

Our position

EU Climate Law: Forging Europe's green future

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3 trillion in 2019, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

Executive summary

AmCham EU member companies are keen to support the establishment of a well-designed framework that fosters the development of efficient and cost-effective solutions to achieve the EU's goal of climate neutrality. We are already researching, developing and investing in technologies that will be instrumental in reaching this overarching ambition. This paper illustrates AmCham EU's willingness to inform the policy debate, particularly on key aspects such as the definition of climate neutrality at EU level. As our members work to understand the possible impact of EU climate neutrality on their business strategies, some areas of the law remain unclear. We hope that as the process evolves the needs and wants will become clearer, so that expectations can be met efficiently.

A meaningful and shared ambition

For climate neutrality to be reached by 2050, the EU industrial strategy will need to be refocused to unlock large-scale investments, supporting mechanisms and enabling conditions. Such a strategy should provide a coherent policy framework supporting the business case to invest in the early stage, pre-commercial technologies needed to deliver these ambitious objectives. In this context, AmCham EU supports an economy-wide approach that offers flexible, market-based efficient and cost-effective solutions. To ensure a proper translation of EU climate neutrality goals into business strategies, the following aspects need to be debated thoroughly at EU level to formulate concrete approaches:

- **Achievability:** The objective of net zero emissions by 2050 was not addressed by the 2018 analysis in terms of its achievability and effectiveness compared to alternative objectives. A full Impact Assessment is necessary to evaluate the achievability of the overall emission reduction target by 2050 and to assess all policy options. It is critical that policymakers ensure that the costs, benefits and potential trade-offs of policy options are transparent, clearly communicated and understood by the public.
- **Clarity on the ambition:** The proposed law remains vague on the exact definition of neutrality and therefore the related level of constraint. For instance, article 2 refers to natural carbon sinks, without a clear definition. Additionally, it does not address whether the EU would consider artificial sinks as acceptable options and overlooks the off-setting schemes, voluntary and regulatory, that are essential for sectors facing technological barriers to CO₂ abatement.
- **Transparency on progress assessment and the trajectory:** Targets alone cannot unlock investment if they are not underpinned by a robust measurement, reporting and verification process. The law refers to the EU taxonomy as a benchmark to assess national progress reports, however it is unclear whether this will be used to assess if Member States are on the right trajectory. The trajectory per se is expected to be defined by delegated acts which raises legal questions. Should this approach be reconsidered and requirements included under the basic act, a review clause that includes an adequate stakeholder consultation process may be needed.
- **Accountability and enforceability:** The Clean Energy Package already established that Member States are no longer accountable for national targets for the 2030 objective and their individual performance is assessed against the EU trajectory with a 'comply or explain' principle. The Climate Law seems to adopt a similar approach. As a result, the actual level of constraint remains uncertain.

An enabling and coherent policy framework: the road to 2030 and beyond

Guiding principles to define the broader policy framework

- **A global approach:** The EU's work on international cooperation on carbon markets should remain a priority, as well as the ongoing negotiations of Article 6 of the Paris Agreement. Addressing climate change requires commitment from emitters' worldwide, as well as global cooperation among countries and regions. Internationally linked carbon pricing increases international ambition, while maintaining economic competitiveness and avoiding emissions leakage.
- **The importance of carbon pricing:** AmCham EU is supportive of carbon pricing as the most effective and efficient policy solution to reduce emissions. We consider that the legitimate debate on the establishment of an economy-wide system needs to be reinforced by a thorough impact assessment on how to develop a meaningful approach for the different sectors therein.
- **Level playing field:** We welcome the fact that the EU's 2030 and 2050 greenhouse gas reduction goals target emissions rather than specific fuels or technologies. Implementation of these goals should be transparent, efficient and measured in common units ie euro/tonne, to allow all industries to play a role in the transition.
- **A transparent, science-based approach:** Transparency is a prerequisite for data-driven policymaking and is essential to create the most efficient and effective solutions to address climate change. As mentioned above, the EU's climate neutrality goal should be subject to a thorough Impact Assessment that takes into account the state-of-art of technology as well as the availability of economically viable solutions and necessary infrastructures on the market. This should be conducted transparently, include a robust cost-benefit analysis and should be scientifically based, with results communicated clearly to the public. Stakeholder input across all industries will ensure a practical pathway for implementation and avoid unintended consequences and inefficiencies. Any additional Delegated Acts and enabling policies should also follow this approach.
- **A stable and predictable investment climate:** EU climate policy should provide a predictable investment climate and security for investors whose business plans are based on long-term investment cycles. The implementation of any new climate targets should take into account the long-term business models of industry players and the R&D timeframes for required breakthrough technologies. The IPCC states¹ that such technologies must reach commercialisation at scale to address climate change, including negative emissions technologies.

