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What policy priorities to kickstart the EU industry transition?

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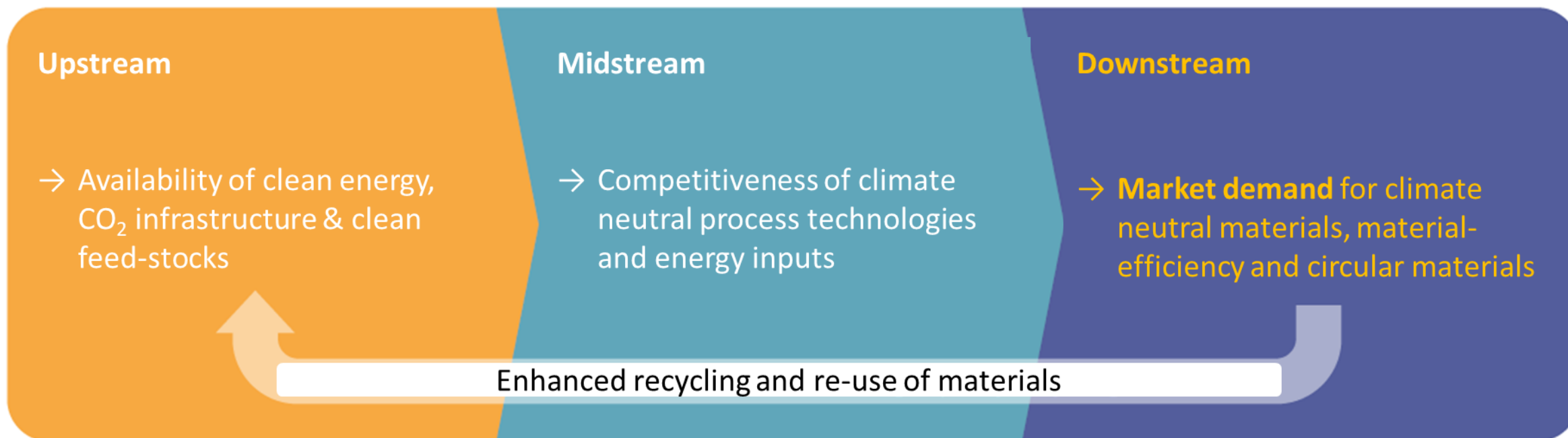


EU is implementing a new « European Green Deal » during this legislative period (2019-2024) – but is it well-targeted enough to address barriers to industry transition?



- Reduce GHG emissions by 55% by 2030
- New Law: Climate Neutrality by 2050
- Strengthen carbon pricing (ETS reform)
- Clean Hydrogen Strategy
- 2nd Circular Economy Action Plan
- New Renewable Energy & EE legislation
- ***What do we need for industry?***

Industry transformation faces several barriers – A “Clean Industry Package” required



Upstream: Infrastructure for industry decarbonisation requires governance, finance and appropriate of sustainability rules...

