IIGCC Call to Action for the next EU political cycle
A green and competitive Europe - Investor priorities for 2024-2029
Contents

Investing for a green and resilient future: Driving Europe’s competitiveness, sustainability, and energy security through the net zero transition ....................................................... 3

A Reinforce the EU’s path to 2050 climate neutrality ................................................................. 5

B Drive climate action through industrial competitiveness ......................................................... 7

C Increase Europe’s adaptation and resilience to growing climate impacts ...................... 10

D Ensure a nature positive transition to net zero ............................................................... 11

E Enable financial flows towards the net zero transition ......................................................... 12

Disclaimer

All written materials, communications, surveys and initiatives undertaken by IIGCC are designed solely to support investors in understanding risks and opportunities associated with climate change and take action to address them. Our work is conducted in accordance with all relevant laws, including data protection, competition laws and acting in concert rules. Except where expressly stated otherwise, the opinions, recommendations, findings, interpretations and conclusions expressed in this document are those of the IIGCC and do not necessarily represent the views of our entire membership, either individually or collectively. IIGCC’s materials and services to members do not include financial, legal or investment advice.
How to unlock investment for a green and competitive Europe

The next EU mandate will cover the window leading up to the critical climate milestone of 2030. Substantial progress has been made during the last five years, and the foundations of a comprehensive policy framework to support the goals of the European Green Deal are now in place. However, we need to go further and faster to keep the EU on track to achieve its ambitious emissions reduction target of 55% by 2030. Additional investments of over EUR 400 billion annually will be needed to stay on track to meet the EU’s 2030 climate goals, while the share of renewable energy will need to triple.

If the 2019–2024 mandate set the vision and laid the foundations of the European Green Deal, then the 2024–2029 mandate must double down on implementing the policies that underpin it. The next EU leadership needs to pursue climate and industrial competitiveness objectives in tandem, creating an enabling policy environment to scale investment in climate solutions and bolster the EU’s resilience to a changing climate. In addition, delivery against short and medium-term policy goals must be complemented by a commitment to uphold long-term ambition through a credible and science-based 2040 target.

IIGCC has worked with our investor members to determine key policy recommendations for the next EU political cycle.

Investors recognise the key role they have in mobilising private capital for Europe’s transition and stand ready to support the EU institutions in delivering these vital objectives. We call on policymakers to accelerate Europe’s transition to a competitive, energy-secure, resilient, and climate-neutral economy across five key areas:

A. Reinforce the EU’s path to 2050 climate neutrality
B. Drive climate action through industrial competitiveness
C. Increase Europe’s adaptation and resilience to growing climate impacts
D. Ensure a nature positive transition to net zero
E. Enable financial flows towards the net zero transition
Five areas and 10 key policy asks:

A Reinforce the EU’s path to 2050 climate neutrality

1. Effectively implement the existing policies set under the Green Deal
2. Provide greater long-term investment certainty on Europe’s trajectory to climate neutrality by setting a science-based 2040 GHG emissions reductions target of at least ~90% by 2040

B Drive climate action through industrial competitiveness

3. Further accelerate the shift to a decarbonised, more efficient and more integrated European energy system
4. Attract investment by fully integrating Europe’s climate and competitiveness agendas, including setting out clearer pathways for how key European industries will transition
5. Strengthen the EU’s policy framework for a just transition

C Increase Europe’s adaptation and resilience to growing climate impacts

6. Take greater action to facilitate investment in adaptation and resilience to climate impacts

D Ensure a nature positive transition to net zero

7. Integrate the protection and active restoration of nature and biodiversity into European policy

E Enable financial flows towards the net zero transition

8. Resolve issues with the usability and coherency of sustainable finance regulations to reduce implementation challenges
9. Ensure the sustainable finance regulatory architecture supports and actively encourages investment in transitioning assets (with a particular focus on high emitting and hard to abate sectors)
10. Increase deployment of targeted public and blended financing tools to catalyse private investment into strategic projects and sectors

Timeframe guidance: The recommendations have been assigned short- and medium-term timeframes based roughly on the estimated ease of implementation and/or whether the recommendations apply to existing or new policy initiatives.
Reinforce the EU’s path to 2050 climate neutrality

Effectively implement the policies set under the Green Deal.

Current barriers:
The Green Deal has set a clear vision for an EU that is climate neutral, energy secure, and competitive economically. While there is now a legislative framework underpinning the 2030 emissions reduction target, the EU is not on track to achieve it due to slow implementation and contradictory policies across Member States. Policymakers should focus on creating a more stable investment environment through the full implementation of all Fit for 55 policies on an EU wide and Member State level.

Recommendations:

- **Short-term:** The Commission should swiftly enact all relevant regulations and delegated and implementing acts. These are particularly important when they will help enable finance flows to critical areas such as renewable energy, energy efficiency, and the energy performance of buildings.

- **Short-term:** To provide investment certainty, Member States must align national policies and actions with the new EU legislative framework, reflecting these in their updated National Energy and Climate Plans. The Commission should ensure compliance and take enforcement action if necessary.

