

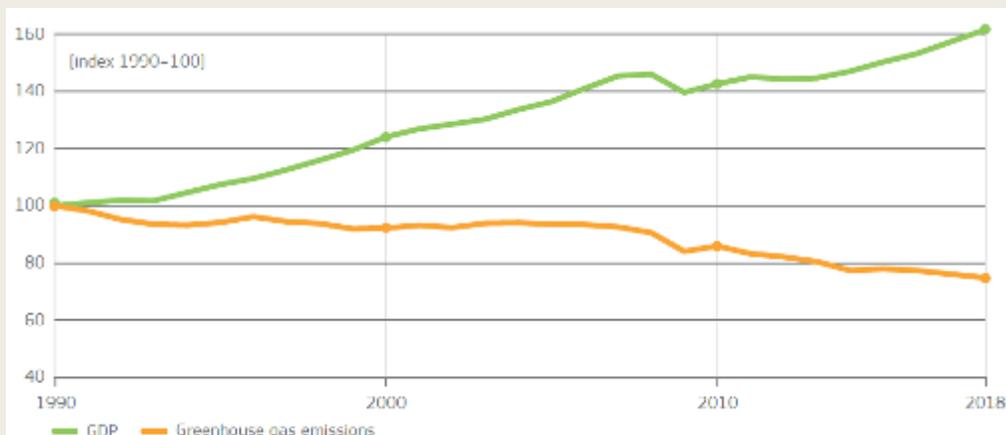


THE IMPACT FROM THE
EUROPEAN GREEN DEAL
ON ENERGY-INTENSIVE SECTORS
IN THE CONTEXT OF A DEMAND-
DESTRUCTING COVID-19 CRISIS

All Things Energy Forum,
3rd June 2021

THE EUROPEAN GREEN DEAL: EU'S STRATEGY TO REACH CARBON NEUTRALITY BY 2050

Concept: decoupling the economy

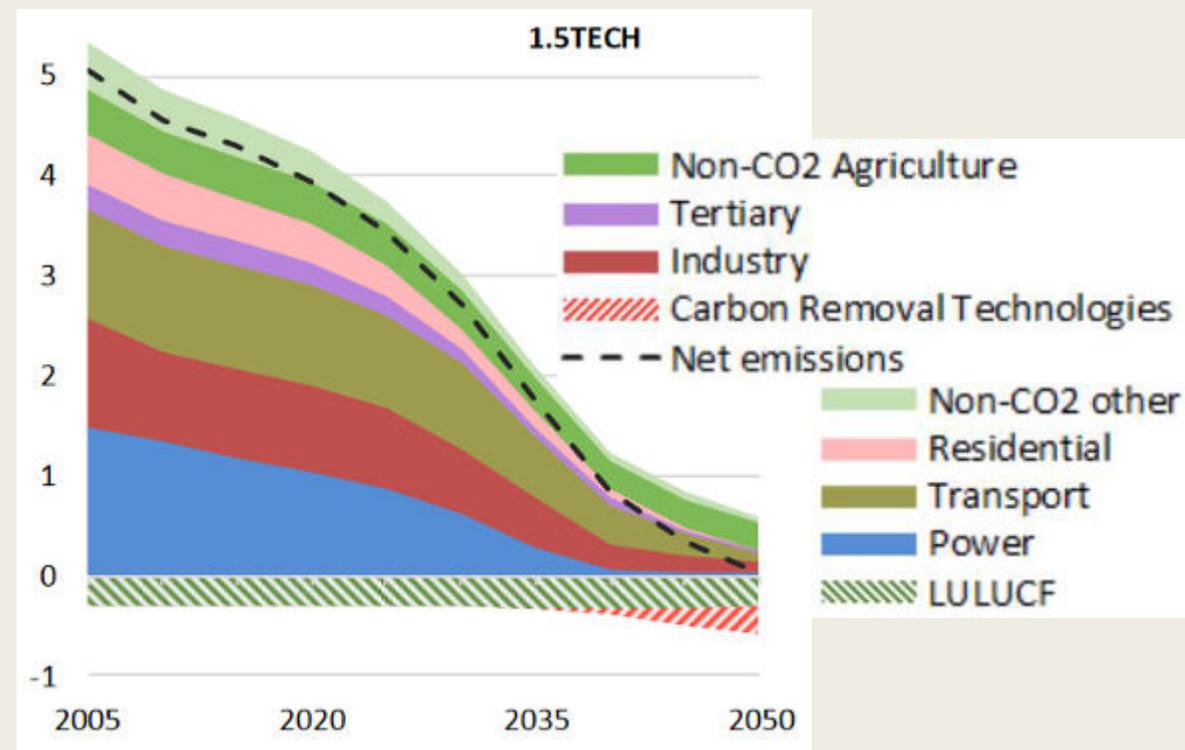


Source: European Commission

1990-2018:

- EU GDP +61%
- GHG emissions -23%

Evolution: “collective effort of all sectors of the economy and society”

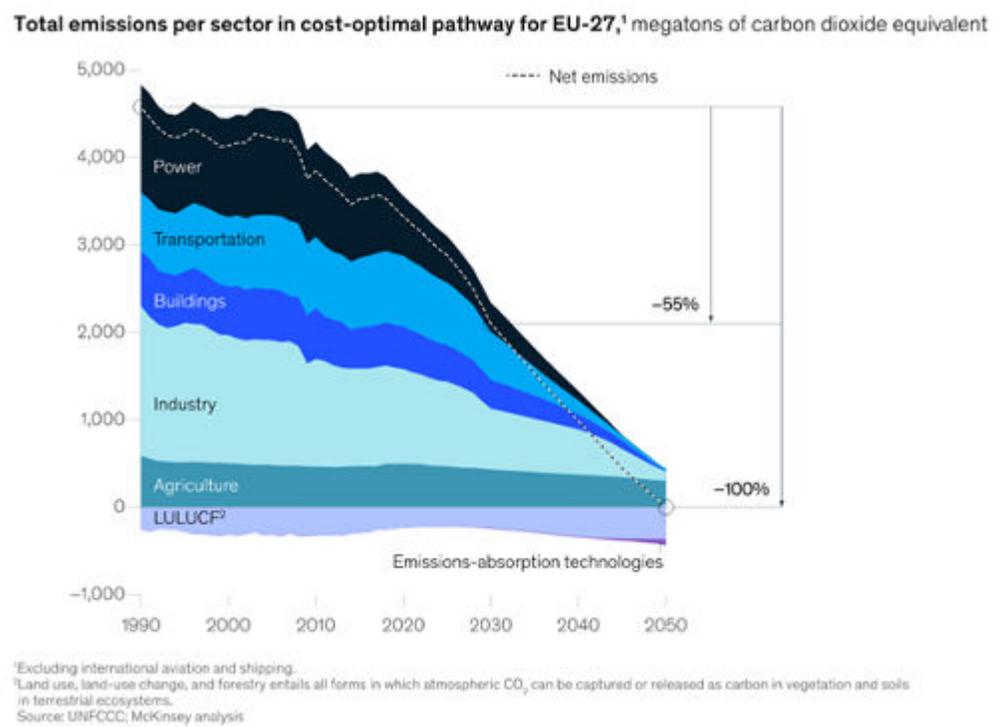
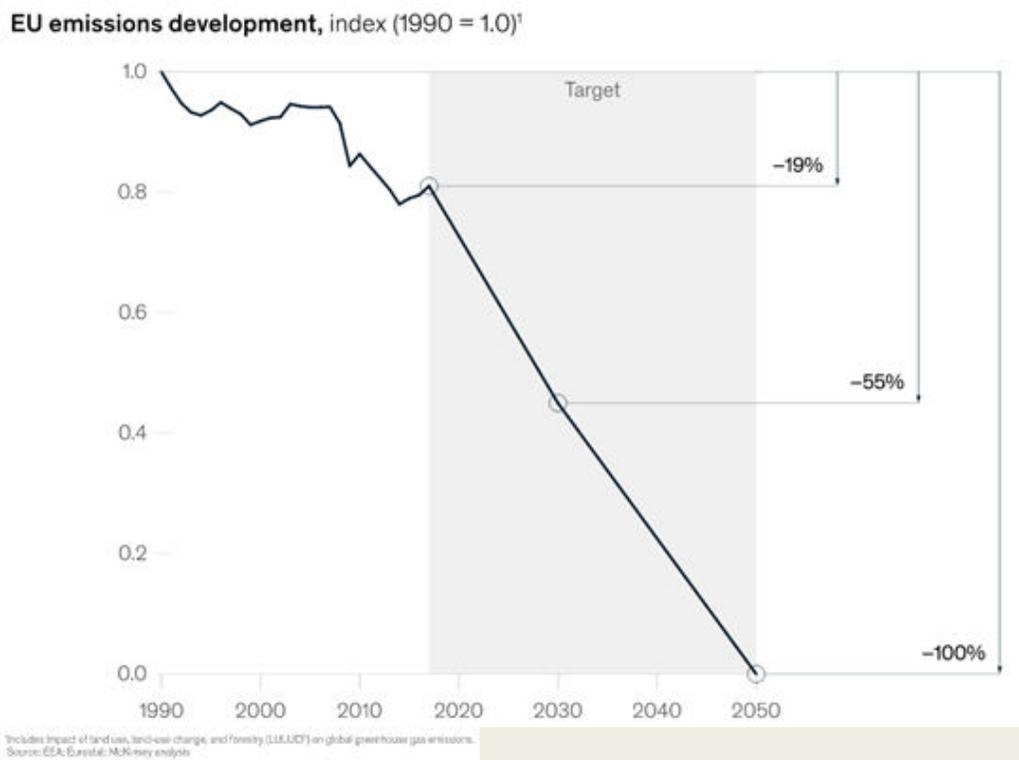


