

Speech by Commissioner Arias Cañete at the High Level Stakeholder Conference: The EU's Vision of a modern, clean and competitive economy

Ladies and Gentlemen,

I am very pleased to be here – and even more delighted to see so many of you today – at the start of a very important process. We are here to discuss the EU's long-term vision for an EU economy that is:

- cleaner and more sustainable,
- more competitive, and
- fit for the 21st century.

I would like to thank Pierre Gurdjian, President of the Université Libre de Bruxelles, and his staff here at the ULB for hosting the conference in this impressive lecture hall.

Today's event is intended to reach out to all stakeholders – to discuss our direction and speed of travel in the battle against global warming. In practice, we are discussing the vital question of what Europe should look like in 30 years.

I am delighted to be able to welcome such a broad range of high profile speakers representing a diverse set of stakeholders, academics and authorities over the next two days. And we will conclude tomorrow afternoon with contributions from Laurent Fabius, the President of COP 21 in Paris – which is our key reference point – and a Polish representative on behalf of the Presidency of COP 24 to take place in Katowice in December – the next instalment of global climate talks.

In my speech today I want to cover three points:

First: why we need to think about a long-term, mid-century strategy;

Second: what the EU has already achieved domestically, and

Third: how we should go about this.

So let me start with my **first point** – the reason **why we need to think about a long-term strategy**.

The world is changing. We are seeing a digital revolution. People are better connected than ever before. People are travelling more than ever before. People are living longer than ever before.

And yet our planet faces one of the biggest challenges ever – global warming

– primarily caused by the man-made developments we have seen in the past 100-200 years.

The Paris Agreement provided a vital framework to address this challenge, setting common goals of limiting global temperature increase to well below 2 degrees Celsius and pursuing efforts to limit it to 1.5 degrees Celsius.

With these goals in mind, it is clear that a transition towards a low-carbon and climate-resilient economy is inevitable. And it will require stepping up efforts in all sectors of the economy.

Ladies and gentlemen,

If we are to meet our Paris objectives on global warming by the middle of the century, we cannot wait till 2030 or 2040 to define our direction of travel.

Following a request by EU leaders [in March] – and by the European Parliament – the European Commission is now preparing a proposal for an EU strategy for long-term EU greenhouse gas emissions reductions.

The strategy will not be a mere exercise of trajectory setting to reduce emissions. It has to reflect a vision of a prosperous, competitive, greenhouse gas neutral European economy, working for all Europeans. It has to make the most of the opportunities out there. In terms of facilitating investment. In terms of growth and jobs. In terms of improving the quality of life of our citizens.

The Commission is working towards coming forward with an analysis-based vision for a Union's strategy by November 2018. This is the right timing, as it will send a strong signal to our partners during COP24 in Katowice that the EU is planning for the long term in a robust way.

The international community remains committed to the Paris Agreement, and the EU is **keen to shoulder our responsibility, to step up to the plate, and to show leadership.**

Coming forward in November with the Commission proposal will also allow us to have a broad and thorough discussion next year so that we can submit a long-term strategy to the UNFCCC, at the latest in early 2020, as required under the Paris Agreement.

Before I go into more detail about how we should develop this strategy, I would like to underline that we have already undertaken a number of important initiatives since Paris.

And this brings me to my **second point – where are we in the low-carbon, clean energy transition?**

Regarding the mid-term, the EU has made considerable progress in enshrining our policies and targets into law. Our regulatory framework on climate and energy for 2030 is almost complete and delivering the first results.

As a key element, EU decision makers have agreed to modernise the EU

Emissions Trading System (EU ETS) for the period after 2020, to ensure it delivers the emissions reductions required and promotes investments. And we have seen the first signals of a market starting to take this into account.

We have also put in place legislation on 2030 targets for Member States for reducing greenhouse gas emissions in sectors not covered by the ETS, including transport, buildings, agriculture and waste, under the Effort Sharing Regulation. And we now also regulate the absorptions and emissions of our land use sink in EU legislation.

Combined, these pieces of legislation ensure that the EU meets its target to cut greenhouse gas emissions by at least 40% by 2030.

Our ambition is also reflected in the **Clean Energy for All Europeans package**, which puts in place the most advanced regulatory framework for enable the EU to remain a frontrunner in the clean energy transition.

It will facilitate the necessary investment and help the EU energy sector to become more inter-connected, more market-oriented and more affordable.

I'm delighted to confirm that we have now reached political agreement on the key elements related to reducing greenhouse gas emissions – namely reinforcing energy efficiency, renewable energy and the governance of climate and energy policies. The new governance rules include a provision also for Member States to prepare and report to the Commission their national long-term strategies with a perspective of at least 30 years.

The first proposal of the package – the Energy Performance in Buildings Directive – already entered into force yesterday! We have closed half of the proposals – and I am confident that we can close the remaining ones – relating primarily to electricity market design – by the end of the year, under the Austrian Presidency.

When it comes to our emissions reduction efforts, the deals we concluded last month on Renewables, on Energy Efficiency and on Governance are particularly important. These measures include an EU level binding renewable energy target of 32% and a 32.5% indicative energy efficiency target for 2030.

