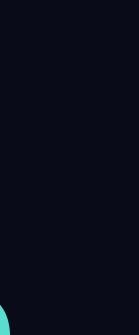


# EU Policies towards Net-Zero : Are we getting them right?

Suzana Carp Dep. Executive Director Cleantech for Europe



# <u>EU Policies towards Net-Zero : what, when, how</u>

# **EU Green Deal :**

- Moving towards compliance;
- CBAM entering into effect EU Green Deal Going global;
- **EU Climate Law**
- Resilience of Green Deal despite politicking with it;
- 2026/2027 window;
- Focus on mitigation what about adaptation? ۲
- **EU Green Deal 2?**

# **Moving towards 'Nature Positive'**

- **Nature Restoration Law**
- **Carbon Removal Certification**
- Soil Monitoring

# Legislation for more private sector transparency

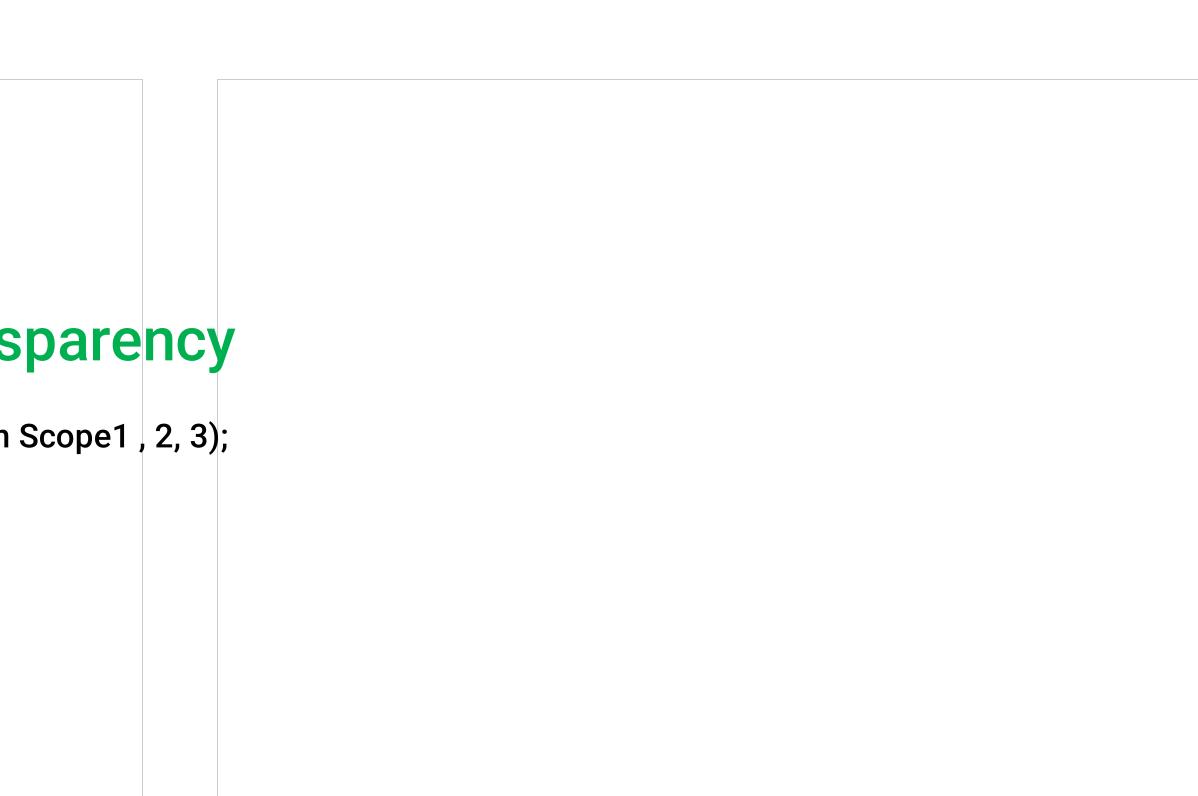
- **Corporate sustainability Due Diligence Directive;**
- Corporate sustaintability Reporting Directive (performance data on Scope1, 2, 3);

