

# Speech by Vice-President Šefčovič at the CEPS 2019 Low-Carbon Economy Forum on Industrial Implications of EU and Global Climate change policy

I am delighted to open the CEPS Low Carbon Economy Forum for 2019.

I recall that I was very proud to open the CEPS Energy Climate House at the start of the mandate, back in 2015.

It seems that time has been flying and that a lot has been achieved in the meantime.

The CEPS Energy Climate House has become a reference point for lateral and interdisciplinary thinking on: the energy transition, climate, mobility, finance and the circular economy

Well done!

It would be tempting at this juncture, before a new institutional cycle, to start listing the progress made in five years on the Energy Union.

We were the first major economy to put in place a legal framework to deliver on our pledges under the Paris Agreement.

We have set ambitious targets for attainment in 2030 for greenhouse gas emissions reduction, renewable energy and energy efficiency as well as emissions standards for cars, vans and heavy-duty vehicles, to name but a few.

This – and other Energy Union achievements – is well captured in CEPS end-of-term assessment (“What comes after the last chance Commission?”). So thank you for your positive analysis.

Moreover, I understand **today is about the future**. The future of our industry and the future of our planet. The two go hand in hand.

And we have only **started to really integrate climate, energy, industrial and social policy** (let’s not forget this last dimension)

This to me is the biggest challenge lying ahead of us.

Recently I have been discussing these strategic issues bilaterally, with Chinese and American Presidents.

It will not come as a surprise if I tell you that they do not see us only as partners but also – and clearly – as competitors.

With this in mind, **pressure is mounting for Europe to equip itself with all the attributes of strategic leadership.**

The key question that we ought to ask ourselves is **how do we make sure that the 21<sup>st</sup> century is European?** Not Chinese. Not American. But European!

I am convinced this is within our reach.

We are living in times of profound changes: **huge geopolitical strains and an unfolding industrial revolution** that embraces the energy-digital-transport nexus, with a very deep environmental and social transformation that needs mitigation.

So, how do we make the most of this profound shift?

I would like to cover **four challenges:**

- **Raw materials and circularity**
- Building **strategic value chains in Europe** with the example of the European Battery Alliance
- Our **long-term vision and ambition 2050**
- The **Governance** with the national energy and climate plans

### **The governance / National Energy and Climate Plans**

Today we have adopted our **recommendations on the draft integrated national energy and climate plans.**

**All Member States have submitted their draft plans,** covering all dimensions of the Energy Union. This by itself is a **first success.**

Another success is that **we are heading in the right direction.** Significant efforts have been made by the Member States.

The plans are key to **ensure we collectively fulfil our 2030 Climate and Energy objectives.**

But these plans – once finalised – will also **provide our businesses and financial sector with the necessary clarity and predictably to spur investment** across Europe.

Finally, these national plans will help Member States **give direction to the funding under the next MFF 2021-2027.**

Our **25% climate mainstreaming** in the next MFF will further support this effort.

**More work is needed,** however, by and with the Member States, notably on: individual ambitions, cross-border cooperation, link between climate policy and with air quality, greater focus on investment, competitiveness and social fairness.

Member States will now spend the next six months finalising the plans.

This process will involve all segments of society. It is a **co-creation exercise** which should allow stakeholders to **take real ownership**, from the ground.

I invite you to participate fully.

### **The 2050 strategy and investment needs**

There is a **strong link between the 2030 plans and our mid-century strategy** (more than half of the draft plans include 2050 objectives or visions, including climate neutrality and legally binding targets).

As you know, at the end of last year proposed this strategic long-term vision for an EU competitive and **climate neutral economy by 2050**.

I am **confident that the leaders will go for a net-zero greenhouse gas emission** by half of this century.

This should allow the EU to adopt an ambitious strategy by early 2020, in line with the Paris agreement.

And hence, continue to be a **frontrunner in the fight against climate change**.

That means **investing massively** in future mobility, buildings, energy system and key storage technologies such as batteries and hydrogen (indispensable for sector coupling).

The scale and speed of investment needed mean **“business-as-usual” is no longer an option**.

The IPCC had estimated that **to limit global warming to 1.5°C** (above pre-industrial), we would **need around 2.4 trillion dollars annual investment** in the energy system (between 2016 and 2035, representing about 2.5% of the world GDP).

We estimated that EU would need more than **500 billion euros investment annually to achieve climate neutrality by 2050**.