Source: European Commission

A STEEP PATH AHEAD TOWARDS CLIMATE NEUTRALITY

Plan for drastic emissions reduction

Industry's evolution is recognised, but further effort is required



COVID-19 OFFERS ADDITIONAL MOMENTUM TO CLIMATE ACTION

Das Bild kann zurzeit nicht angezeigt werden.



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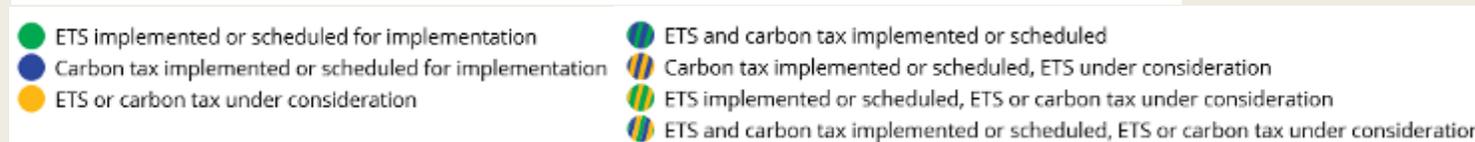
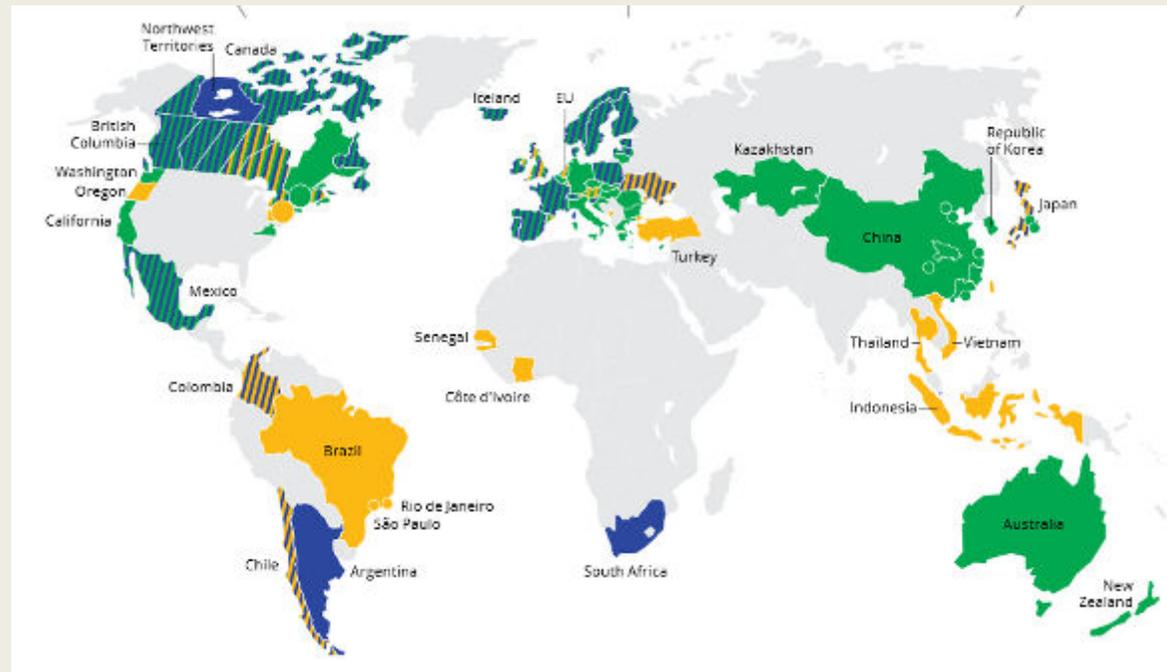
Bengaluru South, India



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SOME THOUGHTS FROM THE INTERNATIONAL LEVEL

- Feasibility of **global carbon market**?