# **Green Deal Industrial Plan**

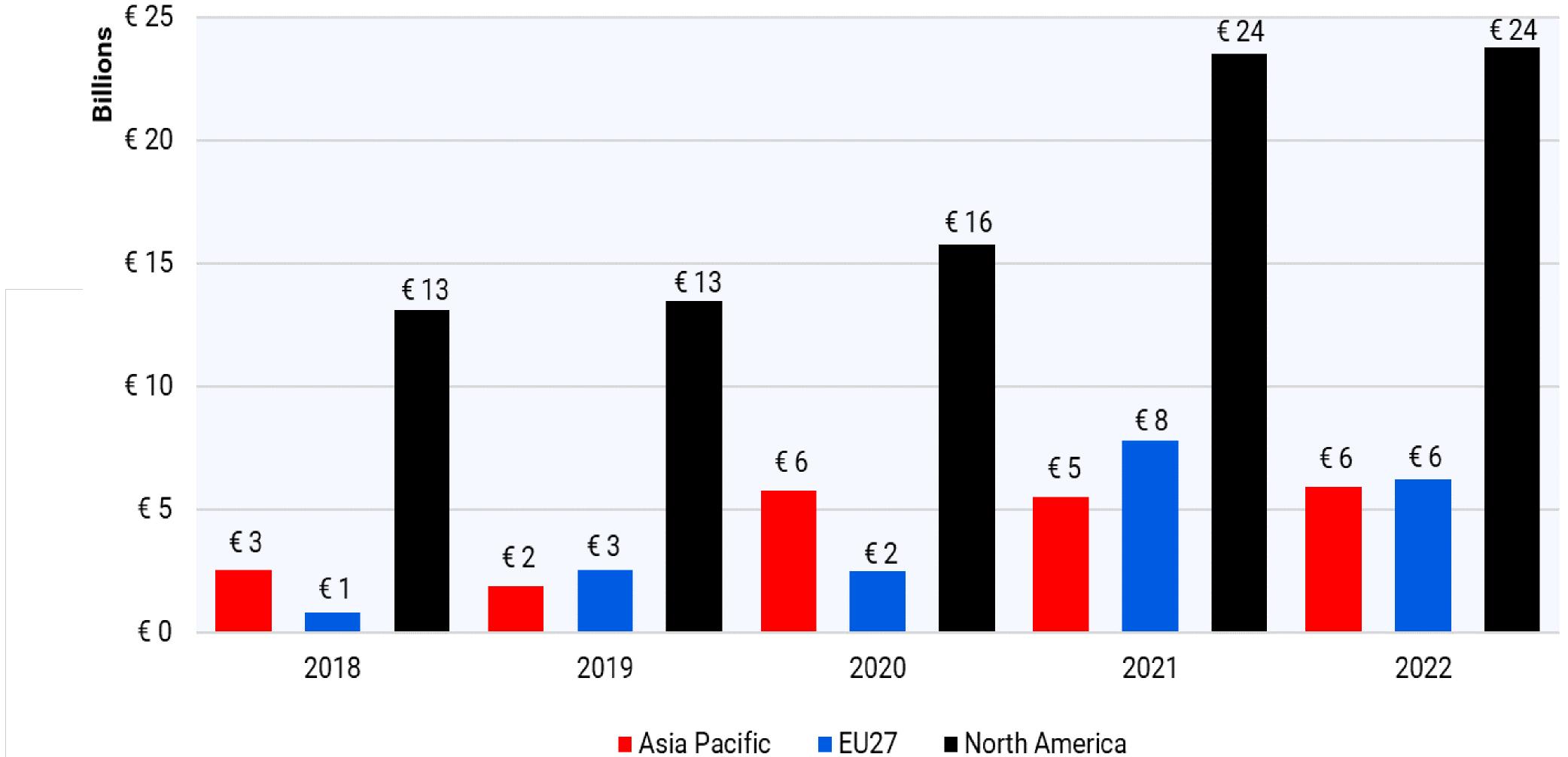
- Net Zero Industry Act
- **Critical Raw Materials Act**
- **Electricity Market Design**
- Strategic Technologies for Europe Platform (STEP)?