- **Medium-term:** To encourage long-term investments, the Commission must ensure a credible, consistent and sufficiently high carbon price as the sectors covered by the emissions trading regime are gradually expanded. It is essential that free allowances are phased out with the introduction of the Carbon Border Adjustment Mechanism.
2. **Provide greater long-term investment certainty on Europe’s trajectory to climate neutrality by setting a science-based 2040 GHG emissions reductions target of at least -90% by 2040.**

**Current barriers:**

The EU must provide clarity to investors on the bloc’s pathway to net zero to ensure a competitive environment for green investments.

This must be supported by policy frameworks that provide long-term certainty and maintain the EU’s position as a global norm-setter in climate policy and sustainable financial regulation.

**Recommendations:**

- **Short-term:** Set a scientifically based 2040 GHG emissions reduction target of at least -90%, as advised by the European Scientific Advisory Board on Climate Change, to reaffirm the EU’s commitment to credible, scientifically backed policy.

- **Short-term:** Ensure the EU’s 2040 target includes separate targets for reducing GHG emissions, nature-based carbon removals, and industrial carbon removals with permanent storage. It is crucial that decarbonisation remains the primary route towards net zero, while targets for alternative GHG reduction methods are calculated separately to account for differences between them.

- **Medium-term:** Develop proposals to expand the coverage of emissions pricing to currently missing sectors after 2030 so that all major sources of emissions will eventually be covered.
Drive climate action through industrial competitiveness

3 Further accelerate the shift to a decarbonised, more efficient and more integrated European energy system.

Current barriers:

The EU successfully advocated for the agreement at COP28 to triple renewable energy capacity globally and double the global average annual rate of energy efficiency improvements by 2030.

The EU’s own target for 2030 of 45% of gross final consumption of energy to come from renewable sources is demanding, requiring the EU to double the existing share of renewable energy. The energy efficiency target for EU countries to collectively ensure an additional 11.7% reduction in energy consumption by 2030 is similarly challenging.

This shift is already underway – in 2023, for the first time ever, the EU produced more electricity from wind than from gas, and power sector emissions fell by a record 19%. In 2021 electricity provided 23% of final EU energy demand with this projected to grow to 30% in 2030.

It is important to ensure that new renewable energy sources can integrate into Europe’s power grid and effectively support the energy transition. Significant investment is needed in both high-voltage, long-distance electricity lines and lower-voltage distribution networks as well as in energy storage technologies.

The Commission estimates that over EUR 584 billion in investments are needed for European electricity grids this decade, with current levels insufficient.

Recommendations:

- **Short-term:** Support the continued rapid roll-out of renewables with a continued focus on improving permitting for renewable power generation and manufacturing, ensuring faster grid build-out.

- **Short-term:** Increase the frequency and depth of dialogue between investors, policymakers and the whole energy infrastructure value-chain to ensure bottlenecks are dealt with rapidly.

- **Short-term:** Accelerate the reduction of energy demand through a strengthened policy approach that emphasises energy efficiency first, particularly in the built environment. For instance, releasing the delayed Heat Pumps Action Plan should be an urgent priority for the new mandate.

- **Short-term:** In line with the Commission’s Grid Action Plan, implement policies to enhance the effectiveness and resilience of Europe’s energy grid by prioritising European market integration, including support for energy storage and improved electricity interconnections between Member States and with partners.

- **Short-term:** The EU must follow through on existing commitments by phasing out fossil fuel subsidies and addressing misaligned incentives, including through a revised Energy Taxation Directive that effectively prices in the external cost of carbon emissions.

- **Medium-term:** Improve the implementation and coordination of the EU’s climate and energy policies through the review of the Governance Regulation of the Energy Union and Climate Action.
Attract investment by fully integrating Europe’s climate and competitiveness agendas, including setting out clearer pathways for how key European industries will transition.

**Current barriers:**

There is an increasingly competitive global environment for key industries that drive the green transition. The shift to a more sustainable economy will offer opportunity for new, innovative business models.

Economy wide competitiveness and innovation will depend on whether the EU can remain competitive in the deployment and provision of climate solution technologies as well as transition existing industry.

European energy prices have stayed consistently higher than in other major economies, impacting the EU’s competitiveness. This has been accompanied by widening energy price differentials between Member States, in part due to Member States’ past policy choices about their own preferred energy mix.

The expansion of carbon pricing policies outside of the EU to put a fairer price on emissions would encourage cleaner industrial production internationally and boost the EU’s comparative advantage.

Seeking to address climate action and competitiveness separately risks making false trade-offs, incoherent policy, and creates a less favourable investment environment.

