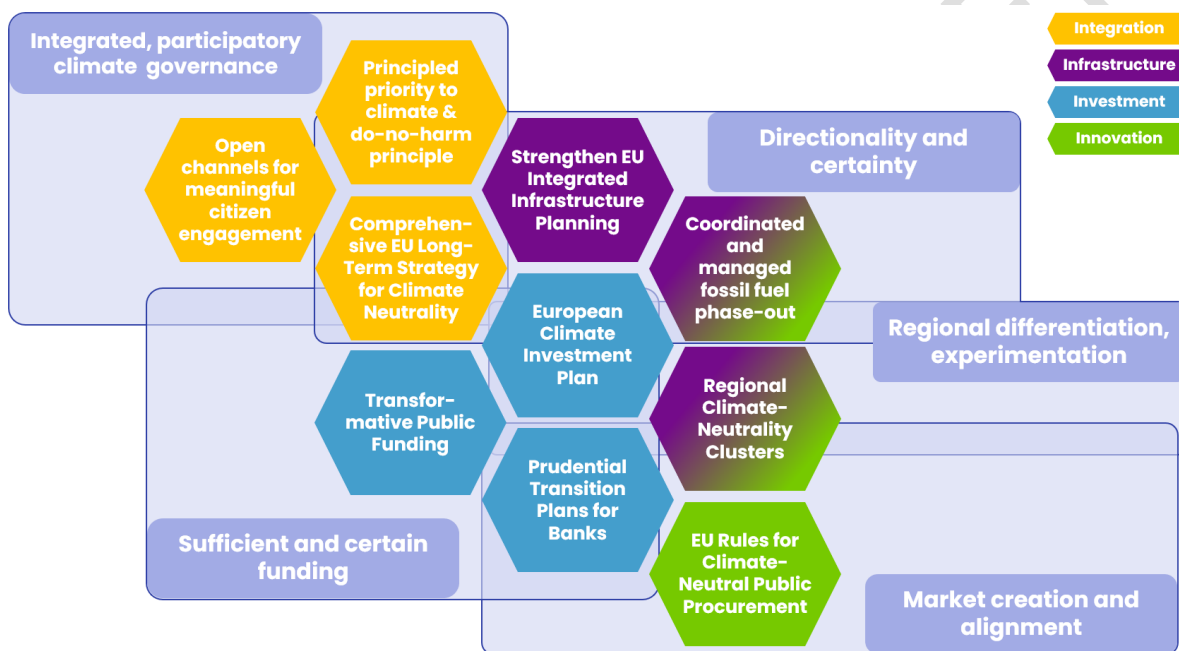


# Towards Transformative EU Climate Policy

## In Brief: the 4i-TRACTION Recommendations for Transformative Climate Policy in the EU

### UNPUBLISHED DRAFT

The following section presents 10 recommendations on how the EU should address the transformation gaps in the field of integration, infrastructure, investment and innovation, while responding to the different needs of transformative governance.



### 1. Give climate principled priority and avoid policies that significantly harm climate objectives

Climate policy integration (CPI) is crucial to prevent climate action from being treated as an isolated issue, but instead to foster the necessary consideration in and coordination across all sectors and policy areas. To ensure a whole-of-government approach towards the climate-neutrality transition, CPI should be further developed and strengthened by developing related provisions in the European Climate Law and Governance Regulation, including procedural and institutional improvements. The key recommendations here are to:

- Give principled priority to climate policy in EU policy-making and implementation. Strengthen institutional coordination and ensure climate policy expertise in all relevant bodies and processes. Make CPI a requirement in regulatory fitness-checks.

- Further develop the Do No Significant Harm-principle so as to minimise inconsistency and maximise coherence between climate and other policy objectives.
- Take steps to strengthen public support for the climate transformation and stronger CPI by enhancing EU procedural climate governance and safeguards, such as public participation, access to information and role of independent scientific advice.

## 2. Open channels for meaningful citizen engagement

Broad societal ownership and support are crucial for enabling the climate transition across the EU (and beyond). The upcoming review and revision of the EU's Governance Regulation (and European Climate Law) provide a unique opportunity for a quantum leap towards firmly anchoring such ownership and support and bringing related EU policy in line with the Aarhus Convention. The EU should fully exploit this opportunity by:

- Establishing high standards and a comprehensive approach to public participation in EU climate governance in a dedicated section on public participation in the Governance Regulation; and
- Enhancing accountability to citizens by ensuring general and consistent access to justice in climate-related matters across the EU.

## 3. A Comprehensive EU Long-Term Strategy for Climate Neutrality

Planning plays a key role in the transition towards climate neutrality. Through planning, policymakers are able to identify and evaluate policy options and their impacts, and solicit independent scientific advice and public input. A long-term economy-wide climate strategy also serves as input to a variety of sectoral and thematic strategies and provides a crucial coordination function across different dossiers. There is currently no requirement at the EU-level to update the Union-wide Long-term Climate Strategy, or to prepare a new strategy – only Member States have this obligation for their national strategies.

- An EU-level long-term strategy for climate neutrality (LTS) should be prepared at 10-year intervals and updated every five years. The requirement should be included in the Governance Regulation.
- The preparation of the EU-level LTS should be informed by the latest science, including advice by the European Scientific Advisory Board on Climate Change (ESABCC). The preparatory process of the EU-level LTS should also be transparent and inclusive.
- The EU LTS should assess mitigation options for all sectors and seek to ensure climate policy integration. It should assess innovation, investment and infrastructure needs, and consider social aspects of a just transition and the objective of 'leaving no one behind.' It should be connected to other relevant planning processes and be combined with an adequate transition monitoring system.