# Global Picture on Cleantech Venture Capital investments 2018-22



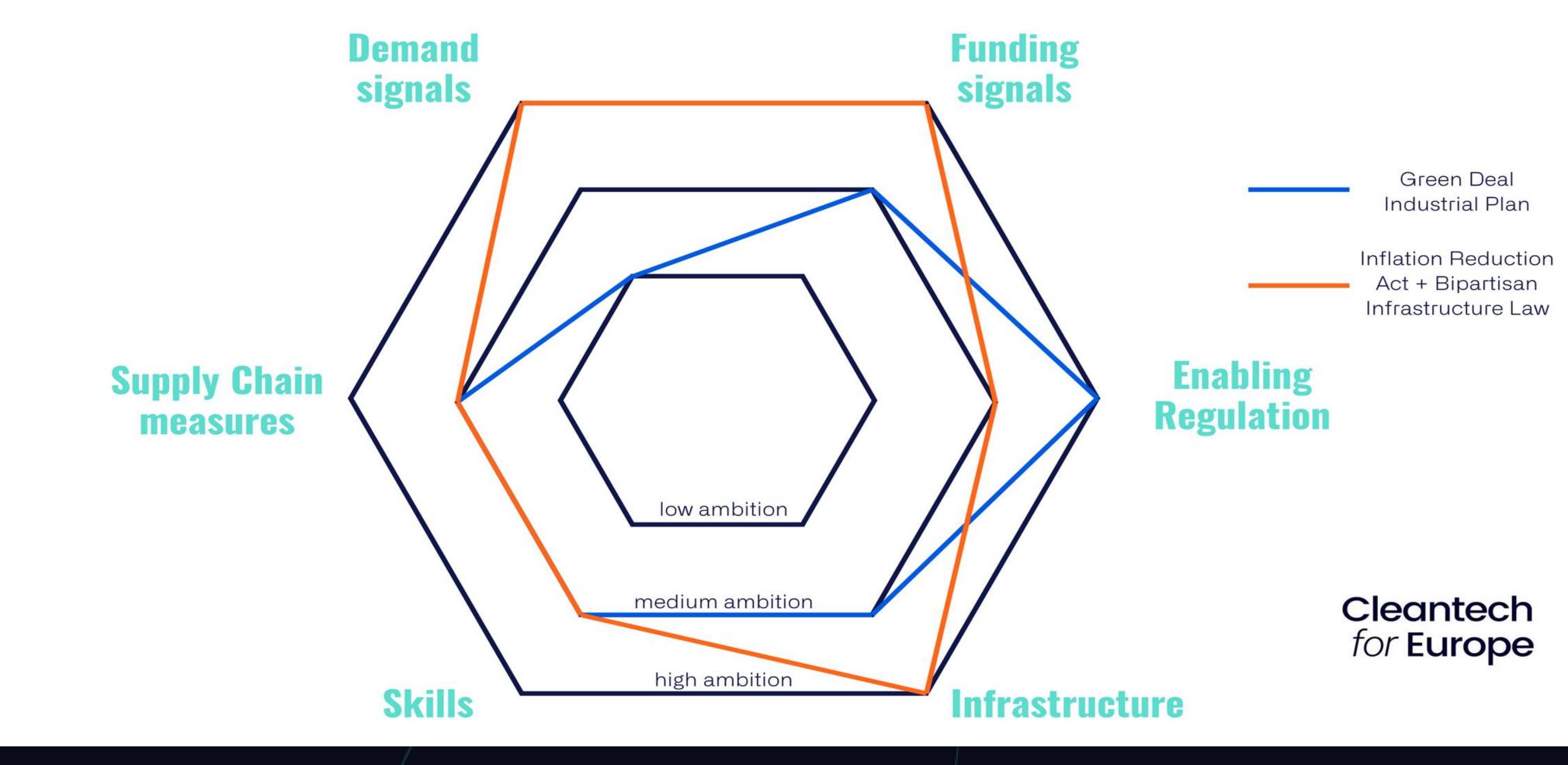


## Cleantech Venture Capital by Region, 2018-22

#### EU27 North America



# Raising ambitions: comparing market and policy signals for cleantech

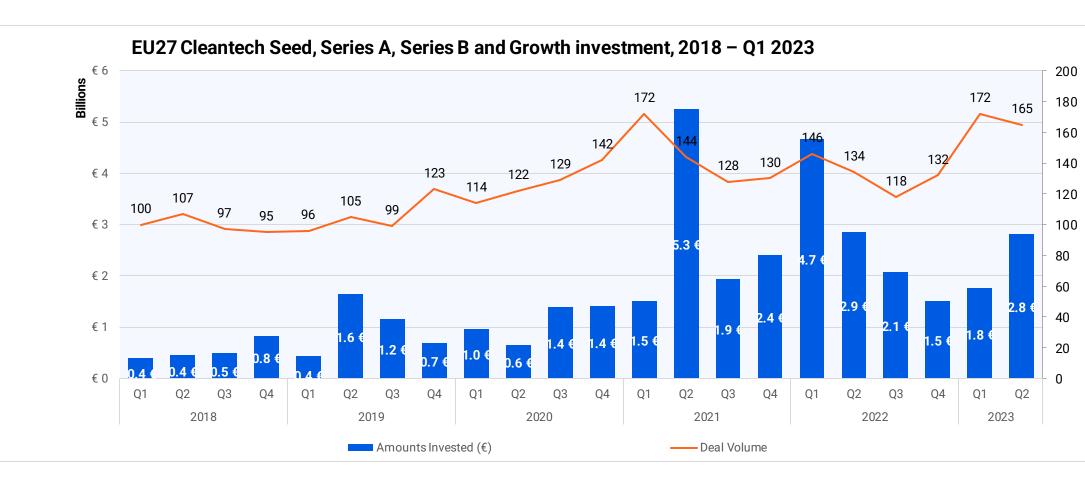




# J

- European cleantech investment defied global headwinds for venture capital (VC), growing stronger than in North America, while cleantech investment in Asia Pacific fell.
