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# EU policies for climate neutrality in the decisive decade

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20 initiatives to advance solidarity, competitiveness and sovereignty

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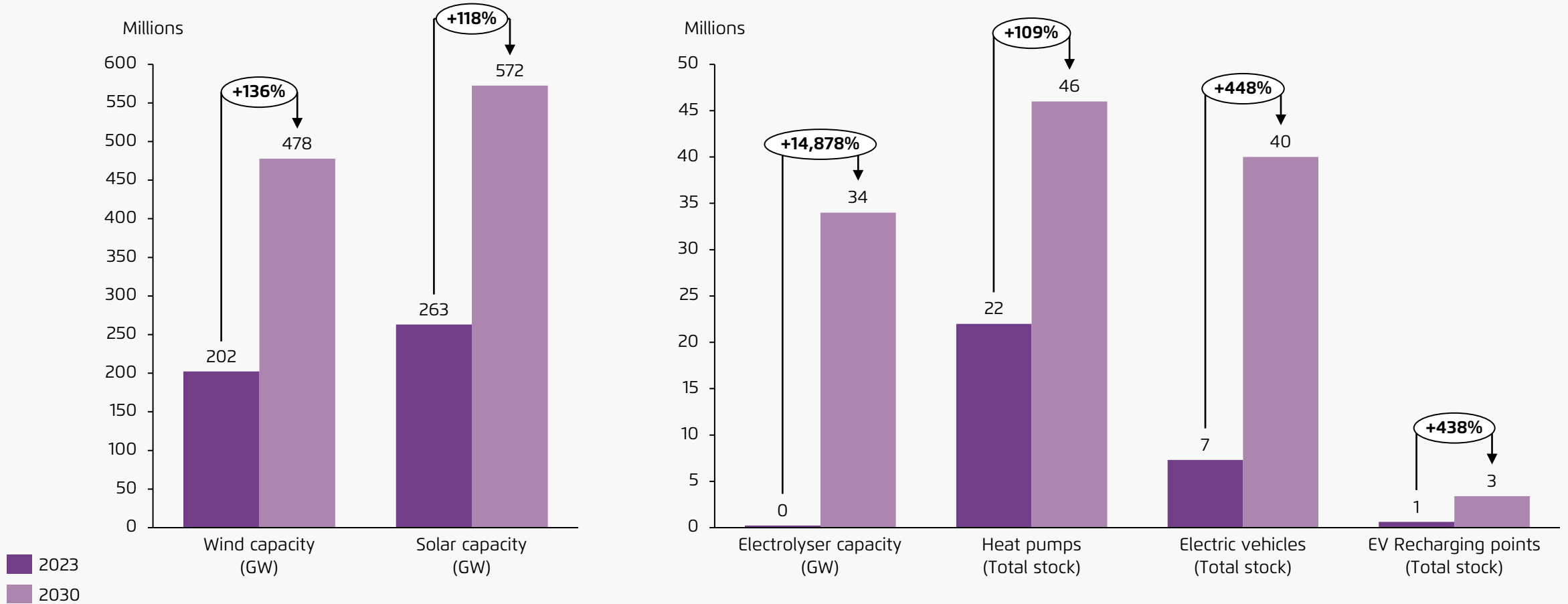
Brussels

