



'FIT FOR 55 PACKAGE'
Reducing Greenhouse Gas Emissions by at least 55% by 2030

Wednesday 29 September 2021
17h00 – 18h30
Virtual Meeting

WELCOME & INTRODUCTION BY THE CHAIR

Susana SOLÍS PÉREZ MEP, (Renew Europe, Spain) Industry, Research & Energy Committee and Environment Committee

It is a great pleasure for me to be chairing and moderating this meeting today on a package of such vital importance for our future as is Fit for 55.

The Fit for 55 package is a legislative revolution. It is a package of 13 interconnected and interdependent files that aims to align all our climate, energy and transport policies with the targets agreed in the European Climate Law.

It will bring drastic changes for EU businesses and people and will have a huge impact on the manufacturing sector.

As this transition will have an impact on the whole value chain, it is important that it happens in an orderly manner; taking into account the viability and competitiveness of the EU manufacturing industry as well as the needs of EU citizens, without leaving anyone behind.

In the European Parliament we are now kicking off the debates on the Fit for 55 package and the coming months will be very busy with critical negotiations taking place. It is very important that we take a holistic view and do not look at any proposal in isolation. We need to ensure consistency throughout the legislative process, so that we do not end up with misaligned policies going in different directions.

I am sure our discussion tonight will be a very valuable contribution to the policy debate and I very much look forward to hearing from you all.



EUROPEAN COMMISSION

Kerstin Jorna, EUROPEAN COMMISSION, Director General for Internal Market, Industry, Entrepreneurship & SMEs - DG GROW

Thank you for the invitation.

I have just come from the Competitiveness Council where we had exactly this debate today, the 'Fit for 55 Package' and its implication for industry, and how these two things come together.

I will not go through all the elements of the Fit for 55 Package, because many of you have looked at it. But the gist of the debate today at the Council was all about the business case. This transition can only succeed if there is a business case behind it.



And as Competitive Ministers and also in our role as Single Market and Industry DG, we are trying to make sure that there is a business case for this very ambitious transition.

Now, when it comes to the business case, the first thing is that we have to understand better is what is happening on the ground at the micro economic dimension.

There are fourteen industrial ecosystems that we have identified in the Single Market economy. And they range from retail to tourism, to renewable energy to electronics.

We need to understand better how these ecosystems function, how innovation and technology develop and provide new solutions to get to the market. What are the decarbonisation possibilities, what are the investments needs, how do big and small companies work together, where are the markets for these products?

So, we published with our updated strategy also a Single Market Economy Report and there was an Annexe which was the xray of these 14 industrial ecosystems. We know pretty well now where we stand for those.

The next step is that we will try to develop transition pathways with these ecosystems, which will give a kind of perspective for companies but also for investors and also for administration until 2030 how to achieve the ambitious target of the Fit for 55 Package.

The way we do it is that we publish scenarios based on the Xray of what we see in terms of needs for that particular ecosystem and based on these scenarios there is a full engagement with all the implicit partners and as I said authorities, regional, European, the companies themselves, the workers, all the stakeholders in the ecosystem.

We are most advanced with the tourism scenario and tourism pathway. Tourism was the ecosystem that took the most severe hit actually in pandemic. And it is important to help here.

We published yesterday the energy intensive industries scenario as well.

And the next to come will be on mobility, also very strongly hit, and textiles.

We are looking a very transparent, very open and very collaborative process to develop the pathway and help each other to get there.

To have a business case you need first of all the technology. In some areas we have technology already, for example to produce hydrogen but what is lacking is the roll-out of the technology to

scale it up. And as well, you need the right investment and the right risk taking and what it takes for a business case as well is the skills, the workers need to have the right skills.

Think of the automotive sector for example. It is very different to produce a battery car then a combustion car. And then what it takes as well is a good regulatory framework that is our proposal on the Fit for 55 Package.

On technology: we have a massive research budget and we are trying to use that to address the gaps in the technology. How do you scale technology? You need risk money.

In Europe, there is not sufficient risk money yet, so we use the European Innovation Council Fund, where I am also a Board member to scale up quickly the breakthrough technology to be then able to help with other financial products. Like for example, guarantee products or loans when we work together with the EIB, EIF but also with national promotional banks.

