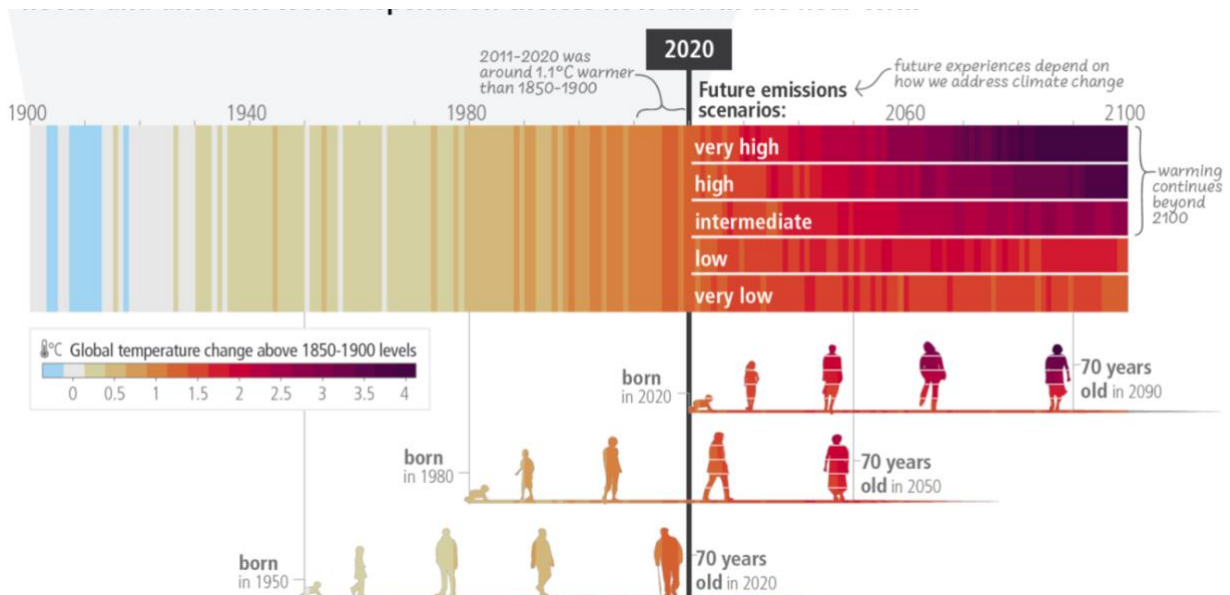


SustainablePublicAffairs

#SustainablePublicAffairs is a public affairs agency that was founded in January 2020 with one goal in mind: To work with companies and other organisations that outperform sustainability standards (“sustainable frontrunners”) and to make their performance the market norm - by advocating for more ambitious EU environment and climate policies. In doing so we further sustainable innovations and lifestyles. Our agency grew out of a sense of hope and responsibility to act against what we see as the biggest threats to our planet: Rising greenhouse gas emissions and a collapse of biodiversity.

Our determination to strive towards this goal was re-confirmed in March 2023, when the Intergovernmental Panel on Climate Change (IPCC) published its new seminal research on the state of global scientific knowledge about climate change caused by human activities ([IPCC AR6 SYR](#)). In the Summary for Policymakers, which is a document that is agreed line by line by governments around the world, the scientific community agreed that the world needs to achieve net-zero greenhouse gas emissions by around 2050 to have a 50% chance of staying within a 1.5 degrees scenario world.

We are a relatively young team at #SustainablePA with an average age of 30 years, so the fact that even ambitious global climate action would only reduce our chances of avoiding seriously negative impacts to our way of life to a coin flip is a sobering realisation. And when looking at the IPCC’s figure SPM.1 (below), it becomes acutely clear that if we don’t give it our absolute best, every one of us will experience a world with 3 or even 4 degrees warming compared to pre-industrial levels by the time we grow older, let alone future generations. And that this world might see exponential increases in species loss, heat-humidity risks to human health, and an overall worsening in resilience of economies and communities, water availability, agricultural yields, biodiversity and loss to aquatic life.



Source: [IPCC, 2023](#)

But while some might look at the IPCC’s AR6 SYR report with despair, it should rather strengthen the urgency and our collective resolve to act, now! What gets us out of bed every morning is knowing that there is still a chance to fight for our future to stay within the IPCC’s 1.5 degrees scenario with a limited overshoot. And that is why we welcome the European Commission’s initiative to create a 2040 climate target. **But this target should be highly ambitious.**

That is why in our view, **2040 should be the year by which the EU strives to reach climate neutrality (net-zero GHG emissions)**. And by 2050, the EU should have become a carbon sink for the rest of the world by having found ways to reach deep levels of negative GHG emissions. This is logical for three reasons:

1. Even if the EU today only makes up 8% of global GHG emissions, it has historically been responsible for [20% of cumulative GHG emissions since 1750](#). It is therefore only fair that the EU gears up its ambition to leave sufficient time to decarbonise for countries that historically have not yet contributed as much.
2. It is the most logical conclusion that can be drawn from the IPCC AR6 SYR report, which states that the world as a whole needs to reach net-zero GHG emissions by around 2050. As several developing countries will very likely not have the financial means to reach that target by 2050, the EU should become a carbon sink (net negative emissions) by 2050 to provide more breathing space to others. This would in our view also strengthens the EU's capacity to spur climate action internationally.
3. The current EU energy and climate policy framework already foresees that almost half of EU emissions, covered by the EU Emissions Trading System, reaches climate neutrality by around 2040 (more info on this below). So we are not starting from scratch: The challenge is now to see how sectors not covered by the EU ETS can achieve this too.