24 January 2024



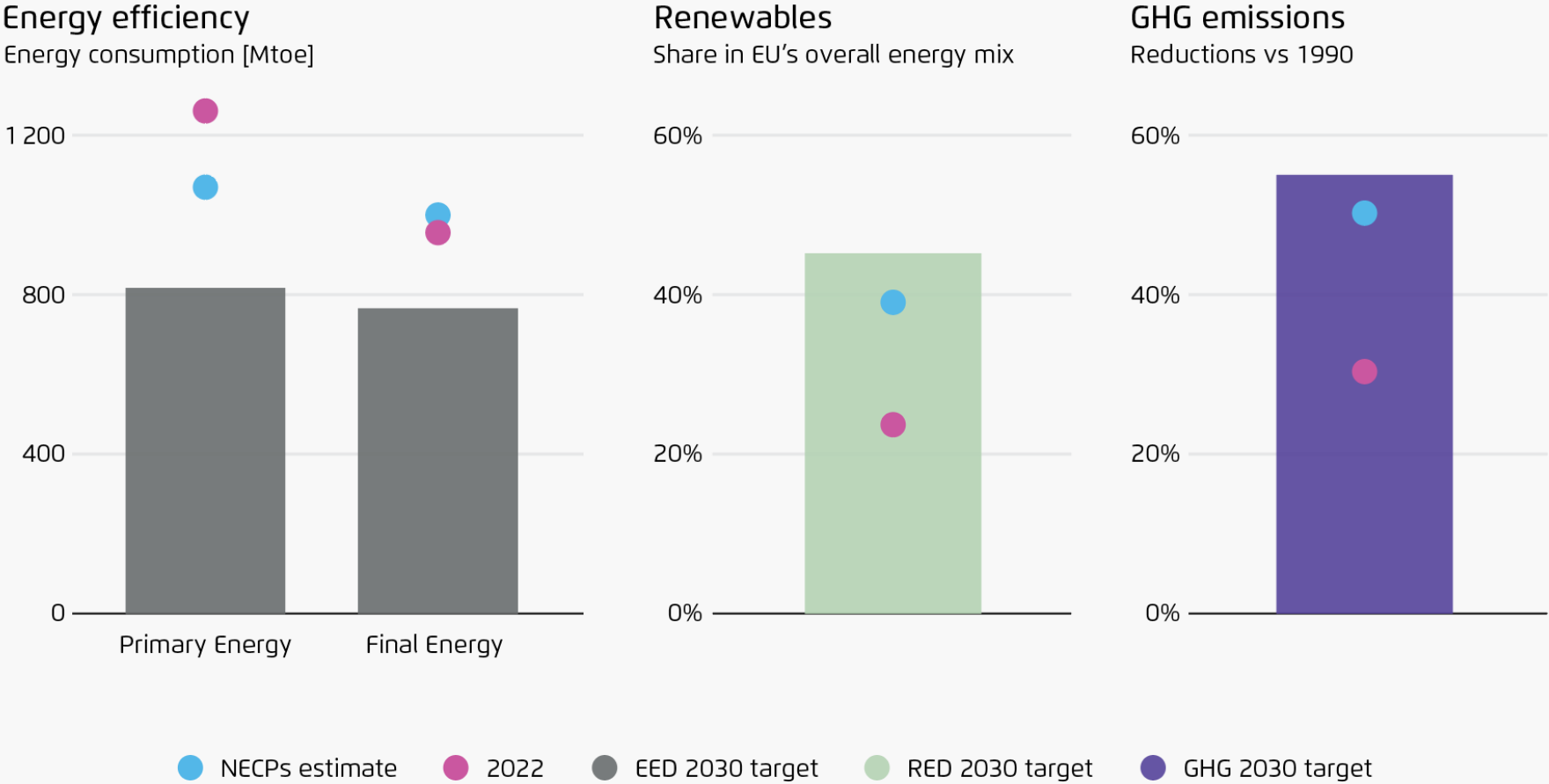
# The Fit for 55 package initiates the transformation in all sectors

Ramp up of select clean technologies in EU 27 for transition to climate neutrality



Agora Energiewende based on Artelys, TEP Energy, Wuppertal Institute modelling (2023), as well as Eurelectric (2021), Hydrogen Europe (2023), SolarPower Europe (2023), McKinsey (2023) and WindEurope (2024)

