



# The EU Climate & Energy Policies and the need for more sustainable investments

Ljubljana, 30 November 2016

# Paris Agreement: a global goal

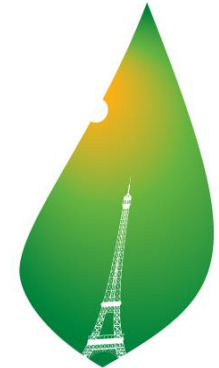
Well below 2° C  
+ Efforts to stay below 1.5° C

## Pathway to low-emission future

- **Global peaking as soon as possible**
- **Rapid reductions**
- **Balance between emissions and sinks after 2050 - based on science**
- **Parties to formulate long-term (2050) low emissions strategies by 2020**

Global pathway means  
international transport is included

Fairness aspects



PARIS2015  
UN CLIMATE CHANGE CONFERENCE  
COP21·CMP11

# Global stocktake

**2018**

- **Facilitative dialogue on emissions reductions**
- **New science on 1.5°C**
- **New or updated contributions by 2020**

**2023**

- **First global stocktake**
- **To consider progress on global goals for low-emission and climate-resilient development – and financing**

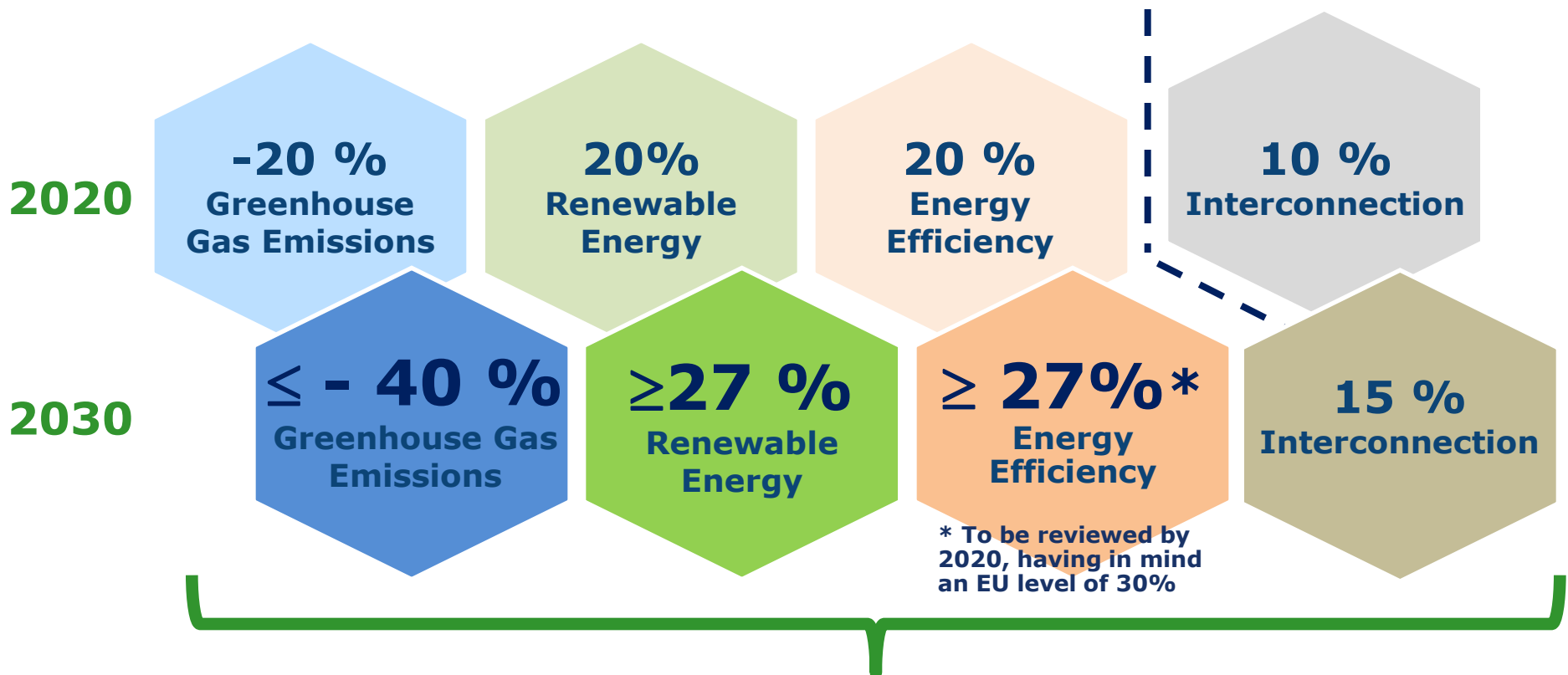
**2028+**

- **Stocktake every 5 years**
- **After 2030, all to communicate new emissions reductions contributions every 5 years**
- **Progression on previous efforts**