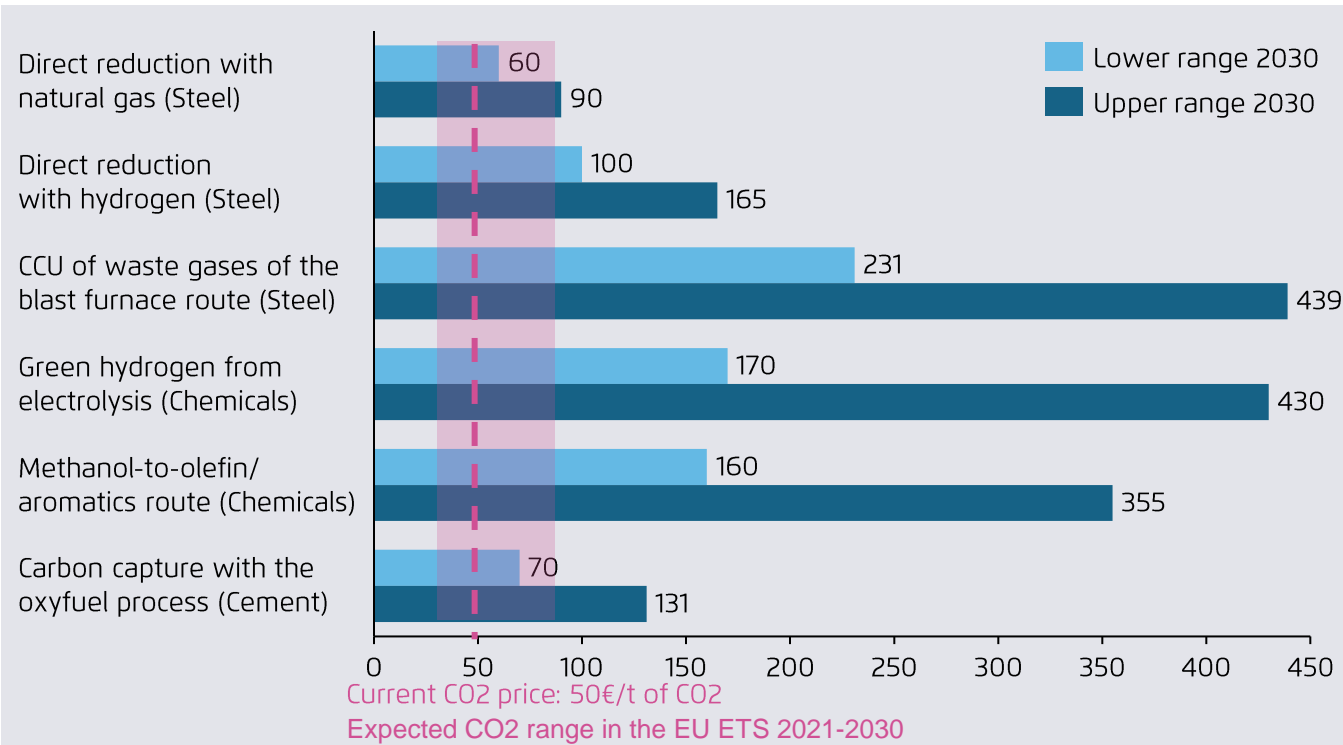


1. Assign responsibility for provision and financing decarbonization infrastructure for industrial transformation
2. Workable but 2050-compatible sustainability criteria for fossil free energy sources

Midstream: A CBAM + carbon pricing won't solve it all...

Key low carbon technologies will need support to kickstart deployment pre-2030

CO2 abatement costs of key low-carbon technologies and expected CO2 prices in the EU ETS until 2030



- Even with very optimistic lower-range 2030 CO2 abatement costs of low-carbon technologies, most of them won't have a business case by 2030
- The volatility of the carbon price adds an additional layer of uncertainty that will hold back companies from making final investment decisions

Midstream (2): An overview of design options for Carbon Contracts for Difference

How to fund CCfDs?

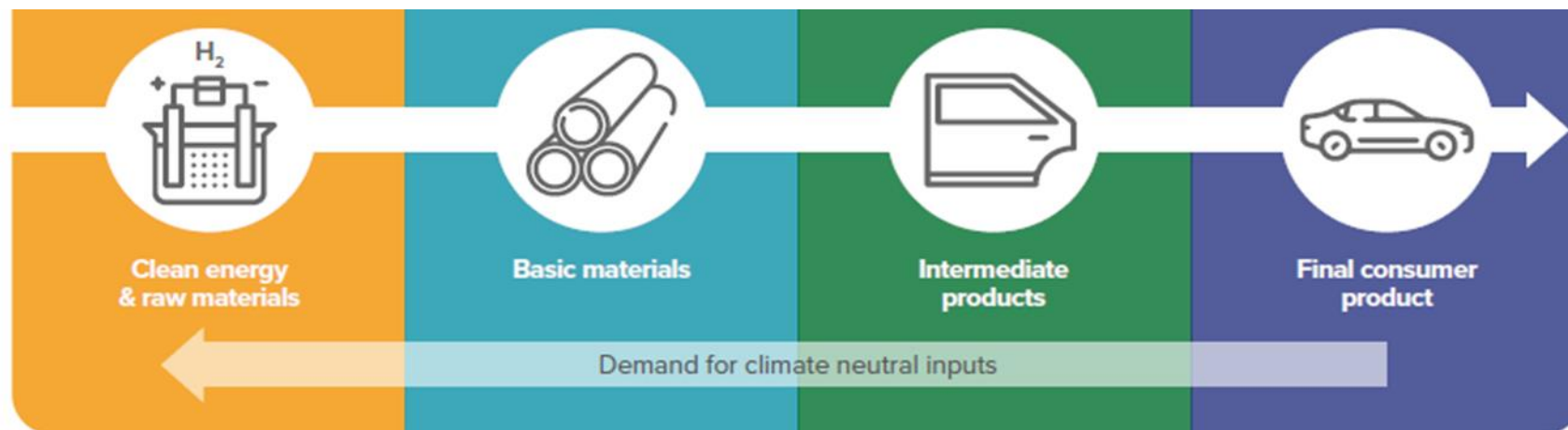
EU Level: ETS Innovation Fund expanded under ETS Revision: + 5% of allowances

MS Level - 2 main options:

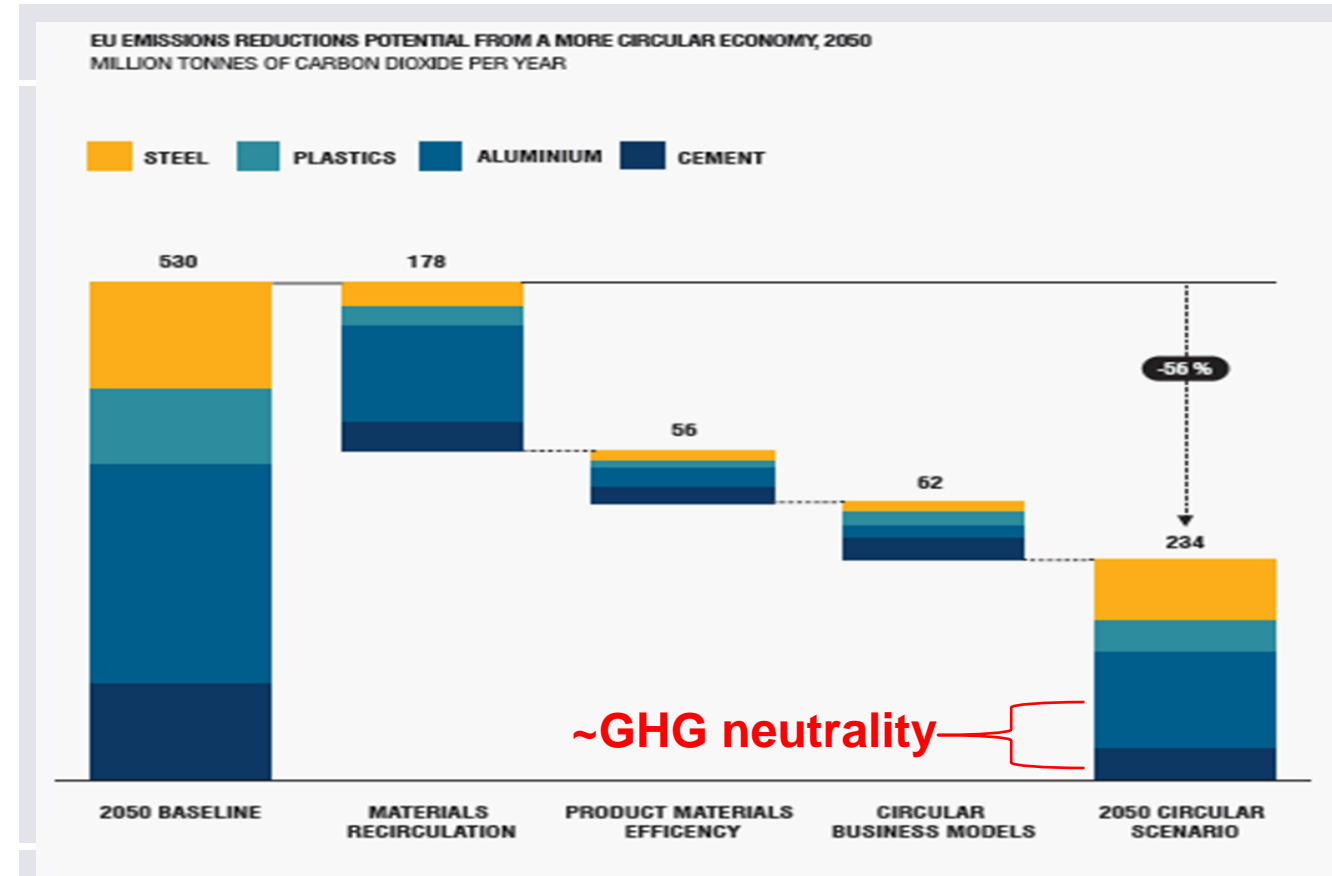
1. Recycle auction revenues for sale of allowances as CBAM phased in
2. 1% VA Materials charge on CO₂-intensive *final* goods (e.g. buildings, works, automotives)

Downstream: Scaling up demand for climate neutral and circular industrial products via the Sustainable Products Initiative

- Put limits on embedded life cycle emissions in material-intensive final products and reduce over time..
- Justification: unlocks demand for full set of decarbonization options (material efficient design, circular and low-CO2 virgin materials) without distortions of intermediate product markets.
- Condition: For limits on embedded carbon to work, downstream purchasers must have transparent and comparable data



A stronger link between CEAP and industrial CO2 strategy is also needed



Source: Material Economics (2018)

- Reduces challenge of new technology and infrastructure deployment.
- Focus on plastics ignores key materials and value chains
- **Key policy tools:**
 - *Design for enhanced recyclability*
 - *Improved end-of-life handling, collection, sorting and tracing*
 - *Demand creation:*
 - *Recycled content quotas*
 - *Embedded carbon requirements on final products*
 - *Public Procurement*

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A background image of an industrial facility, likely a steel mill, showing bright orange molten metal being poured into a ladle, with sparks flying and various pipes and structures visible. The image is partially obscured by a semi-transparent grey box containing text.