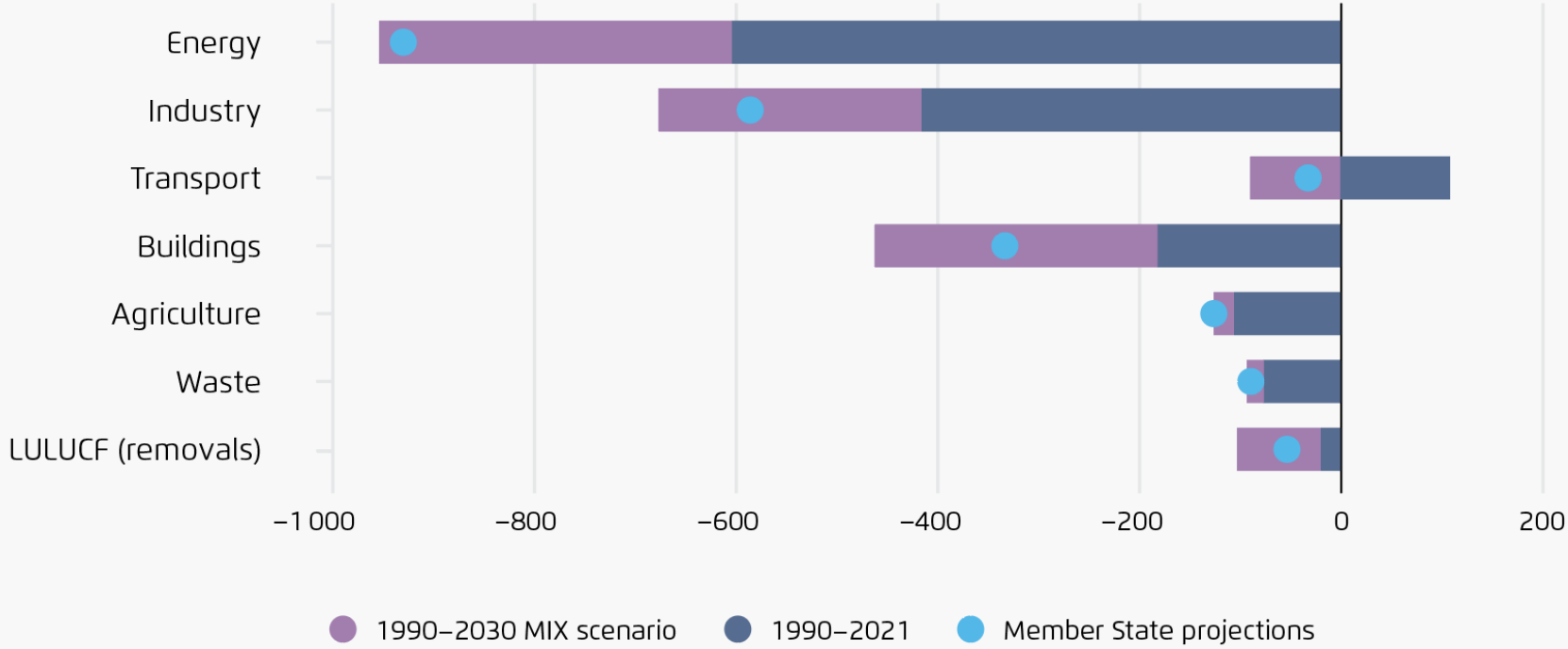
# But the EU still faces a major delivery gap



3 | Agora Energiewende (2024). Data from EC (2023a) and EC (2023b).  
Note: EED: Energy Efficiency Directive. RED: Renewable Energy Directive. NECPs: National Energy and Climate Plans.

# But the EU still faces a major delivery gap

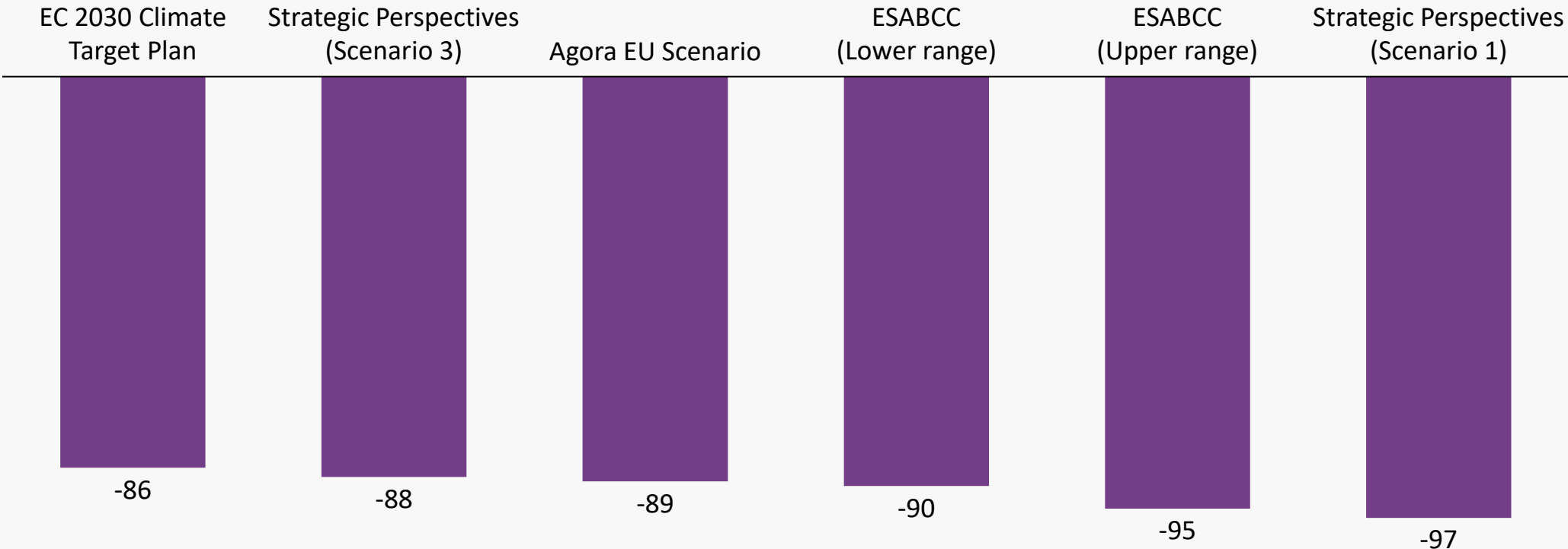
Changes in emissions vs 1990 and expected change by 2030  
[Mt CO<sub>2eq</sub>]