# 2030 Framework: Agreed headline targets

## 2030 Framework for Climate and Energy



**New governance system + indicators**

# Implementing the Paris agreement: ETS revision proposal

- **Environmental aspects:**
  - **Targets:** At least **40%** domestic emission reductions; **ETS: 43%**
  - **Cap** to decrease by **2.2 %** from 2021 onwards
  - **Auction share** shall not decline → **57%**
- ***Economic aspects***
  - **Free allocation** to continue, **benchmarks** to be **updated**, **2 carbon leakage groups**, **more flexible production** data
- ***Financing aspects: Low-carbon funding mechanisms:***
  - **Innovation fund** - 450 million allowances
  - **Modernisation fund** - around 310 million allowances
  - **Free allocation to power in lower income MS**

# ETS as an innovation driver: NER 300

- A programme for innovative low-carbon, first-of-a-kind, commercial-scale projects, funded by 300 million allowances from the new entrants' reserve (NER) of the ETS
- Two calls for proposals: the first one awarded in December 2012, the second in July 2014
- 38 projects in 19 EU Member States: 37 RES and 1 CCS
- €2.1 billion NER 300 grants, coming from the sale of 300 million ETS allowances
- Almost 80% of the NER 300 awards went to highly innovative or even potentially game changing projects

# NER 300 future: the Innovation Fund

- In its proposal for a revised ETS adopted on 15 July 2015, the Commission suggests to renew the existing NER 300 by an Innovation Fund, which should be endowed with 450 million allowances targeted not only at CCS and innovative RES, but also to innovative energy-intensive industry
- It should be a means of directing further revenues from the ETS towards the demonstration of innovative low-carbon technologies in the industry and power generation sectors

# Implementing the 2030 framework

## Mastering the investment challenge

Climate and energy policies require significant investments, 2030 framework requires more investments

Higher investment needs in lower income Member States addressed

Majority of **private investments** depend on a **stable regulatory environment** and a **strengthened carbon market**