- The EU aims at “inducing a positive dynamic” globally
- The EU is looking for **partners** at international level
- **China** is moving forward: climate neutrality in 2060
- But important gaps remain in the policies and in the support

IMPACT ON ENERGY-INTENSIVE INDUSTRIES

■ Impact on European industry:

- *Current dual CO₂ cost impact:*
 - **Direct emissions** = process emissions
 - **Indirect emissions** = CO₂ cost passed in electricity prices
- *Reduction of free allocation / carbon border adjustment mechanism?*
- *Interactions between sectors in the same value chains?*
- *Impact of policy on demand?*
- *Ability to recover from Covid-19 impact?*

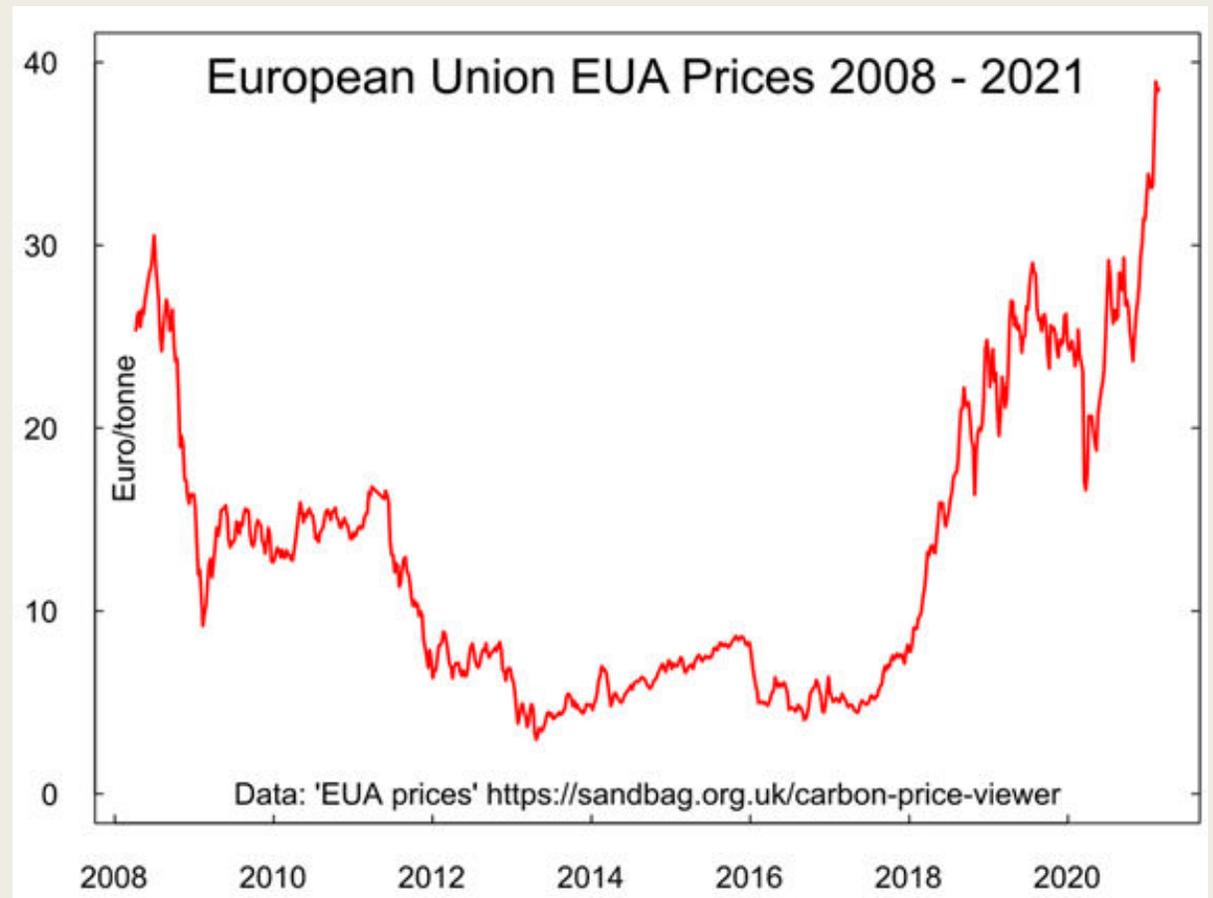
■ Impact on non-European industry:

- *Carbon border adjustment mechanism?*
- *Impact of policy on demand?*



EU CARBON PRICE HAS REACHED UNPRECEDENTED LEVELS

- Peaked at 56€ in May
- Currently around 52€
- Will continue rising, even faster than previously predicted



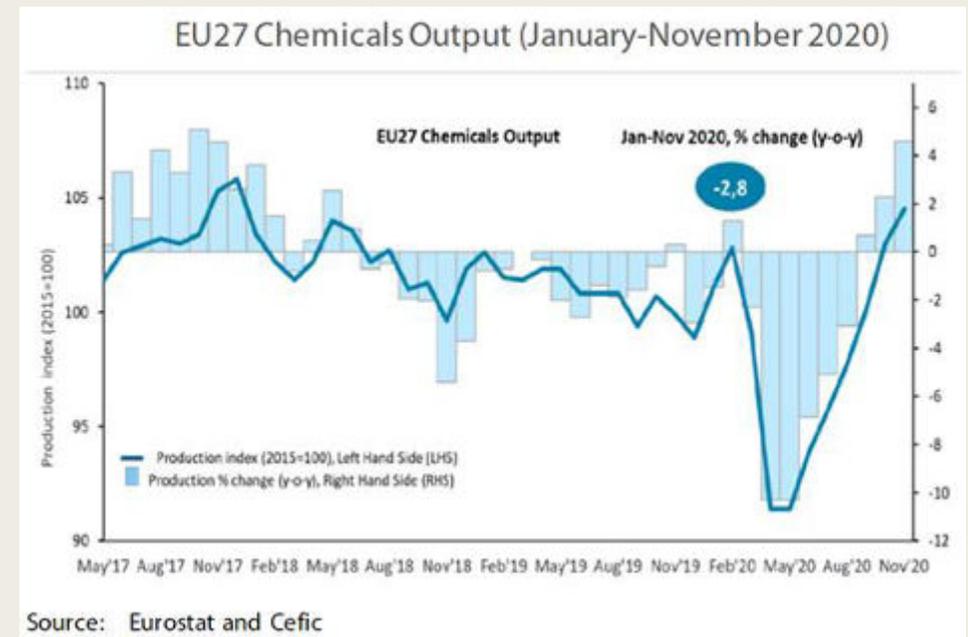
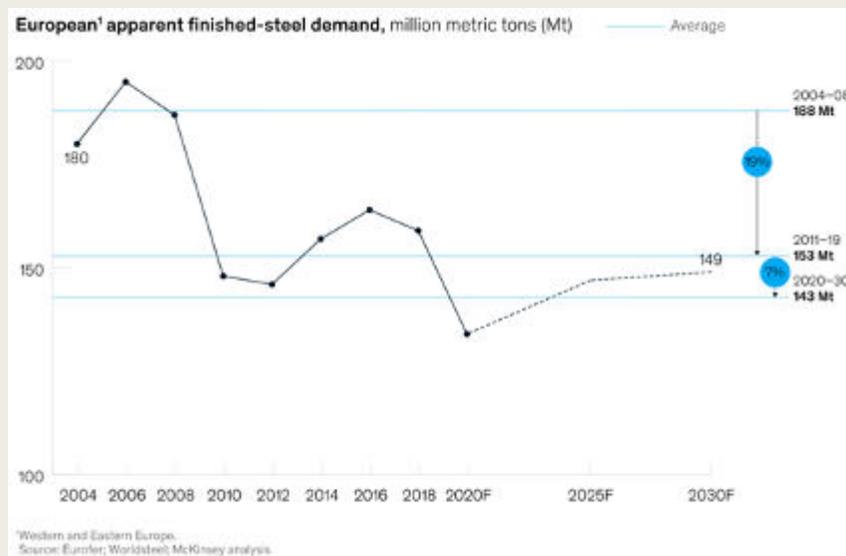
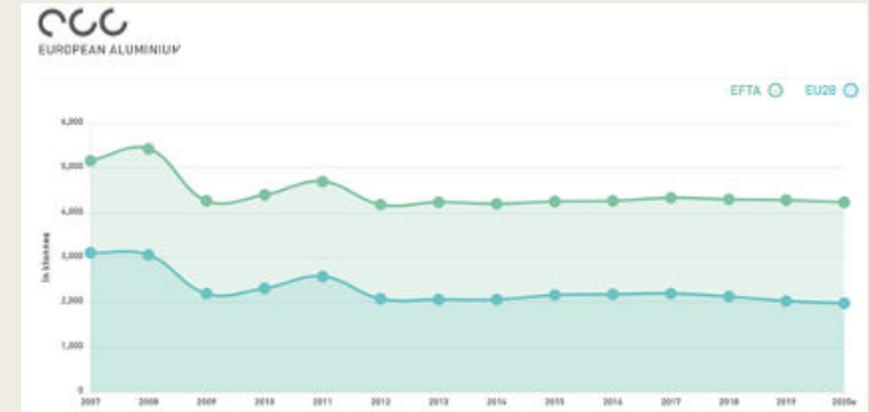
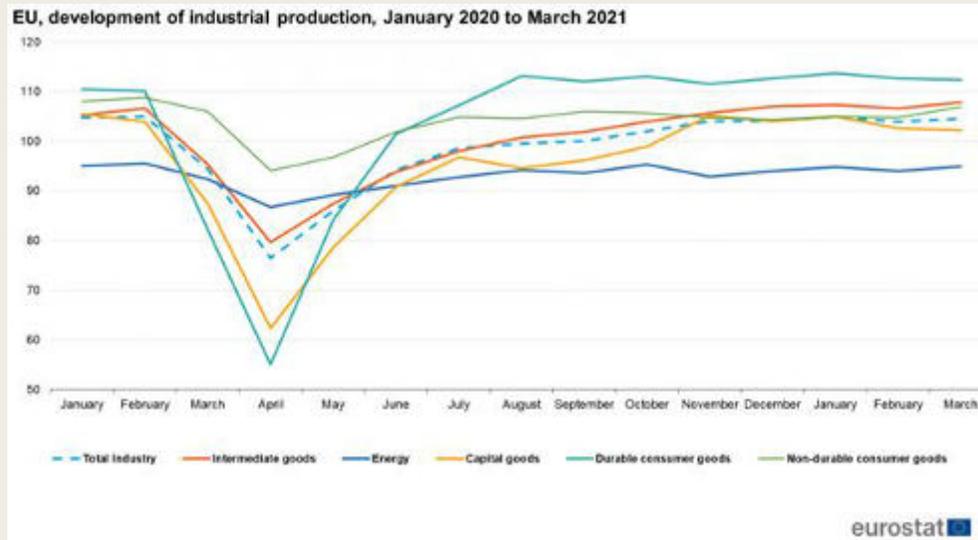
OPPORTUNITY: ROLE OF RAW MATERIALS