4 | Agora Energiewende (2024). Data from EC (2023a) and EC (2023b).  
Note: MIX scenario refers to the European Commission's core policy scenario underpinning the 2030 Climate target plan.

# The EU transition pathway to climate-neutrality will be around -90% GHG emission reductions in 2040

Domestic EU GHG emission reductions by 2040 (compared to 1990 levels) in benchmark EU policy scenarios



5 | Based on Meyer-Ohlendorf, Nils; Spasova, Deyana; Graichen, Jakob; Gores, Sabine (2023): Designing the EU 2040 climate target. Ecologic Institute, Berlin.

# Policy making for post-2030 will be different from pre-2030

1. The ETS enters its end-game
2. Carbon leakage protection will need to evolve
3. Difficult to avoid emissions become dominant
4. Distributional questions become more complex
5. Climate policies change the fiscal revenues
6. Citizens are more directly impacted by climate measures
7. Agriculture & forestry becomes key challenge
8. Clean technologies scale, fossil fuel infrastructure downsizes
9. The role of adaptation will become more prominent
10. The energy transition and climate change (re)shape geopolitics

# Key Findings

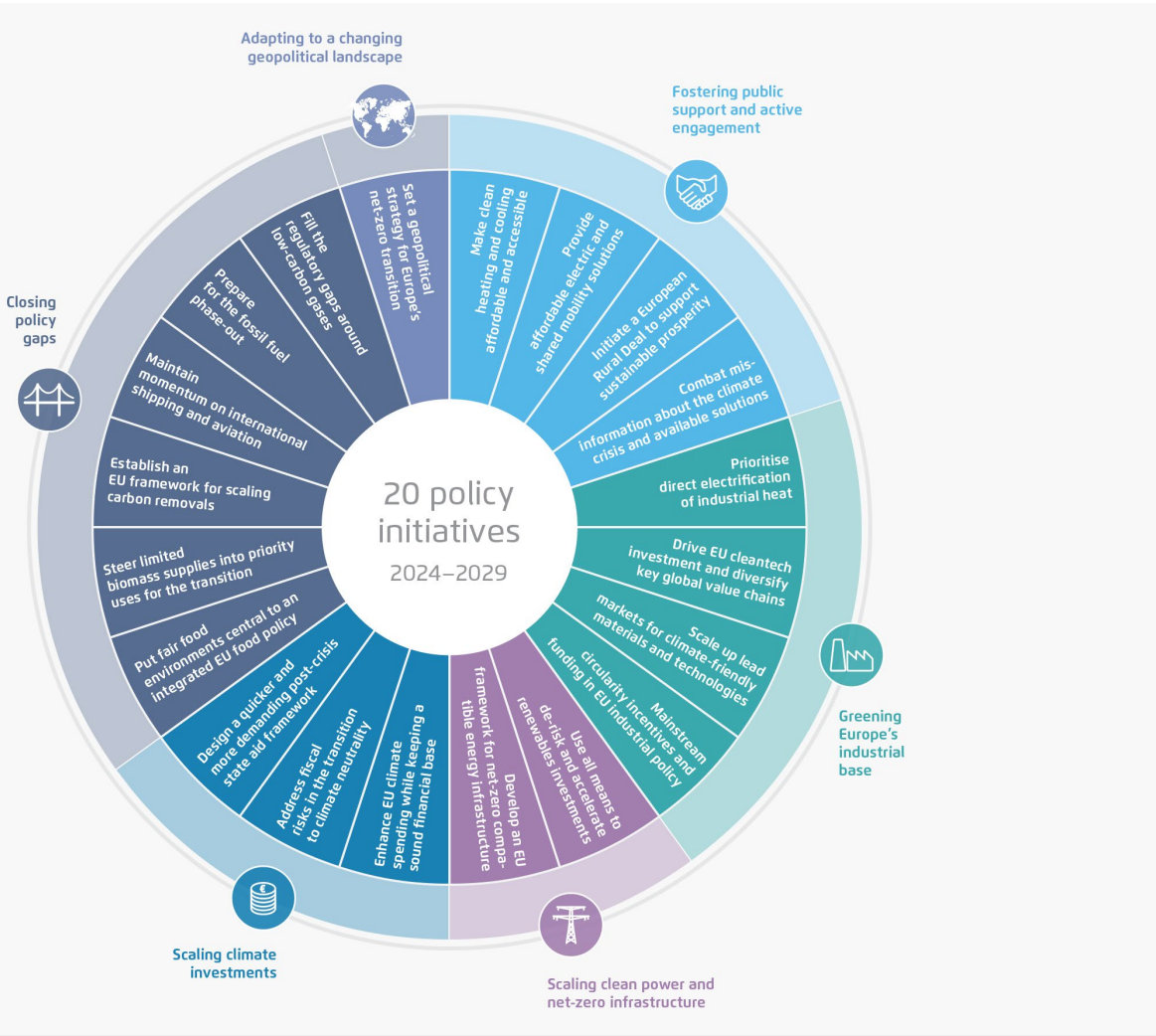
- 1 Europe needs to consider the climate crisis in all policy areas – from security to fiscal planning, agriculture to industrial development – as it seeks feasible solutions for achieving net zero by mid-century.** Following European elections in June 2024, the EU will need to set a greenhouse gas reduction target for 2040 and build on the “Fit for 55” package. New policy initiatives should strengthen solidarity, competitiveness and sovereignty while maintaining a sound financial basis.
- 2 The successful transition requires broader public support and active engagement of citizens.** The next EU Commission should take initiatives to make climate-friendly heating, cooling and mobility options affordable and accessible, and develop a European Rural Deal to enable farmers, forest owners, and rural communities to benefit from the transition.

