AmCham EU
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

Our position

COP26 – US business views

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AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €3 trillion in 2020, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

American Chamber of Commerce to the European Union
Speaking for American business in Europe

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Introduction

Transitioning to a greener economy will be the defining challenge of our time. The European Union has an ambition to lead the green transition and achieve the goal of net zero emissions by 2050. AmCham EU members support and commend the efforts of the European Commission for the broad range of policy initiatives proposed to achieve these overarching climate objectives. The United Nations Climate Change conference in Glasgow, otherwise known as COP26, aims to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. American companies are committed to the green transition of the European Union and achieving global climate goals under discussion at COP26. In this paper, we outline our vision for climate policy in the context of COP26, detailing both the issues to address if we are to achieve these goals and recommendations to feasibly achieve them.

Pressing environmental issues

Current trajectory of emissions reduction is not far-reaching enough

- Commitments to reach net-zero later in this century by countries now account for 70% of global emissions.[1]
- Even if fulfilled, the IEA estimates this would leave around 22 billion tonnes of CO2 emissions in 2050.
- This trajectory would lead to global warming by over 2 degrees by the end of the century – leading the world to miss the Paris Agreement targets.

Rapid scale-up of renewables is required by 2030

- We need to reach 630 gigawatts of new solar panels and 390 gigawatts of wind energy coming online per year. That is equivalent to installing the world's current largest solar park every day.[2]
- In 2050, the IEA estimates that half the reductions of emissions will come from technologies that are currently at the demonstration or prototype phase.
    - Examples: advanced batteries; hydrogen electrolysers; direct air capture and storage

Government support to accelerate the rollout of demonstration projects

- The IEA estimates that around $90bn of public money is needed globally to complete a portfolio of demonstration projects before 2030. Currently only $25bn is budgeted for that period.
- Annual investment in transmission and distribution grids must rise from $260bn today to $820bn in 2030.

Emerging technologies need urgent investment

- Roll-out of hydrogen and CCUS after 2030 means laying the groundwork today: investment in CO2 pipelines and hydrogen-enabling infrastructure needs to increase from $1bn today to $40bn in 2030.[3]

EU lags in cleantech scale-up and support

- Less than 7% of global cleantech growth equity funding went to EU companies in 2020, comparing to 54% for North America and 4.7% for the UK alone. [4]

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[1] IEA (2021) 'Net Zero by 2050: a roadmap for the global energy sector' - https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[2] IEA (2021) 'Net Zero by 2050: a roadmap for the global energy sector' - https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[3] IEA (2021) 'Net Zero by 2050: a roadmap for the global energy sector' - https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[4] Cleantech for Europe (2021) 'New Research Concludes EU will Miss Climate Goals Unless Cleantech Innovation is Scaled'- https://www.businesswire.com/news/home/20210323005539/en/New-Research-Concludes-EU-will-Miss-Climate-Goals-Unless-Cleantech-Innovation-Is-Scaled

Lowering the Green Premium

- The difference between the price of a carbon-emitting technology and its low carbon alternative. While critical low carbon technologies may become cheaper over time, we cannot wait for traditional innovation cycles to play out if we are going to reach net-zero emissions by 2050.

Recommendations to ensure Paris targets can be met

Policy action to drive deployment of existing low carbon energy options

- Policy and standards should be implemented to support the creation of markets for consumer spending and industry investment in the most efficient and cost-effective technologies.
- Addressing the 'green premium' in market signals by removing subsidies of fossil-fuel-associated consumption and encouraging the uptake of low carbon alternatives must be priority.

Set near-term milestones to reach long-term targets

- COP26 must be used as the opportunity to set operational, and where appropriate, sector-specific roadmaps that lead to the overall 2050 emissions reductions targets.
- Measurable, transparent, and science-based short-term targets and policies, similar to the EU's 'Fit for 55' 2030 emissions reductions targets, must be implemented globally to keep the world on track.