- The number of deals closed fell slightly from 172 to 165. Late-stage deals volume stayed flat (from 35 to 36) whereas early-stage deal volume declined from 137 to 129.
- 5.9% on last quarter, while deal volume decreased by 5.8%. Hence, average EU deal sizes increased across both early- and late-stage deals.

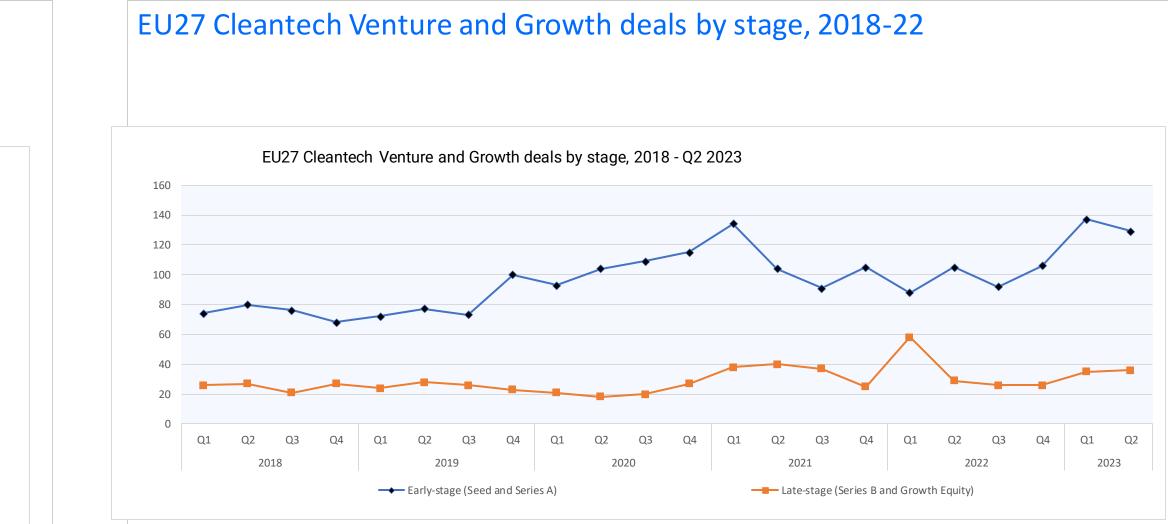
#### EU27 Cleantech Seed, Series A, Series B and Growth investment, 2018 – Q2 2023