As has been confirmed in our discussion with investors, **the main barrier** to investment is however not the availability of funding. Rather it is the **marketability and scalability of innovations**.

### **European Battery Alliance or building up strategic value chains**

This is the reason why we have created the **EU Battery Alliance**.

A lot of money is being spent into research but until now, **we had no active market uptake policy**. And we have seen where that has led us with PVs.

So we decided to work with **the entire value chain** to convert our research into **bankable solutions** and **ramp up production**.

With all **actors (260) and value chain segments on board**: from raw material extraction and mining, to chemicals, battery cells production, packs,

software engineering, car manufacturing, utilities, and re-use/recycling.

The battery and software represent between 6 and 80% of the value of the car. This has a **knock-on effect** on the whole value chain.

As a result of the EU Battery Alliance: The industry has announced **significant investment** throughout the supply chain (InnoEnergy estimates 100 billion euros) and **innovation-driven consortia are taking off**.

We are financially **supporting them with the EIB** (Northvolt) and **Member States money** (IPCEI: we can expect the first notification by summer).

We are **blending our instruments** to that effect, working with **regions** to deploy world-class ecosystem (through smart specialisation partnership) and **with private investors** through newly established platforms (InnoEnergy).

We have embarked on **innovative financing** to help de-risk private investment. We launched a joint public-private fund – **the Breakthrough Energy Venture Europe** – with Bill Gates and his coalition of investors. To accelerate cutting-edge innovation in the clean energy transition.

In the **next MFF**, we will continue to support the entire innovation cycle through a combination of Innovation fund, EUInvest and Horizon Europe.

We are developing the **regulatory framework** and **standards** based on **“sustainability requirements”**. This underpins our competitive advantage in “green batteries”, “made in Europe”.

Our **EU market is a springboard** for our global export ambitions.

To summarise, it is not only about developing know-how and new technologies. It is about **innovating in the way we bring them to scale the market**.

In other words, it is about **boosting scalability in innovative solutions, with sustainability** at its core.

For all those reasons, we consider that the **European Battery Alliance can constitute a perfect test case** for our new **industrial policy** (under preparation).

We are now looking to expand this approach **to other strategic value chains** – ranging from: hydrogen and other storage technologies, AI, performance computing, IoT, cybersecurity, to 5G, space technologies, 3D (metal), smart health.

### **The circular economy and access to raw materials**

Another lesson from the European Battery Alliance is that we **must tackle at once the carbon and the material footprint**.

**Three drivers** account for expected doubling of raw materials demand by 2050

– Population increase

- Urbanisation
- Last but not least, decarbonisation.

Let's face it. there is a huge **risk** that we end up **replacing our important dependency on fossil fuels by one on (non-energy) raw materials**.

We currently produce a single-digit percentage (between 1-8%) of the world levels for cobalt, natural graphites, lithium and rare earths.

These are indispensable for e-mobility (rare earths), renewable energy technologies, batteries (lithium, cobalt, graphite), information technology (rare earths). And in many cases we have no refining capacity (e.g. for lithium). Unless we invest.

Meanwhile, we are **witnessing China capturing third market sourcing, in addition to exploiting its own**, moving up in the value chain and possibly resulting into new dependencies.

Should we sit idle?

We need to **invest strategically** into both primary (exploration, extraction and refining) and secondary raw materials (recycling).

We need to **work with industrial and financing actors** to help build the business case. I started discussing this last week with the EIB Board. The feedback was positive. Other international banks (the EBRD, the World Bank) are also moving.

I hope to take this into the next European Commission, as we are preparing the review of our critical raw materials list.

Raw materials also need to be an integral part of our discussion with our commercial partners.

## **In conclusion**

We are now preparing our **long-term vision on the future of industry** as asked by the European Council. It should be aligned with our 2050 carbon neutral vision.

Our regulatory framework, our strategic value chains, sustainable financing taxonomy (adopted today), our world-class regional innovation ecosystem (boosted through smart specialisation), our start ups accelerators (EIT KICs), our new investment instruments (Breakthrough Energy Venture – Europe), new “moon-shot missions” for Horizon Europe and our and partnerships (under Horizon Europe) will all contribute to this exercise.

We need our concerted action to cover not only energy, climate, mobility, agriculture, industry, innovation but also trade, competition, regional and social policy.

