

Statement of the Coalition for Higher Ambition in the Fit for 55 debate

Europeans are now facing multiple crises: the consequences of a global pandemic, adverse social consequences of the economic downturn, the tragic invasion of Ukraine, environmental degradation, and dangerous climate change looming - all of which require bold urgent and coordinated responses.

Today, **we must find a path out of the current, immediate emergency, in a way that also prevents further catastrophes and leads us to a more secure, better living on this Planet.**

Businesses, investor groups, local and regional authorities, trade unions and civil society groups - working together as **the Coalition for Higher Ambition** - **are calling on you to step up climate ambition; tackle energy security, energy poverty and climate crisis at the same time, by supporting a green, sustainable, territorially balanced and socially fair energy transition and fully and effectively mobilise existing EU and national funds towards this purpose.** In the following we outline our recommendations to feed into the Fit for 55 debate in the European Council and Environment Council.

➡ **The EU can and must take urgent and ambitious climate action**

The current decade is crucial to close the emissions gap and avoid the worst consequences of climate change. The latest IPCC Assessment Report (IPCC AR6 WG III) confirms that immediate and deep cuts of global GHG emissions are needed to meet the Paris Agreement temperature goals, particularly limiting global temperature increase to 1.5°C.

- The Fit for 55 package must enable the EU to achieve at least - and possibly go beyond - a 55% net GHG emission reduction by 2030 (compared to 1990s levels) to fulfil Europe's commitments under the European Climate Law and the Paris Agreement.
- **An ambitious and effective Fit for 55 package can both boost efforts to move away from fossil fuels, towards energy security, and help us achieve our climate and energy targets.** There should not be any delays or weakening of its legislative files. Instead, every support should be provided to increase ambition and implementation of energy files, particularly in relation to the Energy Efficiency, Renewable Energy and Energy Performance of Building Directives. A strengthened climate policy framework with an ambitious EU Emissions Trading System, Effort Sharing Regulation and LULUCF Regulation also remain critical as well as promoting a just transition leaving no region behind.
- Ambitious European climate and energy targets and **clear communication on mature renewable and energy efficient technologies** will constitute important signals to investors, allowing them to support the transition.

➡ **The EU's efforts to wean off Russian fossil fuels should accelerate climate action and just energy transition. Actions for energy and climate security go hand in hand and mutually reinforce each other**

The invasion of Ukraine unveiled that swiftly ending the EU's dependence on fossil fuels and transitioning towards an efficient, renewable and flexible energy system is essential not only to halt the climate crisis, but also to ensure energy security and geopolitical and economic stability.

- **The REPowerEU plan proposes an increased ambition on energy efficiency and renewables. Member States should follow this approach in the timely adoption and implementation of an ambitious Fit for 55 package** while providing concrete measures to support citizens, local and regional authorities and workers most affected by the crisis and transition.
- **Repower EU should prioritise phasing out dependence on fossil fuels in general and not only from Russia.** It is necessary to have an energy diversification away from fossil fuels.
- **A flexible, renewable-based, and smart system integration of all end-use sectors** (transport, buildings, industry and heating & cooling) must be further promoted by relying on the active contribution of consumers.
- The dramatic situation should be a wake up call **to transform our energy system** where people should be able to participate by becoming prosumers and by activating their potential for demand reduction through behavioural changes and efficiency, as well as demand-side flexibility.

➡ **The green transition must be socially just, territorially balanced and place people in the centre**

Early climate action allows us to gain **tremendous medium- and long-term socio-economic benefits** compared to the cost of inaction, if designed and implemented properly. At the same time, many of the climate policies, depending on how they are designed, could have **severe socio-economic consequences** - for example on workers and communities from regions and sectors currently depending on fossil fuel activities and beyond - on vulnerable people and groups. **It is therefore urgent to strengthen the social and labour dimension of the European Green Deal.**

- Given concerns about the cost of living across the EU, with households and businesses facing higher bills (particularly for energy), measures will need to be prioritised to **support low-income households.**
- The lack of adequately **skilled workers** is a major barrier to the effective implementation of energy efficiency improvements in buildings, heating and cooling systems and renewable energy projects. The EU should urgently increase and accelerate new skills strategies, schemes and training, built on the needs of employees and employers, and of local authorities. Potential adverse impacts of the rapid

transition on employment and community cohesion will need to be examined and planned for, and potential benefits in terms of job creation maximised. In parallel, the EU has to increase the scale and reach of its technical, financial and political support.

- This should be accompanied by **a coherent industrial policy** implementation, especially in the development of industrial ecosystem transition pathways. These pathways and industrial strategy implementation should take an integrated approach, strengthening links between climate and materials, pollution and circularity to achieve the climate neutral and resource efficient economy called for in the European Green Deal. Elements need to aim also at creating alternative green and decent jobs. Potential social impacts like gender representation in the sector, forced migration and quality of jobs (fair wages/ equal pay for equal work, good working conditions, trade union representation) must be taken into account.