Enabling levers

- **Abundant access to climate-friendly energy and feedstock's at affordable prices.** The transition to more climate friendly energy solutions will require lower-carbon energy solutions and switching to alternative feedstock sources, including through the deployment of an adequate system of incentives for suppliers. Significant investments will have to be made in Europe to meet industry's need for large quantities such energy generation. To complement increased investment, the EU should also consider developing a strategy for imports of low-carbon energy carriers from regions with greater potential.

¹ IPCC Special Report on Global Warming of 1.5°C, the IEA World Energy Outlook and the European Commission's 2050 long-term strategy all show that negative emission technologies are essential to meet the 1.5°C target.

Modern energy infrastructures require efficient digital infrastructures and trans-European transport networks; thus, EU cooperation will be needed for required common standards.

- **Infrastructure is key.** National governments need to collectively prioritise investments in energy infrastructure, particularly cross-border electricity interconnection. Investments at EU level, whether via funds (EFSI & regional funds), fora (IPCEI) or further support from the EIB needs to focus on technologies such as electrification, heat, hydrogen, sustainable aviation fuels, other energy carriers and pipelines and carbon capture and storage (CCS).
- **Strengthen the use of carbon management technologies:** As acknowledged by the European Commission in its Green Deal Communication, carbon removal solutions will be essential for the decarbonisation of energy-intensive industries. Continued research and innovation are essential. Investments in pre-commercial, early stage abatement technologies, should be recognised as they can enable breakthroughs that lead to scalable technologies that are commercially-viable under the EU Emissions Trading System. We encourage the Commission to include all of these solutions in the Climate Law and Impact Assessment. Without them, achieving the EU's ambitious climate targets is not realistic. Further action is needed now for these technologies to reach commercialisation at scale in time to achieve the EU's goals, according to the IPCC and IEA².
- **Supportive financial and market frameworks.** The core mission of an attractive industrial policy is to rebuild trust in Europe, addressing both challenges of circularity and climate change. The European legislative framework should incentivise the development of markets and value chains for EU production with a lower greenhouse gas footprint.
- **Empower clusters symbiosis.** Frameworks should encourage large industrial clusters to realise synergies between different industry sectors, delivering on the ambition of the Green Deal while ensuring that industry remains competitive and innovative. The current IPCEI model is a good example of the approach needed and could be further amplified in the future.
- **Digital solutions for Europe:** Europe needs a digital transformation of its economy in order to become more (resource) efficient and thus more sustainable in every respect. This requires the establishment of a European data space, the promotion of industrial and digital business models and an industry-friendly implementation of Horizon Europe.
- **A climate strategy (2050) with a long-term perspective:** This should include flexibility in terms of timespans and across sectors that will make it more cost-efficient to meet the targets. In addition, progress reviews should be integrated, and regular monitoring must be carried out in order to correct undesirable developments.

² IPCC Special Report on Global Warming of 1.5°C, the IEA World Energy Outlook and the European Commission's 2050 long-term strategy all show that negative emission technologies are essential to meet the 1.5°C target.