If the European Battery Alliance has told us one thing it is that **top-down**

**approach does not work.** We need to understand from the industry, the innovators, the financiers, the people on the ground what is needed to accelerate this transition and mitigate its impact.

This is also what we have **done in the coal regions in transition**, working in partnership with stakeholders and people on the ground to support well rounded strategies and develop pipelines of robust projects.

This outreach (or partnership approach) should be extended to all **the regions and communities which are currently struggling to harness the benefits of globalisation** and technological change, e.g. energy-intensive sectors, de-industrialised regions / rural areas.

I am convinced that we have all it takes to establish a **strong competitive position globally** in sustainable value chains.

And that we can lead this “just transition”, i.e. leaving no one behind, **to build a “new sustainable economy for all”**.

That should be a great part of our programme for the next Commission.

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## **EIF and aws extend guarantee agreement to provide additional financing for SMEs in Austria**

Under the agreement, aws offers guarantees, backed by EU counter-guarantees, for bank loans (including working capital loans) and for leasing and other debt financing. It is expected that the extension and increase of the agreement will provide additional financing of more than €160 million at favorable conditions to over 2,000 SMEs in Austria.

European Commission Vice-President Jyrki Katainen, responsible for Jobs, Growth, Investment and Competitiveness, said: “Small and medium sized businesses in Austria have made good use of the opportunities already available from aws under the EU’s COSME programme, and due to increasing demand, we are now extending the available envelope. Thanks to today’s agreement which benefits from the EU budget guarantee, a further 2,000 SMEs in Austria will be able to gain access to €160 million worth of loans to support their business development.”

EIF Chief Investment Officer Alessandro Tappi commented: “I am delighted about the extension and the increase of the agreement with aws. In times when access to finance remains an important hurdle for small business, this cooperation is a clear testimony of EIF’s and EU’s strong commitment to support these companies, because they are the backbone of the European

economy.” And he added: “Given the guarantee activity of aws over the last years, I expect that the increased amount will be fully utilised within the availability period”.

Austrian Federal Minister for Digital and Economic Affairs Elisabeth Udolf-Strobel, emphasised: “In a challenging economic environment, it is our goal to support Austrian SME. With this new extension agreement, aws can increase its guarantee volumes and reduce its guarantee fees. This will be of benefit to domestic SMEs and will upscale their competitiveness”.

aws Managing Director Bernhard Sagmeister underlined: “aws as the Austrian national promotional bank, has a long-standing relationship with EIF since 1998. It started with the guarantee business and was also extended to equity initiatives. For aws it is of special importance to enhance our instruments through the combination with European funds and to develop new initiatives jointly. We are pleased to further intensify our cooperation with the EIB group”.

## **Background information:**

### **About EIF**

The European Investment Fund (EIF) is part of the European Investment Bank group. Its central mission is to support Europe’s micro, small and medium-sized businesses (SMEs) by helping them to access finance. EIF designs and develops venture and growth capital, guarantees and microfinance instruments, which specifically target this market segment. In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. More information on EIF’s work under the EFSI is available [here](#).

### **About aws**

Austria Wirtschaftsservice GmbH (aws) is the Austrian government promotional bank. aws offers Austrian companies financial assistance in the form of loans, guarantees, grants and equity as well as consultancy services from the start-up to expansion phase. SMEs wishing to apply for finance under the COSME programme can directly contact aws under the following website: <https://www.aws.at/en/>

### **About COSME**

COSME is the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (SMEs) running from 2014 to 2020 with a total budget of €2.3 billion. At least 60% of the programme will be devoted to easing access to finance for SMEs in Europe, with two financial instruments. The COSME Loan Guarantee Facility supports guarantees and counter-guarantees to financial institutions to help them provide more loans and lease finance to SMEs. This facility also includes securitisation of SME debt finance portfolios. The COSME programme also invests through the COSME Equity Facility for Growth in equity funds that provide risk capital to SMEs mainly in the expansion and growth stages.

