As global leaders in the effort to meet the goal of an at least 2°C limit on global temperature rises, it is vital for the EU and its Member States to send strong, clear and long-term signals about how it will fulfil – and indeed, step up – its commitment to meeting the goals of the Paris Agreement.

Investors taking action

The Institutional Investors Group on Climate Change (IIGCC) is a network of 160 European institutional investors overseeing more than €21 trillion in assets globally, whose members take a pro-active approach to managing the risks and opportunities related to climate change. Our mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policy makers and fellow investors. In particular, we recognise that low-carbon and climate-resilient technologies, markets and business models present significant investment opportunities which can promote economic growth in Europe and boost job creation, energy import savings, energy security, and citizens’ health and wellbeing. IIGCC is also a founding member of The Investor Agenda, a platform developed for the global investor community to accelerate and scale up the actions that are critical to tackling climate change and achieving the Paris Agreement goals.

In parallel to stepping up investor commitments to sustainable and responsible investment¹, we also look to policy-makers to enable the scaling up and acceleration of this action with the right policy framework. Clear, long-term legislative programmes are critical to the ability of investors to assess and manage climate-related risks, to support innovation and invest in opportunities that will sustain a low-carbon, more energy efficient and climate-resilient world.

A long-term emissions reduction strategy

In this context, the development of the EU Strategy for Long-Term Greenhouse Gas Emissions Reduction presents a timely opportunity for the EU to align all relevant policy frameworks with the goals of the Paris Agreement and therefore send clear and positive long-term investment signals. The role of private finance must be taken into account in the drafting of this Strategy if the EU is to mobilise the necessary capital to fund the low-carbon transition.

The specific provisions which will contribute to investor confidence in the EU’s long-standing commitment to tackling climate change through robust policy-making, and support investors’ decision-making processes into the future are as follows:

1. **A long-term decarbonisation objective for the EU to achieve net zero emissions by 2050 at the latest.** The goal should recognise that individual Member States may wish to set earlier dates in their long-term strategies, based on their national circumstances, and that the date should be reviewed and brought forward as necessary in light of future scientific evidence and technological developments.

2. **A holistic decarbonisation strategy in which all sectors, instruments and actors play a fair role.** The strategy should set out how the EU could:
   
   a. Reduce emissions in all sectors to net zero - or near zero - by 2050 at the latest, by phasing out fossil fuels, tackling agricultural emissions and moving to a fully efficient and renewable-based energy system, underpinned by a robust carbon price.
   
   b. Adopt an EU carbon absorption strategy to account for emissions which cannot be fully reduced to zero, incorporating all relevant sectors and technologies.
   
   c. Increase and strengthen the EU’s 2030 climate and energy targets to bring them in line with the new 2050 objective and with the goals of the Paris Agreement.
   
   d. Ensure that all relevant policy frameworks enable appropriate levels of R&D and innovation, and identify where major additional research and innovation funding is needed to support the development of breakthrough technologies.
   
   e. Outline how new EU policies and investment decisions will be assessed to ensure their full alignment with the goal of net zero emissions by 2050, in order to facilitate the development of low-carbon opportunities and innovations, greater emissions reductions, and a reduction in the risk of stranded assets.
   
   f. Ensure that EU public and private financial flows are supported in an orientation towards the above objectives, to help all Member States benefit from a just and socially inclusive transition to a low-carbon and climate-resilient economy.

3. **The modelling underpinning the Strategy must factor in climate damage estimates.** The current baseline scenario assumes no costs associated with business as usual emissions levels, despite the European Environment Agency’s estimate that 2°C of global warming will cost the EU €120 billion per year².

   In addition, once the Strategy is published the EU will be the first major power globally to show how it can reach the Paris Agreement goal of creating a net zero greenhouse gas emissions economy by mid-century. The eyes of the world will be on the EU at a vital moment in the UNFCCC negotiations, and much therefore rests on the ambition, credibility and success of the Strategy.

**An urgent vision**

Investors have an urgent vision of a world where the physical and transition risks associated with climate change have been reduced and the investment opportunities created by the need for low-carbon technologies and markets have been exploited to their full potential, reaping widespread environmental, social, economic and financial benefits. The EU has an opportunity now to demonstrate to its global partners that a prosperous, net zero greenhouse gas economy by 2050 is possible. We urge policy-makers to seize it.

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