We also need private money to come in too. This is where our Taxonomy Regulation is very important because it allows investors to use a gold standard. And by now it is a global gold standard, our taxonomy rules to invest in Europe. If you look at the reaction to our bond issuance for the next generation EU when we issued Green Bonds, they were several times over-subscribed. So, there is interest from private investors to actually come and invest in Europe because they know they want green, they get green. We will develop this project.

Second, when it comes to the skills, we are looking at pacts for skills in different ecosystems. And we will start the discussions in the different ecosystems.

The automotive sector for me is one of the more emblematic ones, because you see that as the technology changes, also the skill sets need changes.

In some areas we do not even know what the next skills will be. For example, if you look at the tourism ecosystem. Because the models of tourism may change. And there will be different people who are more experienced in nature, so we need people who know more about nature. There is more digitisation in the tourism system as well. So, you need people capable to deal with this. And therefore, for some of the ecosystems we are mapping the skills that they need for the future.

And this may involve more digitisation and emphasis on environmental issues. We are looking at joint planning for skills between the employers and employees to make sure that there is a joint plan for the upscaling.

Third, when it comes to markets, we need markets for these green products, and not only consumer products.

Somebody also has to buy clean steel that we might be producing and therefore we are planning still, before the end of the year, another proposal which is the Sustainable Product Initiative. This would set criteria on how products have to be produced and provided, which would make sure that at the time we are increasing the green supply that there is also the demand.

The discussions we are having with other countries, outside the Single Market also help us to create new markets for these new products.

While we are doing this we also have to look at, and that the lessons from the pandemic, are we really sure that we have the means to do this?

Because in the pandemic we did not have enough gloves and we did not have vaccines and we did not have enough ventilators.

Now we see we do not have enough microprocessors.

We are trying to solve that by creating a European value chain on microprocessors through an alliance.

But there are also 30 critical raw materials where we have to be sure that we can have access to those.

I give one example: rare earths. We need this to produce magnets for turbines. You need permanent magnet for all types of turbines. Wind turbines, robotics and manufacturing. Today 97% come from China. Is that a sustainable business model?

A part of the discussion we are having with other regions of the world is also to see how we can diversify our supplies to be able to react in a shortage of supply situation.

Let me now say a last word on energy.

Affordable, green energy is key to the business case because for example, steel, cement. Electrification is the only way to go. But then you also need this electricity. So, the measures in the Fit for 55 Package that are about the renewable energy wind, solar and the infrastructure around it. They are crucial.

There is one element which is more a national element than a European one, that is permit issues.

You see the debate about the increasing price of the energy price at the moment, everybody realises that it is not only a cost for industry, it is also a cost for consumers and for all of us.

The Commission is actually working on a Toolbox to look at how to handle such an increasing in energy prices. It is part of the business case.

So, the whole logic is to create the best possible business case for having this transformation and for using all the tools at our disposal which are regulation, standards and money. EU budget money, national budget money, next generation EU money but also private money to help clean technologies find the solutions and allow these business cases to be established.

The Competitive Ministers today agreed that they would look on a more regular basis at the evolution of the Package and also to understand the articulation between the different pieces of the Package, how we could still make sure that there is the green business case behind it.

DIGITALIZATION AS AN ENABLER TO ACHIEVING THE EU CLIMATE GOALS



Mats Pellbäck- Scharp, ERICSSON, Head of Sustainability
(Points noted from his presentation)

I will be talking about Climate and Digitalisation, which from the Ericsson perspective, is the key for us to succeed.

How do we view this from a sustainability perspective? We always thought from our own activities but also from the end of supply chains... and then we look on what can ICT do in society. And that is just to put this into context.

We call it three horizons: working with ourselves; with our portfolio industry and what is digitalisation worth in society.

Before I go into the digitalisation and society which is my key focus, I will just like to tell you about what we have developed and what is happening in our industry because also as an industry we have to start with ourselves.

At Ericsson we have developed a concept that we call “breaking the energy curve “, because we need to take care of our own emissions before we can start a credible talking about other sectors emission.