The combination of these two targets – and the requirement for EU countries to establish the first ever integrated national energy and climate plans defining their contribution to these targets – means that we are in a good position to do even better than 40% greenhouse gas reductions by 2030.

Our initial calculations suggest that the **European Union could consider raising the level of ambition and increase its target from the current 40% to slightly over 45% by 2030**. But this is something that will become clearer in the autumn.

This makes the EU probably one of the first parties to have implemented such detailed legislation on how to achieve our contribution under the Paris agreement.

Let me also take this opportunity to underline that the Commission is not

just addressing climate change in our climate and energy policy initiatives.

In the transport sector, for example, where emissions are still higher today than in 1990, we are well on track to conclude new rules on low carbon mobility. These include new CO₂ standards for cars and light vans, as well as for heavy-duty vehicles. I hope that we can still achieve great progress and adopt these by the end of the year.

In effect, the Commission is already on a path towards mainstreaming climate considerations into as many aspects of policy as possible. We are taking a holistic, fully inclusive, yet ambitious approach. This is also reflected in the presence of several of my colleagues today.

This consistent approach is visible also in the Commission concept for the future EU budget, which was recently published. We have proposed that one quarter of the next EU long-term budget is spent on climate-related action including support to clean energy transition, up from the current 20%. This would mean climate-related spending of around 320 billion euros in the period 2021-2027. This covers all major EU funding programmes, including cohesion, agriculture, infrastructure investment and research and innovation.

And that brings me back to the long-term strategy – and the **third aspect** of my speech today – **how we intend to go about establishing our long-term strategy.**

Let me start by confirming that the document we will present in November will not be a legal proposal. It will not set new binding targets, or already decide to change policy instruments. But it will set out clear milestones to reach our ambition and outline what our margins are and what policy domains will need particular focus in the decades to come.

The Commission has already started work on the economic, social and environmental analysis for this strategy. And this will of course be updated as we go along – for example, by including the results of the forthcoming IPCC Special Report on limiting the global temperature rise to 1.5°C.

One thing is clear: if we want to meet the Paris goals, we will need to look at higher reductions in emissions than is presently the case for the longer term, building on our recently agreed 2030 targets for renewables and energy efficiency.

While our current approach to reduce emissions by at least 80% is compatible with a 2°C objective, our long-term strategy will have to consider more ambitious options in order to achieve 1.5°C. We will look at multiple pathways to achieve a range of ambition levels. Clearly this will include also looking into pathways to net-zero greenhouse gas emissions in 2050.

With the cost of renewables having dropped enormously in recent years – solar panels are more than 80% cheaper to produce than they were 10 years ago – we need to consider the likely developments in terms of technological innovation and economies of scale. The energy sector will be a major vehicle for progress here, but all industrial sectors have scope for major changes.

Industry is seriously looking into how it can decarbonise. Zero-carbon steel, hydrogen-based production processes, sectoral integration, circular economy business concepts are all being developed rapidly. We need to consider how to further push these concepts into the real market. Allow me just to repeat what I said earlier – with these challenges come a wealth of opportunities.

As well as reducing emissions, we must also look at how to absorb emissions in order to get to zero net greenhouse gas emissions. We should not forget that a low carbon economy will need to focus on how land is used – not only to grow our food, land to produce feedstock and biomaterials, but also to produce climate neutral bioenergy and absorb CO₂.

Central to it all, we have to consider the position of citizens – the consumers – us, but also the role that we can play in the process with our own choices.

We are aware that this transition is likely to imply broad societal transformation. We will see changes in the nature of work and the types of jobs available. While overall this will be a positive development, with more local jobs, some sectors and regions will face transition challenges. We need to be willing to identify these and address them, and ensure that no region is left behind.

All in all, as you will have gathered, there is a very broad range of issues for us to consider.

Consultations with stakeholders will be a critical part of the process in order to ensure that we understand all perspectives. And we aim to be as inclusive and transparent as possible in this process.

We have already held a number of meetings and today's conference is the next step in consulting stakeholders at large. And the broad spectrum of interests we see represented today is a sign of just how widely we need to consult.

Looking at the diversity and quality of speakers, looking at the turn out of this large crowd, I am very hopeful it will be an interesting and fruitful event and I already would like to thank you for your attendance.

I can also announce today that we will be opening a public consultation early next week. It will have a large set of questions addressing the type of issues we will be discussing in the next two days. It will run for 12 weeks, and I would encourage all of you to contribute actively in this consultation.

We will also be organising a range of other activities and more targeted consultations in the coming months, with a view to having substantial input from all sides.

The publication of the Commission proposal in November will stimulate further debate within the EU – with active input from the Council and the European Parliament expected in the course of 2019.

Such a process will also factor in the contributions that Member States will put forward in their integrated Energy and Climate Plans.

To conclude, I would like to emphasize the need for the EU to be clear on our long-term planning. It is of utmost importance to guide the investments into the low-carbon future and to spur research and innovation into a modern, clean and competitive economy. And to show leadership on the global stage. We are putting forward an inclusive process for preparing the forthcoming long-term strategy.

And so my **main message** to you today is that the European Commission is ready for this challenge – but we need your input for our preparations. We are listening.