#### 4. Strengthen EU Integrated Infrastructure Planning

Transforming the EU's infrastructure to match the needs of a climate-neutral energy and transport system requires very significant efforts and investments. To ensure that the infrastructure is expanded and adapted quickly enough to facilitate the necessary CO<sub>2</sub>-mitigation efforts in both energy supply and demand throughout the EU, we recommend the following:

- Building on existing EU-coordination programmes and institutions, the EU should take a stronger role in ensuring the necessary transnational infrastructure is planned and implemented.
- Develop an EU Integrated Infrastructure Plan that aligns with the EU's climate goals and long-term strategy.
- Strengthen EU governance by designating infrastructure as one of the key dimensions of the EU climate and energy Governance Regulation. Strengthen and expand infrastructure-related planning requirements in NECPs and LTSs.
- Initially, EU infrastructure policy should focus on expanding electricity infrastructure. Interoperability should support the electrification of end uses and their expansion.

#### 5. Coordinated and managed fossil fuel phase-out

Establish the phase-out of fossil technologies and value chains as a distinct element of climate policy, including through the following elements:

- Anchor timelines and end dates for fossil-based technologies in relevant EU legislation (such as gas boilers in buildings and industrial heat, blast furnace steelmaking)
- Plan the decommissioning or repurposing of the infrastructure that supports fossil-based technologies, such as gas grids, also considering social aspects.
- Agree to end all public funding for fossil assets and infrastructure.

#### 6. Regional Clusters for Climate Neutrality Innovation

Regional climate neutrality clusters should spearhead the transformation to climate neutrality: particularly to align innovation support, infrastructure deployment and finance based on regional transformation strategies, to then scale up solutions.

- Embrace and capitalise the diversity in approaches - provide room for experimentation and specifically use local clusters to test strategies through which technology development and the reconfiguration of value chains co-evolve with the deployment of supporting infrastructure, an enabling regulatory framework and emerging business models.
- Include a clustering element in EU Missions calls, allowing regional clusters to apply for EU level funding that supports their regional transformation.

- Monitor the dynamics of different clusters to facilitate learning from successes and failures, avoid both over-emphasis of particular technologies but also neglect of other options, and to ensure cluster dynamics are aligned with the EU long-term strategy.
- Develop a governance structure to oversee the emergence of different clusters - while cluster definition is primarily a bottom-up process, this can be complemented with oversight elements to ensure coordination with infrastructure policies and EU funding instruments.

## 7. Transformative public funding

The EU already has an extensive and complex funding landscape at its disposal to provide public funding for the transition. To ensure that a shortage of public funding does not obstruct the transition, the EU should:

- Increase the quantity of public funding. Higher interest rates, changing political priorities, and the phase-out of Next Generation EU threaten to reduce public funding for the transition. However, our research suggests that more rather than less public funding is needed, especially in a period in which the transition could face pushback by actors that feel that they carry a disproportional share of the burden. To avoid thinking in terms of net contributors and net beneficiaries these funds would ideally be generated by the EU's own resources, e.g., EU ETS auction revenues.
- Improve the distribution between centralised EU-level and decentralised funding. Member states should consider whether EU-level systems could deploy funds more effectively for aims relating to issues that transcend national borders, e.g., Horizon Europe. Meanwhile, building on the example of the EU Hydrogen Bank, the EU should also make it easier for member states to do this.

## 8. A European Climate Investment Plan to close the climate investment deficit

Significant additional investments are needed if the EU wants to reach its climate objective. An EU climate investment plan can be a solution to close the climate investment deficit at EU level. This EU climate investment plan should:

- Be aligned with the EU long-term strategy (LTS) (see recommendation 3) and must describe how it intends to finance its investment needs.
- Explain how much EU-level funding should be mobilized and how (see recommendation 7). The EU climate investment plan should explain how the different EU funds (such as the Innovation, Horizon Europe, the Recovery and Resilience Facility, the Connecting Europe Facility, the Just transition fund, etc) will finance which part of the EU climate investment and for how long.
- Explain how much money is expected to come from national public budget at Member States level, and even local level and through which instruments (equity, loans, subsidies, etc).
- Align subsidies, taxation and fiscal policies with EU climate objectives, in order to provide a clear price signal for private investments. (to be elaborated)

## 9. EU Rules for Climate-Neutral Public Procurement

Public procurement in the EU does not systematically consider climate effects, although public demand for emission-intensive good is large. To harness the strategic potential of public demand for climate action, the EU should:

- Revise EU Public Procurement Directives to introduce a general obligation for procuring authorities to take environmental considerations into account;
- Introduce provisions in sectoral legislation to create demand for strategic low-emission products, such as steel and cement.
- Improve the enabling conditions by providing common standards for calculating life-cycle-costs or product environmental footprints, better guidance, and training for procuring authorities, and establishing enhanced monitoring systems.

## 10. Prudential Transition Plans for Banks

The European Banking Authority (EBA) should introduce clear guidelines on prudential transition plans for EU banks to align their investment and lending practices with the Union's climate goals.

- These guidelines should require banks to develop detailed, actionable strategies for decarbonization, setting scientifically credible targets for 2050 and intermediate milestones, tailored by sector.
- The plans should be verified by banking supervisors and their implementation monitored. If implementation proved to be deficient, banking supervisors should prescribe corrective action e.g. through requesting an evolution in the governance and the risk management, prescribing trainings or setting concentration limits that prevent excessive investment in any single sector.