**Public resources** more effectively channelled to mobilize and accelerate private investments

Investing now is an **opportunity** to facilitate EU's low carbon transition



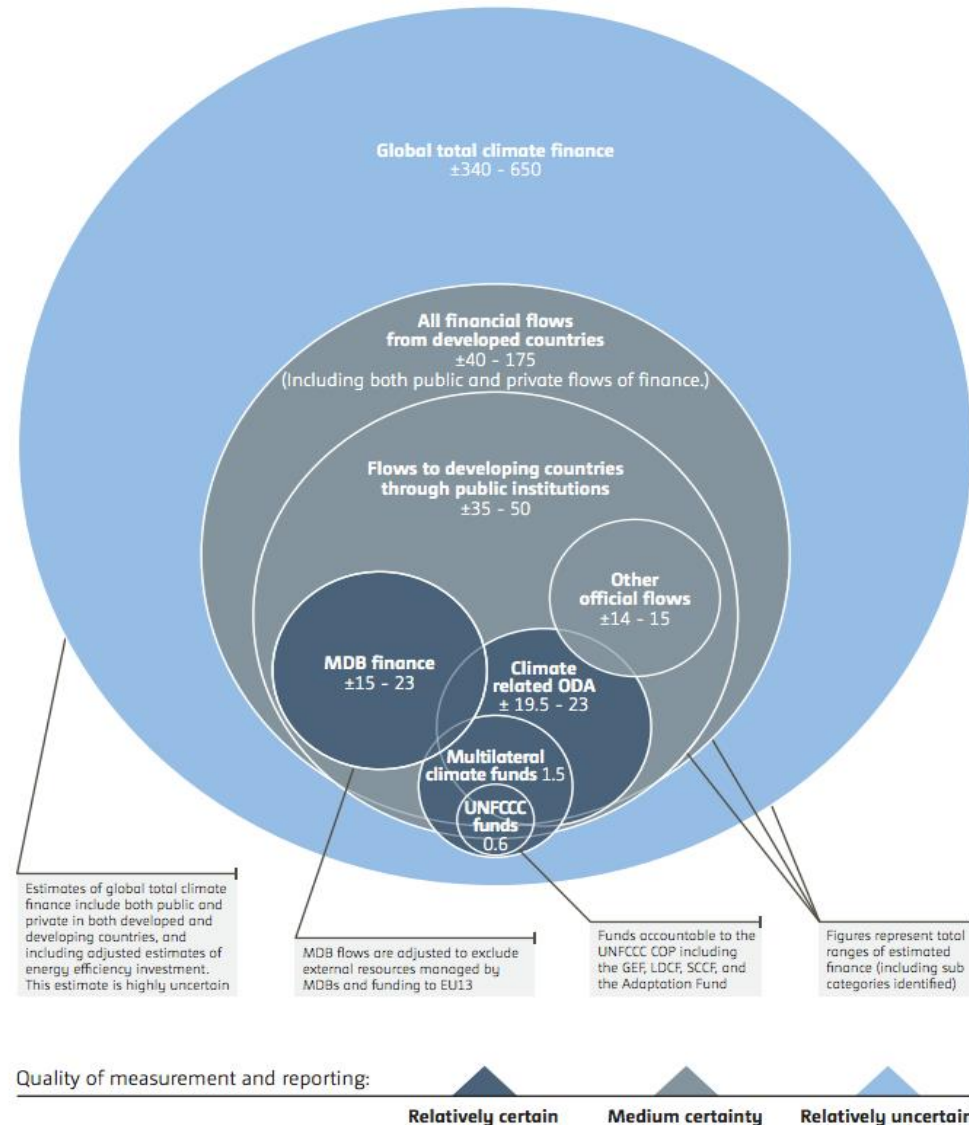


# Climate finance for the efficient and effective implementation

- Up to & after 2020
- Mitigation, adaptation, loss and damage
- Enabling environment/mainstreaming
- Broadening donor base
- Crowding in private finance
- Role of carbon markets & offsets
- Innovative sources

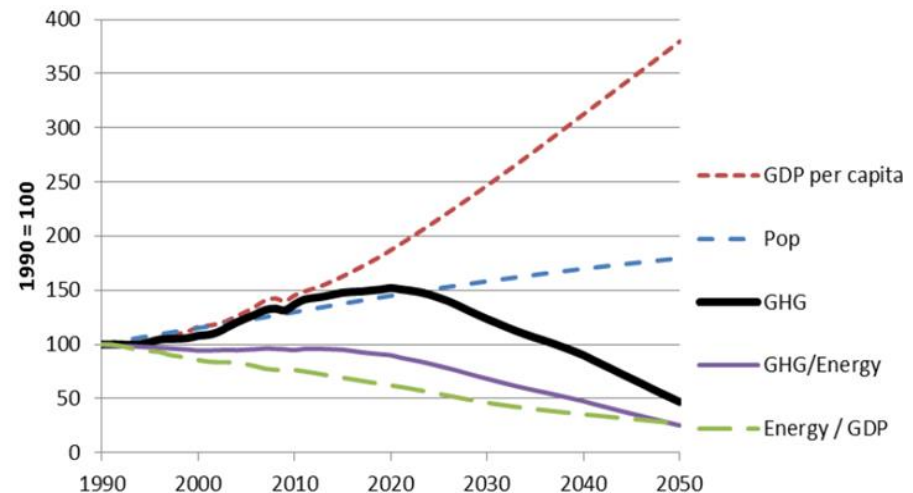
Source: UNFCCC, 2014 Biennial Assessment and Overview of Climate Finance Flows Report

Climate finance flows (USD billion and annualized)



# Multilateral Development Banks - important role for climate finance

- ➔ Increasing "green" investments shares: e.g. EIB and IDB have 25% target – good as a start
- ➔ Pioneers – Private finance will follow, climate criteria should become mainstream element of due diligence of all (development) Banks
- ➔ Spreading knowledge/ risk assessment/tracking and impact methodologies



# Capital Markets Union

- Capital Markets Union Action Plan (CMU)
  - Increase and diversify the funding sources for Europe's businesses and long-term projects
  - Enable long-term and infrastructure investments
  - Harness finance to deliver environmental sustainability
- Recent [Public consultation](#) on long-term and sustainable investment



## PF4EE: Background

The European Union energy efficiency sector is experiencing sub-optimal levels of investment mainly because of:

- high investment costs,
- limited access to credit,
- too long payback times and
- credit risks.

EC (DG Clima) together with EIB have developed a new financial instrument, the Private Financing for Energy Efficiency (PF4EE), addressing those barriers via private commercial banks.



**Thank you!**