Late-stage investment (series B and growth equity) grew the most, increasing by 104% on last quarter, even though deal volume increased by just 2.9%. Early-stage investment increased by

Despite this resilience, EU cleantech investment in the first half of 2023 was 39% lower than in the first half of 2022. This reflects the global contraction of venture capital compared to last year.



### Cleantech policy outlook: mid-year review

#### The EU's plan to increase its cleantech competitiveness

#### February 2023

On February 1, the European Commission published its Green Deal Industrial Plan. The Plan aims to the aim to increase technological development, manufacturing production and installation of cleantech and energy supply in the next decade, mainly by achieving the following goals:

1. A simplified regulatory environment 2. Faster access to funding

#### Faster access to funding March 2023

On March 9, the European Commission adopted new rules providing the possibility to Member States to provide subsidies to: (i) to accelerate the roll-out of renewable energy, storage and renewable heat; (ii) to decarbonise industrial production processes; and (iii) to accelerate investments in key sectors of the net-zero economy (e.g., batteries, solar panels, wind turbines, heat-pumps, electrolysers and carbon capture usage). It also simplified the conditions for the granting of aid to small projects and less mature technologies (e.g. renewable hydrogen) by lifting, under certain conditions, the need for a competitive bidding process

#### Access to funding

June 2023 programs.

> €3 billion for InvestEU decommitted amounts €5 billion to the Innovation Fund

On March 14, the European Commission initiated an overhaul of its power markets framework, aiming to enhance predictability of the cost of energy. On March 16, the European Commission launched:

1. The Net-Zero Industry Act to underpin industrial manufacturing by proposing increased investments and improved permitting procedures for of a defined list of technologies and products, such as batteries, windmills, heat pumps, solar, electrolyzers, carbon capture and storage technologies.

2. A Critical Raw Materials Act. to ensure sufficient access to critical raw materials that key for cleantech manufacturing.

A simplified regulatory environment March 2023

**European Parliament position** on Net Zero Industry Act May 2023

support.

On June 20, the European Commission launched the Strategic Technologies for Europe Platform, pledging to allocate €10 billion for a set of key technologies including cleantech to existing

€0.5 billion to Horizon Europe, complemented with €2.13 billion of redeployment and use of

- €1.5 billion to the European Defence Fund

he European Commission's Strategic Foresight report estimates that additional investments of over EUR 620 billion annually will be needed to meet the objectives of the Green Deal and REPowerEU. The same report adds that the Net-Zero Industry Act requires in total EUR 92 billion over the period 2023-2030

On May 26, the European Parliament's Committee in charge of energy and industrial affairs published its initial position on the Net-Zero Industry Act. The Committee's initial reactions focuses on how Europe can achieve a wide decarbonization of its economy without selecting a pre-defined list of technologies to

European Parliament position on **Electricity Market Design** July 2023

On July 19, the European Parliament's Energy Committee formally agreed on its position on the EU electricity market design (EMD) reform, providing it with a mandate for negotiations with the Council of the EU once it adopts its own position.

