

The background of the entire page is a photograph of the European Union flag, featuring a blue field with twelve yellow stars arranged in a circle. The flag is shown waving, with folds and ripples in the fabric, set against a clear blue sky.

**POSITION PAPER**

# **Climate action is essential for competitiveness**

**Demands by German business leaders for the new EU Commission**

## Key Messages

### The next EU Commission must:

- Ensure reliable climate targets
- Provide sustainable energy at internationally competitive prices
- Strengthen domestic industry
- Secure financing for the transition
- Streamline reporting obligations
- Boost the availability of skilled workers
- Strengthen the EU's global role

As an alliance of German business leaders who advocate ambitious climate policy, we support the climate targets of the European Green Deal. Europe will only remain a strong business location with a successful transition to climate neutrality. The companies that belong to the German CEO Alliance for Climate and Economy have therefore established ambitious emission-reduction targets and are investing in sustainable products and production methods.

The EU must stay committed to implementing the European Green Deal. To this end, we call on the new EU Commission to swiftly establish the political framework that provides companies with a business case to pursue sustainable transformation. Companies must be able to profitably adopt climate-friendly production processes. Currently, too many hurdles exist because of uncertain conditions for investment, excessively high energy prices in comparison to other world regions, a lack of sufficient infrastructure for sustainable energy, labour supply bottlenecks, and impractical regulations. They put Europe at risk of losing the global green race.

To promote a resilient and competitive economy, the new EU Commission should set the following priorities:

## Ensure reliable climate targets

Regulatory stability is essential for companies to make long-term investments. We call on the EU Commission to take the following action:

- Rapidly present a legislative proposal for an **EU climate target for 2040 as a milestone** on the path to climate neutrality by 2050. The draft legislation should set forth accompanying policy measures that allow the 2040 target to be met.

## Provide sustainable energy at internationally competitive prices

The transformation of the economy is being slowed down because not enough renewable electricity and hydrogen are available at internationally competitive prices. Europe lacks necessary infrastructure for the transport of electricity, hydrogen, and CO<sub>2</sub>. We call on the EU Commission to take the following action:

- Accelerate the **expansion of renewable energy generation**.
- Improve the integration of the **European electricity market**. The EU Commission should support the rapid development of infrastructure for the **cross-border transport** of electricity, hydrogen, and CO<sub>2</sub>. It is necessary to guarantee a distribution of network charges as well as investment costs and risks of infrastructure expansion that is geared towards the success of climate neutrality. It must ensure the competitiveness of the economy.
- The **rapid development of green hydrogen** is essential for the decarbonization of energy-intensive industrial sectors as well as the ramp-up of sustainable fuels for aviation and maritime shipping. The EU Commission should develop pragmatic regulations that prioritize green hydrogen but which also allow for the use of blue hydrogen, when green hydrogen supplies are lacking. International strategic partnerships must also be established to accelerate the expansion of green hydrogen.

## Strengthen domestic industry

The US and China are making major investments in key industrial sectors as part of broader state-guided industrial policy. The responsive measures taken by the EU are not sufficient to ensure Europe's economic competitiveness. We call on the EU Commission to take the following action:

- **The Green Deal must be complemented by an Industrial Deal.** This includes a new EU industrial strategy. The strategy must further develop the Green Deal and support the decarbonisation of existing industry and the development of net-zero technologies.
- **Secure domestic value chains and necessary production capacities** for the transformation. This ensures greater resilience of the European economy. Consumption from European value creation must be incentivised through public procurement without slowing down the energy transition. Attractive electricity pricing also helps to secure sales.
- Establish **green lead markets** that enable the market ramp-up of climate-friendly technologies and circular solutions. They must be based on EU-wide sustainability standards as well as a certification systems for climate-friendly materials. Public procurement should lead by example, while avoiding excessive bureaucratization, as this could impede transformation.

## Secure financing for the transition

Additional investment of more than €620 billion per year is required to achieve EU climate targets. A large share of this investment volume must be covered by the private sector. Targeted policy action is needed, including in particular to overcome the fragmentation of capital markets and to improve the European framework for sustainable finance. We call on the EU Commission to take the following action:

- Complete the **European Capital Markets Union**. An important prerequisite for the cross-border integration of financial markets is the harmonization of contract and insolvency law across the EU. The tax conditions for cross-border investment also need to be improved as well as the ability of small and medium-sized enterprises (SMEs) to access capital market financing.
- Further develop the **EU Sustainable Finance Framework** to allow transformational corporate investments to be recognized as sustainable. A transition category should be added to the Sustainable Finance Disclosure Regulation (SFDR).
- The **EU budget for 2028-2034 must prioritise the transition**. EU policymakers should allocate sufficient funding to infrastructure development and to the scale-up of green solutions where no business case yet exists. An **EU infrastructure fund** can reduce the network charges by helping to finance cross-border grid expansion. **A dedicated transformation fund for industry** is needed which supports both investment and operating costs (e.g. through Carbon Contracts for Difference). Revenues from European emissions trading should be used in part to support the decarbonization of energy-intensive industries.

## Streamline reporting obligations

Sustainability reporting fulfils an important purpose, as it ensures transparency regarding corporate progress in reducing carbon footprints. However, it is important to ensure that reporting obligations do not become excessively burdensome for companies. We call on the EU Commission to take the following action:

- Standardize and streamline **the reporting and due diligence obligations** and reduce them, where appropriate
- Enhance **digital solutions**, which can ease the collection of necessary data.



## Boost the availability of skilled workers

The transformation towards climate neutrality is jeopardized by labour bottlenecks. Europe is suffering from a shortage of skilled workers, especially in the growth industries of the future. We call on the EU Commission to take the following action:

- Ease the recognition of **foreign degrees and qualifications** and provide additional support for **reskilling and upskilling programmes**.
- Ensure the **cross-border mobility** of workers. **Skilled workers should be recruited from abroad in a targeted manner** and quickly integrated into the labour market.

## Develop new international economic partnerships

The restructuring of the economy also depends on how the EU sets up its trade relations and partnerships with third countries. We call on the EU Commission to take the following action:

- Ensure a **level playing field** in international markets in order to protect the ability of EU companies to compete with foreign rivals. International carbon pricing is a key instrument for fair international competition. Europe should also strive to set up lead markets for green products at the international level.
- **New international economic partnerships** must be established to diversify Europe's imports of (critical) raw materials, green energy and climate-friendly technologies, and to support the development of climate-neutral economies across the globe.
- Prior to COP 30 in Brazil, the EU must submit a **revised Nationally Determined Contribution (NDC)** that is aligned with the EU's emissions target for 2040.

## IMPRINT

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### **About the German CEO Alliance for Climate and Economy**

The German CEO Alliance for Climate and Economy is an initiative of German business leaders who are dedicated to ensuring fulfilment of German and European climate targets.