Drive investment in low carbon technologies

Research and development (R&D):

- R&D spending needs to be increased and reprioritised. Critical areas such as electrification, hydrogen, bioenergy and carbon capture, utilisation and storage must be given primacy.
- A balanced portfolio of innovation projects that covers the whole range technologies needed should be developed.
- The EU should allow greater access to patient capital for innovative companies.
- Better linkage for demonstration and validation activities to R&D funding and deployment programmes to ensure more efficient technology push and market pull processes.

Funding:

- Increase the scale and impact of early-stage non-dilutive funding. Private venture capital can be incentivised through matching government funding; tax deferrals; and other incentives.
- Patient capital: many low carbon energy technologies need around 10 years to become profitable: EU funds can be used to stimulate patient capital.
- Guaranteed demand could be used as a market signal for upstream investors and entrepreneurs to incentivise low carbon technology innovations.
- To meet the significant investment required in the transition to a more sustainable economy, the right incentives need to be set to channel the necessary sustainable investments, while ensuring a high degree of coordination between the public and the private sector.

Prepare for socio-economic consequences of energy transition

- The EU should continue to support skills and expertise of its workforce through its institutions and initiatives.
- Focus on entrepreneurialism at all levels of education.
- The energy transition is set to add 16 million jobs to the world economy, but it will do so in different locations, skill sets and sectors than those industries that will necessarily decline.[5] Addressing these employment losses through such measures as retraining programmes and locating new low carbon energy facilities in heavily affected areas must be a priority.

International cooperation is essential

- Governments must work together in a mutually beneficial manner to implement coherent policy measures that cross borders.
- The development of international standards, coordination of research projects and scale-up of low carbon technologies must link international markets.
- R&D partners and third countries should increase in order to maximise knowledge transfer. This should be done with reciprocal access to R&D programmes and funding.
- Ensuring participation of a wide variety of geographic regions in demonstration and validation projects can help build and strengthen expert communities and encourage knowledge transfer.
- An IMF/OECD global agreement on a minimum carbon price should follow from the successful implementation of Article 6 of the Paris Agreement.[6]
- Take steps to build consensus on international sustainable reporting standards to improve the quality and also the comparability of Environmental, Social and Governance information, while at the same time avoiding fragmentation or overlapping requirements.

Transatlantic leadership is indispensable

- **Low Carbon Technology:** speed up deployment of breakthrough tech by ensuring regulatory certainty and simplicity between the EU and the US.
- **Climate Diplomacy:** play a leading role in international agreements under the Paris agreement. Use COP26 as an occasion to align objectives and set landing points.
- **Renewable tech:** exchange best practices between EU and US to stimulate investment on both sides of the Atlantic. Address the issues of access to land, grid connection, ancillary services, corporate sourcing of renewables (power purchasing agreements).

[5] IRENA (2020) 'Measuring the Socio-economics of Transition: Focus on Jobs' https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Feb/IRENA_Transition_jobs_2020.pdf

[6] United Nations (2015) 'Paris Agreement' Article 6 https://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf#page=9

- **CBAM:** avoid a 'carbon war' by aligning transatlantic efforts and clearly defining the initiatives to avoid carbon leakage.

Approach to policymaking

Regulatory certainty and economic stability

The EU and the US should work together to ensure coherent and long-term frameworks towards sustainable growth and the green transition.

Evidence-based policy

Ensure that businesses can provide expertise on the challenges posed by climate changes and the potential options in the approach towards transition-oriented policy objectives.

International openness

A flexible and outward-looking approach will ensure equal and non-discriminatory access for third-country financial institutions, businesses and investors to help support and grow the European economy. International cooperation will enable standardisation to prevent fragmented jurisdictional approaches and promote harmonisation.

Transparency

Transparency is a prerequisite for data-driven policymaking and is essential to create the most efficient and effective solutions to address climate change. Climate neutrality objectives should be subject to thorough impact assessment that takes into account the state-of-the-art of technology as well as the availability of economically viable solutions and necessary infrastructures on the market.