In fact, European network operators are already now up to 64% relying on renewable energy and globally we are using about 4% of the electricity but we are driving the renewables to power purchase agreements where we are acting as investing in 45% of all power purchase agreements globally. So, using 4% of electricity but investing in 45% of all new renewable energy which I think is just a testament to our industry taking responsibility from this perspective.

So, we can come back on this if there are questions later on.

So, of the global carbon footprint, around 1½ % of 1.4% comes from the ICT sector. That is not just the mobile networks, that is all the internet, all data centres and everything.

But according to Ericsson research and this report called “exponential road map”, around 15% of the basement in all the sectors will be driven from the ICT sector and solutions dependent on digitalisation. And that goes across energy and industry building, transport but also food and other areas. Where digitalisation will play a fundamental role.

And to help this come to life for you I just want to take one example of one of the first industries that has become digital. Around 1999, film was used for pictures. And then just ten years later you have a similar curve for digital cameras, where all the digital cameras became mobilised and came into mobile phones. And then the share in all pictures has now moved into the internet into the cloud. Where the consumption of picture does not cause anything from the carbon footprint perspective, but you have your phone and you use that phone for a lot of different things. And this has gone also into music industry and across other sectors. So this is the power of digitalisation as it goes across industries. And this will happen also now when we move to 5G and will see what will be happening industry after industry.

That is very important to see and understand the power of digitalisation and how fast this digitalisation changes industries across the board.

So, we have just commissioned a new study together with McKinsey looking at the European part specifically. Where we see that there is a link between digitalisation. They came up with this, this number is more recent. The previous study was made a couple of years ago. This study is more about investigation that we have commissioned from McKinsey. They came up with the same number, more or less. 15 % of the green deal numbers are dependent on digitalisation to come through.

At the same time, we have done extra studies looking at 5G. And that can then increase from the existing's scenarios between 1 and 5 %.

So, going from 15% to 16% to 20% by implementing 5G.

And I think also the power of digitalisation is so important because it will help us to buy time for specific sectors.

All of these things are relatively low hanging fruit when it comes to digitalisation and how we can use that efficiency in transport, making smarter prints.

The renewable energy will depend upon 5G to be able to counterbalance the grids and the networks up there.

So just to talk about what we then need, the investment gap in Europe to build the 5G is around €42 billion on annual investment to secure that we have this digital platform.

And maybe remember my talking about the music industry. Think about Spotify, think about Google and Facebook. All of that was innovation on top of 4G. We will have the same type of innovation platform on 5G but for industries.

And if European industry does not have that platform, it will fall behind.

Already now in Korea, 98% of the population is covered by 5G.

In Europe the target within the discussion ongoing right now is to cover Europe by 2030.

That is way too late.

So, we cannot continue to drive investments and rely totally on industry.

We have to start using public money to invest also in the digital infrastructure.

Because this innovation platform according to the same study on “political digital decade” that we have share with you. This according to the study is an opportunity for at least €200 billion in benefit on top of that innovation platform.

So, it is not about how to get 5G, it is about what we can do on top of 5G, in a similar way that Spotify, and iTunes are innovations on top of 4G.

Klemen GROŠELJ MEP, Industry, Research & Energy Committee

R&D as a main driver of technological and development breakthrough needed to reach 2030 targets:

- Technological neutrality issue
- Invest more in R&D
- Special attention to SMEs
- Reliable energy supply in parallel with green transformation and at competitive price



Role of the regulation to enable transformation:

- Carbon adjustment mechanism
- Investments' incentives

Role of Digitalisation:

- New business models and fiscal policies

- B to B and B to C – New legal framework – privacy protection and data regulation
- Infrastructure investments and development

AMENDMENT TO THE RENEWABLE ENERGY DIRECTIVE - IMPLEMENTING THE AMBITION OF THE NEW 2030 CLIMATE TARGET



Alfred Hoffman, VATTENFALL, Vice President Portfolio & Business Development

Vattenfall is a European energy company with approximately 20,000 employees, in Sweden, Germany, The Netherlands, the UK, Denmark and France. For more than 100 years we have electrified industries, supplied energy to people's homes and modernized our way of living through innovation and cooperation.