➡ **All this will require massive additional investments, both public and private**

The EU should fully and effectively mobilise existing EU funds and structures. **The Commission and Member States should ensure that national, local and regional EU funding, as well as the Recovery and Resilience Facility all work together to coherently support the much needed green energy transition.** Beyond existing EU funds, it is imperative to mobilise additional public funds to fill the “green investment gap”, by providing additional fiscal space to Member States and mobilising additional resources at EU level. These additional resources should not undermine existing EU climate policy or the do-no-harm-principle (DNSH). Public funding should be designed to leverage and crowd in the private finance that can scale the necessary transformation. This needs to go together with adequate regulation of the private sector and a robust taxonomy.

- We call EU policy makers to revise and redesign the **Stability and Growth Pact** in a way that incentivises the necessary investments in the green and just transition. In parallel, policy makers should look for additional progressive sources of revenues through fairer and gender-just taxation.
- A revised and simplified **State aid framework, aligned with the European Green Deal and the Energy Efficiency First principle**, should also help increase strategic public investments that respect climate and the environment and deliver on just transition.
- When it comes to private investments, the Commission and Member States should ensure that the EU's sustainable finance strategy is effective in fully aligning private financial flows with ambitious fit-for-55 targets, while preventing greenwashing. It is critical that the taxonomy is science based. The current taxonomy in the EU's sustainable finance strategy will not help us deliver the change needed at the speed required. For example, classifying fossil gas as ‘green’ rather than a ‘transition’ energy source (in amber category), risks undermining the credibility of the taxonomy and public trust in sustainable finance products. It will delay the much-needed rapid fossil fuel phase out due to significant EU funds referencing the taxonomy. We also call upon

the Commission to urgently accelerate the adoption of the social taxonomy, which has been stalled far too long.

- **No money from the EU funds should be spent for new fossil fuel infrastructure.** At the core of the EU's current energy crisis sits an overdependence on dangerous and unreliable fossil fuels. We should not build costly fossil fuel infrastructure that we will then have to phase out but instead we should invest in the infrastructure that can support a green transformation for current and future generations.
- **Improving climate mainstreaming in EU funds.** Climate mainstreaming methodologies have been heavily criticised by the European Parliament (EP) and the European Court of Auditors (ECA) as significantly overstating the share of climate and energy transition related investments in EU funds and the overall EU budget. Precious resources are being wasted in investments with little or no positive climate impacts. The European Commission should urgently implement the recommendations of the ECA and the EP for tightening climate mainstreaming, ensuring that sufficient funds are available for investments that are genuinely contributing to ambitious climate targets, and putting an end to spending harmful for the climate or nature.
- **Adequate support and compensation measures** should be put in place to protect citizens, especially the most vulnerable, bearing the costs entailed by the transition and building their resilience in the long term. Such support measures must be implemented with certain conditions in order to avoid leading to perverse incentives to continue fossil fuel use. Compensation must be temporary, designed with the intention to facilitate the gradual participation of the lowest-income-households in the just energy transition, and accompanied by measures which oblige and support energy efficiency improvements and uptake of renewables. It is fundamental that short term fixes do not obfuscate the need for structural reforms to address prevailing inequalities and energy poverty.
- To implement the polluter pays principle, carbon pricing is also needed in all sectors, including buildings and road transport, provided that the revenues are used to support energy performance improvements, and the decarbonisation of road transport and compensation measures as described above. However, **carbon pricing alone cannot solve all of the environmental problems.** It can only be introduced alongside adequate measures: protecting vulnerable people from the regressive effects, dedicated plans and funding for the decarbonisation of road transport, heating and cooling systems and for energy renovations of residential buildings. Wider enabling policies (building standards, adequate minimum wages, social safety nets, social protection, decent working conditions and support to workers' organisations and collective bargaining) are all part of the solution. Moreover, progressive green taxation is also essential. **Member States must recycle revenues together with progressive climate and social policies.**



Signatories:

C40

CDP Europe

CER Sustainable Business Network Slovenia

Climate Action Network (CAN) Europe

Corporate Leaders Group Europe (CLG Europe)

CPMR - Conference of Peripheral Maritime Regions

EiiF - European Industrial Insulation Foundation

EU-ASE - European Alliance to Save Energy

Eurocities

ICLEI - Local Governments for Sustainability, European Secretariat (ICLEI Europe)

NFI - Naturefriends International

Skift- Business Climate Leaders

smartEn - Smart Energy Europe

Solar Heat Europe