# Key Findings

- 3 Greening Europe's industrial base while strengthening strategic cleantech competitiveness and resilience should be at the core of the next Commission's work programme.** Policy initiatives should prioritise direct electrification technologies for industrial heat, deployment funding for green basic materials production, leveraging Europe's single market to drive demand, growing strategic clean industrial manufacturing at home, and incentivising diversification of green global value chains.
- 4 The next mandate needs to ensure sufficient EU funding for the transition to climate neutrality.** The EU budget for 2028–2034 should increase overall funding available for the transition by allocating funds across the budget more closely with climate investment needs. A new climate fund should fill the gap after the Recovery and Resilience Facility ends, financed with a balanced mix of sources including carbon pricing revenues and EU debt. In the future, EU funding can also play a stabilising role as governments will see gradually declining revenues from taxing fossil fuels while the EU advances towards climate neutrality.



# 20 policy initiatives to advance solidarity, competitiveness and sovereignty



Fostering public support and active engagement

Greening Europe's industrial base

Scaling clean power and net-zero infrastructure

Scaling climate investments

Closing policy gaps

Adapting to a changing geopolitical landscape

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# Thank you for your attention!

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Do you have any questions or comments?

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# Imprint

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**Title picture:** Stump picture: Courtesy of Landesforsten.RLP.de / Idea: Lucas Landenberger / Data source: German Weather Service / Data processing: Rhineland-Palatinate Competence Center for Climate Change Impacts / Graphic design: igreen, Jonathan Fieber / Photo tree slice: Sebastian Kuchen