Our goal is to make fossil-free living possible within one generation. Everything we do and the decisions we take shall lead to this goal. This is the basis of Vattenfall's strategy, and we advocate for a regulatory environment that makes this transition possible – in the energy sector and beyond in transport, industry etc.

In September 2021, Vattenfall has decided to further increase its emission reduction targets for 2030 and beyond, aiming to reach net zero by 2040. The new targets are set to help keep the global warming at a maximum of 1.5 degrees Celsius and have been approved by the Science Based Targets initiative, SBTi, providing external validation in line with the latest climate science research.

Introduction

Climate change is one of the biggest challenges of our time. In this context, Vattenfall welcomes the alignment of the existing EU energy and climate regulatory framework with the new 2030 and 2050 climate targets.

Quick negotiations and early implementation would increase certainty for investors but also imply that de-carbonisation investments are happening earlier. The business community has an important role to play to invest but it requires a reliable and robust regulatory framework.

Therefore, we are calling upon decision-makers to enable a quick and thorough decision-making process at EU level, as we need clarity to keep investing in the European energy transition in order to jointly deliver on EU climate targets in the short timeframe that remains to 2030.

Key Recommendations for the Renewable Energy Directive

Policy-makers need to ensure that sufficient amounts of fossil-free electricity are available. The 2018 Renewable Energy Directive does already set the right framework for renewable electricity projects. Now, we call on decision-makers to focus on how to deliver the huge volume of renewables needed to become carbon-neutral by 2050. To reach the EU net-zero target, we need to accelerate the installation rate of renewables over a sustained period.

1. We encourage policy makers to keep the strong focus on electrification that is provided by the European Commission's proposals. For instance, issuing Guarantees of Origin to any

installation, regardless if it has received subsidies or not, will facilitate system integration (eg. Power to X is made easier) and allows for disclosure to the public and to partners.

2. On hydrogen, attention needs to be given to the broadening of the definition and criteria applied to renewable-based hydrogen to all end-users, especially in light of the newly introduced Renewable Fuels of Non-Biological Origin (RFNBO) sub-target for industry. Additionality, as well as geographical and temporal correlation requirements make the business landscape more complex. The interaction of the different criteria needs careful attention as it also will decide where in Europe installations will be built.

Key Recommendations for the EU ETS Directive

With the review proposed by the European Commission, we see a key opportunity to further improve the system, for the benefit of EU's contribution to the Paris Agreement. The EU ETS should remain the key tool to reach the EU's increased climate ambition. It also has positive spill-over effects on investments in renewables, as a strong CO₂ price makes fossil-free/renewable technologies competitive vis-à-vis conventional electricity production on the power market. We therefore call on decision-makers to:

1. Increase the Linear Reduction Factor, as proposed by the European Commission, in line with new 2030 and 2050 targets, to enter into force in 2023, latest 2024. Adjusted legislation should be put in place as quickly as possible in order to ensure a cost-effective abatement pathway for the society.
2. Maintain a strong Market Stability Reserve (MSR) also beyond 2023 (24 % intake rate), as proposed by the European Commission. The MSR introduced in 2019 plays a key role in addressing the ETS market surplus and, together with the automatic cancellation of excessive EUAs, is the main reason for the markedly strengthening of the EU ETS market price in 2018-2019. If the intake rate of the MSR was to be reduced, we believe this could seriously weaken its ability to handle new distortions and result in a very low EUA market price at times. Therefore, we believe that the next reform should result in keeping today's 24% annual intake rate also after 2023.
3. Link (expand) the EU ETS to other markets (and sectors), thereby creating a more uniform CO₂ price incentive and level-playing-field. But the priority should be on sectors which are today not exposed to any CO₂ price (eg. maritime) or (in some Member States) an insufficient CO₂ price (eg. individual heating in buildings).

Radka MAXOVÁ MEP, (ALDE, Czech Republic) Environment, Public Health & Food Safety Committee

It is always a pleasure to at a European Forum for Manufacturers meeting.

