future trade agreements shall pursue the objectives of the Paris Agreement.

The EU should continue its climate diplomacy to pursue the implementation of the Paris Agreement and the Sustainable Development Goals on all international fora. The announcements in the September UN General Assembly from China, as the world's largest emitter of CO<sub>2</sub>, to become carbon-neutral by 2060, are an encouraging sign. Particular attention needs to be paid to the impact of climate change on the developing world, specifically in Africa. We must prioritise green investments in the development policy and support education, skills and training for future-proof jobs, while managing the population growth.

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