While a 2040 climate neutrality aspiration would be more ambitious than the June 2023 findings by the European [Scientific Advisory Board on Climate Change](#) that the EU should reach at least 90-95% GHG reductions by 2040, the Advisory Board also recognises that this would still not reflect a fair share as it does not take into account ethical principles such as ability to pay and historical emissions. Furthermore, the United Nations Secretary General [in March 2023](#) also called upon developed countries to commit to reaching net-zero as close as possible to 2040.

Of course, a target is not realistic without a credible pathway. We therefore give our vision on what should be achieved under the key EU policies that we focus on in our six practices.

Agri-food

The agri-food sector is one of the most significant contributors to global GHG emissions. To strive towards reaching climate neutrality by 2040, climate action in the sector should be prioritised. We believe that most potential for change lies within the agricultural sector and that farmers should be key enablers in building a more sustainable food system.

We call for a 2040 vision where:

- **By growing suitable crops and feeding them into the production system of new and innovative food technologies**, farmers are crucial players in the transition towards a sustainable food system essential to reach the goals of net-zero and biodiversity protection.
- **Farmers are key in restoring nature and biodiversity through sustainable techniques based on agroecological farming practices** such as crop rotation, intercropping, restoration of peatlands and the use of alternatives to pesticides such as biocontrol. These techniques are key in preserving essential ecosystem services such as soil productivity, water supply and crop pollination enabling the continued use of soil for future food production.
- **The CAP should be used primarily to support practices that directly contribute to climate action and improve biodiversity**. By 2040, the CAP's funding should be used primarily to support farmers in the

production of food with a low climate footprint and low land use requirements. The financial support for protein production should generally be reprioritized so that proteins with a low climate footprint are favored, such as plant proteins for human consumption, alternative proteins and the animal productions with the lowest climate footprint and land use requirements.

Build back better

- **A more holistic approach to the built environment:** We encourage the Whole-Life Carbon approach and the increasing attention to digital tools. Building Information Models (BIM) and Digital Twins can accelerate the decarbonisation and energy performance of EU buildings by enabling it all in the design, construction, maintenance, recycling/repurposing in a more collaborative, smarter and indeed holistic way.
- **Low-carbon construction products:** Reducing the construction products' carbon footprint represents a major lever for contributing towards the 2040 climate target. Readily available solutions to decarbonise the construction sector already exist (e.g. low-clinker cement). It is not a technical challenge but rather a political one that needs to be overcome to effectively reduce the sector's emissions.
- **Unlock the potential of geothermal energy:** 50% of all the energy we consume in Europe is for heating and cooling and we need to decarbonise the heating sector now to reach the 2040 climate targets. We must use clean alternatives to fossil heat sources as baseload in district heating networks, such as geothermal, and we must roll-out much more district heating as the most efficient way to decarbonise the heating sector in a way that is affordable for all. This is where geothermal district heating provides a yet untapped solution.

Climate

- Most importantly, the linear reduction factor of the **EU Emissions Trading System (EU ETS)** has to stay at least 4.4% as it will be from 2028 onwards. This will ensure that the sectors covered by the stationary EU ETS (ETS 1), which currently covers [around 40% of the EU's total GHG emissions](#), reaches climate neutrality by around 2038-2039, as there will be no new allowances entering the system.
- **All-encompassing CBAM.** By 2030, all sectors under the EU ETS will have to be covered by the **Carbon Border Adjustment Mechanism** at least for their direct emissions, and indirect emissions soon after. This will ensure that these sectors are fully protected from imports from third countries after 2030. In addition to upstream products, also downstream products will have to be covered so that the risk of circumvention is minimized.
- **Limit industrial CCS to unavoidable residual emissions.** While a clear policy framework needs to be defined for CCS technologies sector by sector to reach net-zero by 2040, the emphasis should be placed on reducing emissions and avoiding CO₂ generation in the first place. CCS applications in heavy industries should be used for capturing residual emissions from unavoidable CO₂ generation, only after the best available techniques to reduce emissions have been applied.