This time we have gathered to discuss the Fit for 55 Package, which will significantly impact the lives of all of us for the years to come. As the energy sector is responsible for more than three quarters of all EU emissions, it is high time to pass the necessary legislation that will align the sector with our goals of reaching climate neutrality by 2050.

However, I would like to stress that the move to clean energy can come at large social and economic costs. Therefore, while concrete objectives are necessary for real



achievements, it is necessary to take into account the specific situation of all Member States and have objectives that apply collectively, not individually.

The planned Renewable Energy Directive, in particular, has a number of significant proposals such as for example to increase the share of renewables in the European energy mix to up to 40%. While I wholeheartedly support this direction in general, I consider it very ambitious given that for example in 2020, Czechia had barely reached 15.5%. Apart from that, I would like to express my support for the proposal to support the use of low-carbon fuels, such as hydrogen, in areas where full electrification is not yet feasible. In connection to that, however, while I agree that there is no long-term future for cars with an internal combustion engine, I believe that the EU targets and timeline concerning electrification of cars are at the moment unrealistic. Moreover, it is hybrid vehicles that could help us meet our climate goals, especially before substantial public infrastructure needed for electric cars is built.

Further to the EU climate goals, I would like to mention the importance of nuclear energy. The EU support for nuclear expansion in some of the Member States will simply be crucial, should the climate goals be met. And natural gas is also crucial. In fact, through adequate research and development, the hydrogen as a fuel of the future produced from natural gas represents the pathway to decarbonization in the context of European policies for environment, energy and transition to a sustainable economy.

Finally, I would like to stress that we must ensure that the new legislation does not further increase the risk of energy poverty, which is already jeopardising the health and wellbeing of millions of European citizens, particularly in south eastern EU member states. At this point, a third of Bulgarians are not capable of maintaining their homes adequately warm and more than a third of Greeks cannot afford to pay their electricity bills on time.

In this regard, I strongly welcome the introduction of the Climate Action Social Fund, which will serve to offset disproportionately high costs associated with the green transition for those who are unable to afford it. I believe that being Fit for 55 necessitates being prepared to protect the most vulnerable ones because without a just transition, we can have no transition at all.

ENERGY SYSTEM INTEGRATION: UNLOCKING THE SYNERGIES IN THE FIT FOR 55 PACKAGE



Malte Lohan, ORGALIM – Europe's Technology Industries, Director General,

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering and electronics, and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of €2,126 billion, manufacturing one-third of all European exports and providing 11.33 million direct jobs.

We are big champions of Europe's climate transition because a lot of the technologies that we manufacture are actually at the heart of making that happen. So not only is it a kind of emergency driven by the climate situation but there is also a real business opportunity.

I would like to share a few thoughts on how to make the decarbonisation of Europe energy system cost effective. The reason why this notion of how to make it cost-effective is so important is because otherwise it will just not happen. And so, the way we look at this is really at the systems

level.

We can increase system efficiency through the empowerment and the act of participation of the energy end-users. So that is really what I want to focus on now - the energy end -users and unleashing what we call the demand- side flexibility. I see the demand-side flexibility as the bridging solution.

So, supporting greater electrification, supporting smart sector integration and bringing stability to an increasingly variable power system. Making the benefit of this demand-side flexibility a reality requires the activation of all the end-user sectors, through the development of economically attractive business models.

As Sigrid mentioned a moment ago the business case needs to be there.

And so to do this first of all there is a core role for the electricity market design, to set the national regulatory frameworks that enable the activation of the demand-side flexibility. But additional EU policy measures are also needed to ramp up the activation and the integration of distributed flexibility into the power system.

So how can the “Fit for 55 Package” support it? I highlight three priorities where we need to provide incentives to realise this potential.

First of all, the EU should support energy sharing and other cooperative models. Much more potential than is untapped at the moment.

Second, the EU should incentivise market participants to provide flexibility services and to contribute to the security of supplies.

And third the EU should ensure that these “prosumers” are rewarded for their voluntary contribution to the system.