The European Parliament's position rejected attempts to subsidize coal through capacity mechanisms, supports non-fossil flexibility needs assessments and energy storage, and non-fossil flexibility support schemes (demand side and storage).

However, the Parliament's position is a missed opportunity to remove double charges on energy storage, whereby energy storage is subject to both generation and consumption charges, putting it at a competitive disadvantage with fossil generators, who are not double charged. Moreover, the Parliament's position does not lower the EU-wide carbon cap of the capacity market, which currently results in fossil gas winning the vast majority of capacity auctions.

On June 30, the Council of the EU adopted its position on the Critical Raw Materials Act, providing it with a mandate for negotiations with the European Parliament, which will start after the Parliament adopts its own position.

The Council position raises the level of ambition for 2030 recycling capacity (from 15 to 20%) and processing capacity (from 40 to 50%). It also reinforces sustainability criteria, adapts the process of granting permits and explores obligations on the member states to ensure account is taken of their different situations.

The proposal does not include any new financial resources to encourage the uptake of domestic capacity, leaving open how this higher ambition should be achieved. Nor does it establish dedicated provisions prioritizing clean technologies that reduce the environmental impact of mining and processing and reduce virgin CRM demand through recovery, reuse and recycling.

Council position on Critical Raw Materials Act

June 2023

Enabling the cleantech transition in Europe requires a clear focus on supporting the European cleantech innovators to commercialise and scale in the EU. Below, we put forward a set of proposals on how the EU's rulebook can empower cleantech competitiveness and industrial leadership.

#### Closing the cleantech funding gap

The EU is a powerhouse at funding the research and development of clean technologies. However, we repeatedly fail to finance the scale-up of production capacity of technologies that have reached TRL 8. The Strategic Technologies for Europe Platform fails to address this gap. Why? It proposes to redirect EUR 10 billion existing funds to inject into deep tech, digital biotech and cleantech. However, it is not clear how much funding is available for clean technologies.

#### **Developing de-risking instruments**

Instruments to mitigate real and perceived risk provide confidence to prospective customers, investors, and lenders. This in turn makes it easier for innovators to secure and put to work the funding they need to grow and succeed. For example, **public guarantees** could leverage private investment and provide a bridge to bankability by freeing up critical working capital to boost cleantech companies' manufacturing capacity.

#### Creating clear demand signals

Mobilizing market demand is crucial to scaling up cleantech manufacturing. Setting clear and binding manufacturing targets for the eight strategic technology sectors that the European Commission proposed Net-Zero **Industry Act** focuses on, will signal to investors and project developers that they should scale up and industrialise in the EU.

#### Fostering resilient supply chains

and recycling.





#### Redesigning the electricity market

The revision of the EU's **Electricity Market Design** is an indispensable opportunity to accelerate the commercialization and deployment of clean technologies. It is essential that the reform progressively lowers the carbon cap to phase out fossil fuel capacity providers, ends double charges on storage to level the playing field with fossil fuels, and establishes mandatory non-fossil flexibility support schemes.

#### With its proposed **Net-Zero Industry Act** and **Critical Raw** Materials Act (CRMA), Europe has strived to reshore part of its cleantech supply chain after multiple shocks of the 2020s revealed several of its strategic vulnerabilities. The EU has not responded with comparable incentives as the US has. The CRMA is missing new financial resources and dedicated provisions prioritizing technologies that reduce the environmental impact of mining and processing and reduce virgin CRM demand through recovery, reuse

#### Enabling deep industrial decarbonisation

In light of the US's Inflation Reduction Act and China's dominance in clean technology supply chains, the European Commission's choice to focus the Net-Zero **Industry Act** on scaling up the manufacturing of eight technologies is strategic. Maintaining the Net-Zero Industry Act's focus on these 8 specific technologies would enable a deep industrial decarbonization since they are present across the deep decarbonisation pathways for heavy industry in Europe. If these technologies are not scaled up to a relevant extent in the 2020s, Europe runs the risk of