Circular economy

- **Set a specific, legally-binding and ambitious target for a minimum EU circularity rate** to be achieved as part of the EU 2040 climate target and post-2030 policy framework. Today Eurostat already measures the circularity rate, also referred to as the circular material use rate. In 2021, the EU's circularity rate stood at [11.7%](#). To improve Europe's circularity performance, a legally-binding target is needed, similar to the targets and market mechanisms that have been created for GHG emissions. Complementary measures to boost the circularity rate include integrating circularity considerations into industrial Transition Pathways, prioritising materials that are re-used/recycled at scale and/or permanent or renewable, and implementing swiftly Ecodesign for all products on the EU market. According to the International Resource Panel, raw material processing and extraction are responsible for around 50% of global GHG emissions and 90% of global biodiversity loss.
- **Build up the information system and standards** needed to deliver as much ingredient transparency on products, materials and chemicals as possible while respecting IP laws / trade secrets, and make this data available - notably to actors undertaking circularity operations such as reuse, repair and recycling, as well as to consumers.
- Deliver sustainable carbon cycles to meet the Industrial Sustainable Carbon challenge by **setting ambitious targets for the use of carbon in products from sustainable, non-fossil sources. By 2040, the use of sustainable and/or recycled carbon should be the norm.** Measures to support this objective could include, for example, targets for recycled carbon content and supporting the scale-up of breakthrough technologies such as Direct Air Capture (DAC) to create a steady supply of sustainable carbon.

Sustainable finance

- Finance is an inevitable means to enable the identified sectors to achieve the 2040 targets. Globally we have more than 200 trillion euros in private, commercial capital and we only need 3 trillion each year to solve the climate crisis.
- A combination of public finance, accompanied by political will for green public investment, as well as private finance are crucial for a social, just, equitable and inclusive transition.
- This transition will require reforms in various parts of the sustainable finance agenda of which the following three elements are of crucial importance for achieving net-zero in 2040:
 1. **Banking (lending and asset management):** The journey of greening the EU's prudential rules should be completed by 2040, meaning amongst others that capital requirements are advantageous for green investments. Moreover, ESG impact focused banking should be the norm, meaning that these institutions are the blueprint on which the EU's banking policies are based. Consequently, financing fossil fuel industries directly or indirectly should be prohibited. Also, the EU's supervisory regulations should entail robust sustainability criteria ensuring an actual level playing field and thereby enabling national banks and guide supervisory authorities to engrain sustainability in their operations.
 2. **Retail Investment:** Sustainability should be an integral part of the EU's retail investment framework. Retail investors should be empowered, thereby enabling them to make sustainable choices when investing. Sustainability should be a criterion for assessing product quality and financial advisers should be subject to training and qualification requirements, creating a market on which products compete on quality, also in terms of sustainability.

3. **Venture Capital:** By 2040 the EU's climate venture capital environment should enable climate innovation to flourish. Moreover, a state-of-the-art level playing field should be created in the EU through a thorough revision of the European Venture Capital Fund Regulation. In this vein, the potential of emerging fund managers should be unlocked and the barriers for investing in venture capital significantly lowered, thereby contributing to the mainstreaming of climate VC.

Integration of renewables

- The power sector should reach near-zero emissions by 2040, with **wind, solar and hydro** representing a majority (70-90%) of energy production in the EU. By 2040, renewable energy production must be well integrated into the grid, localised and shared among consumers. Power generation should be completely free from unabated gas-fired generation by 2040, and from coal by 2030.
- **Energy storage** will play a critical role in contributing to the EU's energy independence, security of supply, sector integration and decarbonisation, providing flexibility to the system by helping to account for renewables-based intermittency and/or major weather-related shocks. Multi-day storage, in particular, can play a major role in future networks by reducing the need for expensive marginal generation, optimising strained grid infrastructure and supporting a sustainable and secure electricity system. The market integration of non-fossil storage solutions can be supported by ambitious reform(s) of the EU electricity market and the establishment of a Union-wide EU energy storage strategy setting a trajectory until 2050.
- For hard-to-electrify sectors, **renewable and low-carbon hydrogen** might become a crucial way to decarbonise. But in order to be in line with the EU ETS' trajectory, hydrogen should only be called "low-carbon" or "renewable" if its GHG intensity reach net-zero no later than 2038-2039 (in line with ETS 1).
- Oil, gas and coal imports should be eliminated by 2040.

Sustainable mobility

Alternatives to private transportation should be prioritized, including public and shared mobility, to reduce overall energy consumption of the sector and accelerate decarbonisation. Policy approaches to the transport sector should account for up- and downstream impacts of the transport value chain, including increased demands on the electricity system and on products' and components' end-of-life.

- The **road sector** should be fully decarbonized by 2040 via affordable, efficient, and sustainable electromobility, with well-integrated interoperable charging infrastructure on all TEN-T networks, developed with ETS II revenues and other public and private resources. Where full electrification is not possible in the truck sector, hydrogen fuel cell technology should be used.
- Accelerate the decarbonization of the **aviation and maritime sectors** via efficiency improvements and the deployment of renewables-derived sustainable aviation fuels (SAF) and shipping fuels such as e-ammonia. All aviation and maritime emissions, including long-haul and extra-EU, should start contributing under the EU ETS and/or CORSIA as soon as possible. The electrification of (air) port operations and possibly the electrification of short-haul trips can make further contributions.
- **Rail transport**, the most energy-efficient mode of passenger transport, should be the principal transport means for intra-European travel, reducing the number of short-distance flights and car journeys. Strategic investments to develop cross-border connections and improved accessibility should be prioritized.