And I make a final point looking at the upcoming work on the “Fit for 55 Package”

The Commission’s Energy System Integration Strategy, I believe, has set the correct way forward. And has acknowledged the role of distributed flexibility resources to support a more efficient energy system and the cost-effective integration of renewable energy in old and new sectors.

So, I would urge the Parliament to ensure consistency with this strategy in the legislative work on the revision of the Directives on renewable energy, energy efficiency, alternative fuels infrastructures and also energy performances of buildings.

So that would be my request to all those joining us today working on the “Fit for 55 Package”.

(Malte Lohan’s remarks summarised above reflect Orgalim’s recommendations on energy system integration which are set out at: <https://orgalim.eu/position-papers/energy-climate-letter-executive-vp-frans-timmermans-and-energy-commissioner-kadri>)



- The COVID-19 pandemic and the global shift to an ever-more digital economy showed us just how crucial our dependency on electricity has become
 - Everyone who had to work from home and carry out several tasks online understood the need for a secure, reliant and affordable access to energy
 - This trend is not going away, on the contrary - if all of the plans for a twin transition are realised by the Next Generation EU Recovery Instrument, this will truly become the new normal
- I believe that the EU managed to learn its lesson from the past crises
 - We used the current crisis, not to pour public money for a generic recovery, fuelled by an increase of demand and consumer's spending, but to invest in targeted sectors where we can have the biggest impact to improve the climate and set the foundations for a new form of economic growth
- In the finance world there is a saying that the best time to invest was ten years ago, however the next best moment is right now
- However, predictability of the regulatory environment is the most important thing when an investor considers any long-term commitment
 - This is why the Fit for 55 Package is probably the most important initiative launched by the European Commission
 - It represents an all-encompassing process, which targets all spheres of our energy production, distribution, storage and end-use
 - We also have to align the targets with the TEN-E Regulation and invest in greater connectivity between our energy systems
 - Only then can we really talk about a common and optimised energy market
- We cannot reach the goals of decarbonisation by only one single miracle technology that will drastically change our way of life
 - We can see tangible results in the medium-to-long term only if we manage to implement incremental improvements in all sectors of the production and consumption cycles;
- Our efforts should be focused on increasing as much as possible the energy efficiency of all production processes alongside the targets for end-consumers
 - I am glad that in my meetings with various EU industries, I see that they are already on-board
 - In some areas they are actually leading the transformation forward and do not wait for the regulatory push from Brussels
- EU companies are amongst the very best world leaders and we have to continue to invest in domestic R&D so we can preserve the high-skilled jobs on our continent
 - This is one of the priorities that I will be working on for the coming months as a Shadow Rapporteur in the ITRE Committee on the Updated New Industrial Strategy for Europe.
 - Only if we support our domestic innovations can we reach a true strategic autonomy
- However, the recent rise of the electricity prices this summer further highlighted something crucial:
 - These changes should not be made on the back of the most vulnerable in our society
 - Energy prices are also crucial for the industrial and manufacturing processes.
 - In Bulgaria, several big factories had to temporarily shut down their production because the sky-rocketing prices made it economically inefficient to work
 - This should not be allowed to happen and we should invest in innovative support measures which could help citizens and manufacturers continue to be economically active
 - If this does not happen, the mild rise on inflation will be the least of our worries.

ACCELERATING THE TRANSFORMATION OF THE MOBILITY ECOSYSTEM - CO₂ TARGETS REGULATION



Sigrid de Vries, CLEPA - European Association of Automotive Suppliers, Secretary General

Automotive suppliers design and manufacture all of the components and systems that are needed to make transport and mobility smart, safe and sustainable. CLEPA represents: 120 corporate members, 20 national and sector associations, 3000 companies across Europe: large, mid-sized, small. All with a global market and perspective.

Our sector is an innovation powerhouse, and with 1.7 million direct employees, on top of the 1.2 million with the vehicle manufacturers, there is a lot at stake.

Biggest transformation in the history: digital, green.

Suppliers are therefore very much in the frontline of the transformation. They are investing heavily in new technologies, creating new product portfolios, and they have to transform, shrink and in certain cases stop activities they currently run, with huge challenges and related costs.