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## Declaration by the High Representative on behalf of the EU on the situation in Venezuela

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## ESMA updates the CSDR Q&As

The updated Q&As provide answers to questions regarding practical issues on the implementation of the new CSDR regime. The latest batch of CSDR Q&As clarify aspects regarding the process applicable to the provision of notary or central maintenance services in other Member States, passporting procedure. The updated Q&As:

- Clarifies the interaction between the main authorisation procedure (CSDR Art 17) and the passporting procedure (CSDR Art 23(2)), and the benefit of the grandfathering rule for notary and central maintenance services provided on a cross-border basis prior to the authorisation of the CSD;
- Details what should be considered as a change in the range of services provided on a cross-border basis (provision of new core service or provision of same service in respect of a new type of financial instrument);
- Clarifies how “where relevant” used in Article 23(3)(e) of CSDR should be understood: whenever there are requirements under the national law of



the host Member State that the CSD has determined as being relevant for the users of each cross-border service it provides or intends to provide; and

- Addresses the process to be followed in case a host Member State authority disapproves the assessment of the measures proposed by the CSD to comply with the law of that host Member State.

Q&As are an important tool to promote common supervisory approaches and practices in the application of CSDR. This document is aimed at national competent authorities under the Regulation to ensure that, in their supervisory activities, their actions are converging along the lines of the responses adopted by ESMA. It should also help investors and other market participants by providing clarity on CSDR requirements.

## Background

The aim of CSDR is to harmonise certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for CSDs operating securities settlement systems across the EU. ESMA will continue to develop Q&As on the CSDR in the coming months and will review and update them where required.

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## [EU and World Health Organisation team up to boost access to health services in developing countries](#)

The EU will sign a €102 million contribution agreement with the World Health Organisation (WHO) at the European Development Days in Brussels today. The EU will invest in building health care systems to provide quality services in more than 80 African, Caribbean, Pacific, and Asian countries.

The “Health Systems Strengthening for Universal Health Coverage Partnership Programme” launched today will benefit in a longer term from an EU overall contribution of €118 million out of a total budget of €123 million. The EU contribution will strengthen the WHO cooperation with governments and country stakeholders to build health care systems that provide quality health services to everyone.

Commissioner for International Cooperation and Development, Neven **Mimica** said: *“With this contribution of €102 million we want to give a real boost to the ambitious goal of Universal Health Coverage for all by 2030. This initiative confirms the leading role of the European Union in putting these universal principles into practice and strengthening our partnership with the World Health Organisation”.*

*"WHO has no higher priority than universal health coverage," said Dr Tedros Adhanom Ghebreyesus, WHO Director General. "It not only improves health, it also helps to reduce poverty, drive inclusive economic growth and advance gender equality. I thank the European Union for its generous financial support for advancing Universal Health Coverage around the world through the EU-WHO UHC Partnership. I look forward to our continued partnership, and to even greater results."*

The EU's today financial contribution will:

- Help the WHO to strengthen national and regional capacities as regards key health system components, as well as governance, strategic planning and policy dialogue in this area;
- Facilitate the access to medicines and health products;
- Improve the health workforce, health financing, information about health and healthy lifestyles, and service delivery.

In addition, this programme will pay particular attention to addressing non-communicable diseases, which constitute an increasing health threat and a major global concern.

The new programme launched today builds upon the existing and highly successful EU flagship programme with the WHO, [the 'UHC Partnership'](#), which had started in 2011 and has since been joined and co-financed by Luxemburg, Ireland, France, Japan, and recently the United Kingdom and South Korea.

## **Background**

The EU pursues a [rights-based approach to health](#), by supporting countries to design policies that maximise health benefits through the equitable treatment of all citizens.

The EU spends €1.3 billion in 17 bilateral health programmes and another €1.3 billion through Global Initiatives such as the Global Fund, GAVI, the Global Financing Facility, UNFPA supplies, and the WHO in the current financial framework (2014-2020).

During the 2013-2017 period, EU-funded interventions contributed to measurable improvements in quality primary health care. For example, thanks to skilled health personnel, EU funded interventions have supported more than 19 million births. Also, through EU funds more than 13 million children have been fully immunised, more than 57 million women could access contraception, 11 million people have access to life-saving treatment for HIV, and 600 million insecticide-treated bed nets were distributed.

In 2011 the EU and WHO embarked on an ambitious journey together, the UHC Partnership Programme. This programme has enabled both the EU and WHO to work much closer together at international level and at country level (between EU Delegations and WHO country offices), which led to efficiency gains for the respective country based programmes and proved to be a convincing business case for the WHO. In addition, EU-WHO partnership re-enforced the concept of strengthening health systems, especially at primary health care level, as one

of the globally recognised drivers in the effort to achieve universal health coverage and thus the Sustainable Development Goal 3: “Ensure healthy lives and wellbeing at all ages”.

**For more information**

[EU contribution to global health](#)

[European Development Days](#)