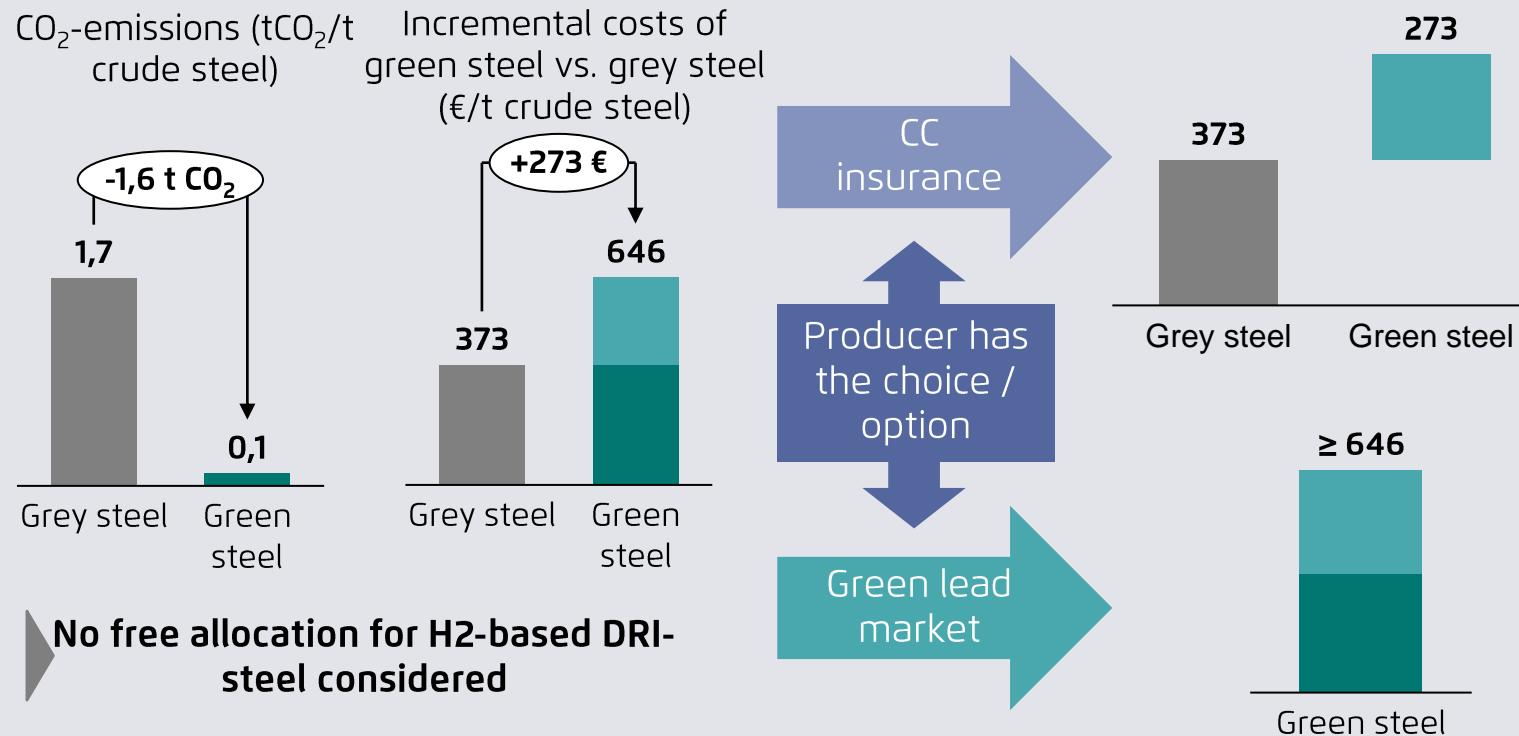
Thank you for your attention!

Questions or Comments? Feel free to contact me:
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Agora Energiewende is a joint initiative of the Mercator
Foundation and the European Climate Foundation.

Illustration of a CCfD as an insurance mechanism for the development of market-based demand for climate neutral materials

Illustration of the interplay between Carbon Contracts and green lead markets.



The environmental property of green steel is remunerated via the carbon contract. Steel is sold with the GHG intensity of the conventional steel benchmark.

Green steel is sold to customers who pay a premium equal to or above the Carbon Contract. Quantities sold as green steel are excluded from Carbon Contract support.