Our industry supports the Paris Agreement and the ambitious objective of achieving climate neutrality by 2050.

- We note positively that the Green Deal intends to combine transformation of the economy, as well as preserve industry and jobs.
- But we do not quite see yet how this will all be achieved in a coherent way.

The Sustainable and Smart Mobility Strategy sets out the right legislative agenda, but can be made more coherent and robust.

- RED: higher targets good, but sufficient?
- AFIR: mandatory, good – but close monitoring needed
- Tax and ETS: principle is ok (pricing signal!), but worries about social
- Most critical: CO₂ fleet targets – affordable, socially digestible?

Going to 55% reduction in 2030 and 100% in 2035 would, without acknowledgement of a role for renewable fuels in the CO₂ Fleet Regulation, indeed be a de-facto ban on combustion engine technology: it leaves OEMs no other choice than going electric.

This means that there will be no choice.

The car will have an electric engine, regardless of whether it fits the need or not, is affordable or not, or if there is green energy and the infrastructure to charge it or not.

I stress: automotive suppliers fully support the Paris goals and have a strong commitment toward achieving climate neutrality by 2050.

But we put an important question mark behind an electrification-only strategy:

- It limits the options to reach climate neutrality in the quickest and most efficient way

- It is not technology open, which the Commission says it remains committed to, and for all the right reasons
- It is a limited business case and puts Europe's global competitiveness at risk
- There are unresolved issues: with material sourcing, efficiency and recycling
- And: it forces avoidable upheaval for millions of households, be it those that rely on affordable mobility to commute or to make a living, or the workers in the automotive industry.

As regards jobs: yes, there are significant opportunities, but there are serious challenges too. The jobs in the transformed industry will not only have different skills requirements. These will often be different jobs, for different people in different locations. And new jobs may not be available at the same time when jobs are being lost.

What society needs is rapid electrification with clean batteries and renewable energy, as well as clean combustion technology with renewable fuels.

Not all electric vehicles run on green energy. Not all combustion engines need to run on fossil fuel. And that includes hybrid solutions of course as well.

Where there is the business case, electric vehicles will prevail. But where there isn't, there should be choice.

There are more options than tailpipe *zero*. We need to recognise the role that climate-neutral fuels can play, in the CO₂ regulation and in flanking policy.

We see recognition for this growing in other regions, and Europe would be wise to take a good look.

The biggest challenge is to transfer to green energy and green fuels – not the vehicle technology.

The Fit For 55 Package should and can be amended to make this work.

We argue for ambitious CO₂ targets that take 'well-to-wheel' emissions into account via a voluntary crediting scheme for climate-neutral fuels in the CO₂ Fleet Regulation, combined with ambitious targets in the renewable energy rules, including sub targets for hydrogen and sustainable fuels, and a revision of the Energy Taxation Directive to remove inconsistencies.

This is do-able in the current regulatory Framework, it is not complex and does not need a major overhaul.

Electrification is a highly suitable solution in cities and for short-range commutes and deliveries – but it does not cater for all needs consumers and society have.

Climate-neutral internal combustion, with renewable and low carbon fuels, is a viable option - Also in respect of air quality, as we've seen from recent data from the German Environment agency.

To create the business and investment case, the use of e-fuels should be extended to road transport as well, and not left to maritime and aviation.

Road transport is key to achieve scale in deploying renewable fuels.

- Renewable fuels have an immediate effect on emissions from *all* cars and trucks on the roads, not only new vehicles.
- They can be deployed in the existing fuel infrastructure.
- They pave the way for their use in hard-to-electrify sectors, such as shipping and aviation

In this way, all efficient technologies can compete in the market and emissions would be reduced from new vehicles and the existing fleet alike.

The transition to climate neutrality will still be a challenge – the magnitude is immense - but it is our aim, together, for this transition to stay manageable, support jobs, make Europe stronger and indeed 'leave no-one behind'.

Henrike HAHN MEP, (Greens, German) Industry, Research & Energy Committee

Being engaged in European industrial policies since the very beginning of my term and coming from Bavaria, a region in which the mobility ecosystem is important in terms of jobs and innovation, for example around Nürnberg with its automotive suppliers, I am very much looking forward to discuss its challenges and opportunities on the way toward net-zero emissions.