- Covid-19 reinforced geopolitical trends
- Recovery is conceived as going hand in hand with **climate protection**
- **Europe's strategic autonomy** vs. more intense competition on non-energy raw materials
- **Critical materials and technologies** (“key enabling technologies”)
 - *Robotics, microelectronics, computing, nanotechnologies*
 - *Biomedecine, pharmaceuticals*
 - *Defence and space*
- **Importance of value chains**



Source: IES/VUB Industrial Value Chains report, 2018

COVID-19 IMPACT ON DEMAND AND SUPPLY CHAINS



SOCIETAL COST & FINANCING CHALLENGE

- Estimated total financial impact of the Green Deal for the EU: **€1,2 bn** (N.B. for comparison, the EU budget for 2020 was €168.7 bn)
- The success of the climate strategy relies heavily on EU funding for **innovation projects** (from research and development up to deployment)
- The billion-euro question: **how will it be financed?**
- Sustainable Europe Investment Plan
- Impact to be distributed over the period 2022-2027



CONCLUSIONS

- The EU's **ambitious policy** is here to stay: more stringent measures to be proposed in summer 2021
- **Covid-19 impact**: disruption of demand & supply chains but confirmation of **climate as EU's priority**
- The European industry has to adapt: **transformation is a matter of survival**
- **Funding opportunities** exist and will be further developed
- The **image and reputation** of the industry will be key more than ever
- A global carbon market is hardly achievable; on the contrary, **stronger borders** are being considered
- Non-EU industry may see their **access to EU markets** impacted and need to anticipate



THANK YOU!

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