Reaching our climate targets offers an enormous opportunity to improve our economies and industries and to create a society that is more inclusive, circular and sustainable.

Nearly every major aspect of our economy will have to be overhauled, including of course the transport and manufacturing sector.

It will be our task in the European Parliament to protect and strengthen the European Green Deal.

Strengthening the Green Deal is especially necessary when we look at the transport sector.

Emissions from road transport have increased by 27% compared to 1990 (Eurostat: Greenhouse gas emissions by source sector (source: EEA) [env_air_gge]). Annual new registrations of cars with combustion engines are up by more than 100% for some EU countries compared to 2013 (Eurostat: Greenhouse gas emissions by source sector (source: EEA) [env_air_gge]).

Thus, the Greens commend the European Commission for finally setting an end-date for the sale of new cars equipped with combustion engines. This is an important step to reduce emissions from road transport (COM (2021) 556 final).

As Greens, we nevertheless regret that the chosen date is not ambitious enough. Taking into account that an average vehicle lifetime is 15 years it will take up until 2050 to replace all existing fossil-fuelled cars by zero-emission vehicles or even longer if the phase-out-date is postponed. In its proposal for a Regulation on strengthening the CO₂ emission performance standards for new passenger cars and new light commercial vehicles, the European Commission has included a review clause for the year 2028 to reassess the situation. This could potentially open the door to postponing the ICE phase-out date to 2040.

This is way too long, especially given the fact that many market players are ready to seize the opportunity. For example:

- Groupe PSA plans on offering electric and hybrid versions of all its cars by 2025
- Fiat plans on gradually switching to full electric between 2025 and 2030
- Ford and Volvo plan on offering only electric cars by 2030
- Mercedes-Benz announced last week to buy a major stake in the battery joint venture ACC. Additionally, they will be one of the first recipients of Swedish green steel, produced by Vattenfall, SSAB and LKAB.

The sooner car manufacturers will put new electric cars on the market, the sooner those cars will end up in the resale market, offering affordable alternative options also for low-income households.

However, switching to EVs alone will not be enough for the transformation of the transport sector. We also need massive investments into new renewable capacity as well as charging infrastructures.

This is why we welcome the proposal for binding national targets for publicly accessible recharging stations for cars and vans, as part of a new Regulation on Alternative Fuels Infrastructure (COM (2021) 559 final).

The revision of the Renewable Energy Directive, which proposes to increase the 2030 renewable energy target to “at least 40%” from currently 32%, however, lacks the ambition to achieve the necessary deployment of renewable energy sources.

Covid-19 showed us the vulnerability of our supply chains and the costs associated with it. It also gives us the opportunity to think about the sustainability of supply chains and to double our efforts to increase recycling rates (eg. Eurostat: CEI_SRM010 or Eurostat: ENV_AC_CUR).

- We must make sure that a functioning market for secondary raw materials is established.
- The EU must undertake actions to improve the Design for Recyclability in all products containing critical raw materials.
- The EU should support material specific recycling rates.
- The EU should use its leverage, via the setting of standards to trigger change towards a more circular economy. The proposal for a Battery Regulation is just one example.

Finally, we will keep on pushing for more EU investments in public transport & soft mobility as it has to be emphasised that not every individual car can and should be replaced by an electric car as this would not solve our current problems but could create additional ones.

CONCLUDING REMARKS

Antony Fell, EUROPEAN FORUM FOR MANUFACTURING, Secretary General

We have heard excellent presentations this evening. I would like to thank European Commission Director General Kirstin Jorna for her



excellent Commission statement and response. We wish her and her team well for all their future work on this key dossier.

Equally I would like to thank each of the European Manufacturers for their informative presentations and the MEPs for their interventions.

And especially I would like to thank Susana Solís Pérez MEP for her outstanding chairing and moderation of this EFM Forum on the Fit for 55 Package. As she said it will indeed be a legislative revolution.

I formally close this European Forum for Manufacturing virtual meeting.