**Recommendations:**

- **Short-term:** Fully integrate Europe’s climate and competitiveness agendas within one coherent overarching EU strategy for the next mandate.
- **Short-term:** Include investors in future iterations of the Clean Transition Dialogues between the Commission and industry stakeholders. Given the significant need for private investment capital, greater investor dialogue with policymakers on key real economy sectors is required.
- **Short-term:** Integrate electricity pricing policies into green industrial policy. This should aim to enhance competitiveness by systematically increasing the availability of clean energy and lowering its price.
- **Short-term:** Commit to detailed sectoral roadmaps that can provide a better understanding of the technology, investment, skills, and local industrial needs in Europe and helping to identify any gaps.
- **Short-term:** Prioritise diplomatic efforts to encourage and support other jurisdictions to develop their own carbon pricing mechanisms, levelling the international playing field.
- **Medium-term:** Expand the Carbon Border Adjustment Mechanism to other sectors under the EU’s carbon pricing regime.
Strengthen the EU’s policy framework for a just transition.

Current barriers:
While the opportunities associated with Europe’s green transition are enormous, they will not be evenly spread across Member States and society. Without effective support there is a risk the EU’s shift will disproportionately affect some regions, workers, and wider social groups with negative distribution impacts.9

The EU’s transition will only achieve sustainable political support and successful implementation if done in a just and inclusive manner for all European citizens.10

Recommendations:

- **Short-term**: Assess all EU sector legislation for its consistency with climate goals, including consideration of the socioeconomic impacts of sector decarbonization through a just transition lens.

- **Short-term**: Integrate just transition planning into national planning with a requirement for Member States to embed just transition elements more strongly into their National Energy and Climate Plans.
Increase Europe’s adaptation and resilience to growing climate impacts

Take greater action to enable investment in adaptation and resilience to climate impacts.

Current barriers:
Europe is the fastest warming continent, with temperatures increasing on average at twice the global rate. This means that even if global warming is limited to 1.5°C, Europe will be faced with a climate that is 3°C warmer and exponentially more extreme weather events.11

The ‘costs of inaction’, or the economic cost of climate change, are expected to increase in the future even if the 1.5°C target is met as many of these costs are now ‘locked in’ to the economic ecosystem.12

The estimated macroeconomic cost of inaction within Europe is likely to reach EUR 120 billion under a 2°C heating scenario.13

The financial system has the potential to drive transformational change towards a climate-resilient Europe, with a growing number of investors increasingly recognising the risks of inaction and the emerging opportunities related to adaptation and resilience.

Yet for capital markets to channel finance to help build resilience, better tools, data, and information are needed to identify and assess risks. Policies and regulation should incentivise measures to build adaptation and resilience, including investment from private financial institutions.

Recommendations:

- **Short-term:** Build on the recent Commission Communication on Managing Climate Risks and enhance European policy frameworks that support efforts to measure, address and manage physical climate risks for sectors by 2025. Additionally, quantify resilience benefits in both financial terms and non-financial terms, for example, benefits to communities and societies.

- **Short-term:** Mainstream physical climate risk assessments and increasing the availability of data and tools that allow investors to identify investment gaps and opportunities to enhance adaptation.

- **Short-term:** Ensure European investors are fully engaged in the Commission’s temporary Reflection Group on mobilising Climate Resilience Financing and future EU work on bolstering finance for climate resilience.

- **Medium-term:** Support policies and regulations that enable the integration of both adaptation and resilience metrics and physical climate risks into investors’ financial decision-making processes and operations. For example, by broadening the scope of the EU Adaptation Strategy to include disclosure mandates for physical climate risks within company operations.

- **Medium-term:** Seek to increase funding towards adaptation via grants, loans, direct equity investments, and guarantees to improve risk–return profiles of certain projects and attract private capital.

- **Medium-term:** Further embed adaptation and resilience action through the revision of the European Climate Law under the next mandate.
Ensure a nature-positive transition to net zero

Integrate the protection and active restoration of nature and biodiversity into European policy.

Current barriers:

Investing in nature protection and restoration is critical for Europe’s future. Nature-related risks could have significant macroeconomic implications and, if ignored, could lead to global financial instability.14

Biodiversity and climate crises are intricately interlinked. Emissions from agriculture, forestry, and other land use (AFOLU) account for between 13% and 21% of anthropogenic greenhouse gas emissions globally.15 2050 net-zero targets will not be achieved unless emissions from AFOLU are also addressed.

The EU has historically championed the role of nature and biodiversity as a key element of climate action, but this agenda is stagnating – to the detriment of society and the economy.

Recommendations:

- **Short-term:** Implement the agreed Nature Restoration Law to restore nature in 20% of the EU’s land and sea areas by 2030, and in all degraded areas by 2050.

- **Short-term:** Implement an ambitious EU Deforestation Regulation on time to support global progress towards halting deforestation by 2030. Simultaneously, the EU should continue to work with exporting countries to build local sustainability supply chains.

- **Medium-term:** Consider broadening the scope of the EU Deforestation Regulation towards a proportionate inclusion of financial institutions to ensure finance can flow towards sustainable agriculture and away from commodity-driven deforestation.

- **Medium-term:** Commit to mandatory disclosure of key biodiversity indicators under the Corporate Sustainability Reporting Directive. Work with the Taskforce on Nature-related Financial Disclosures and the International Sustainability Standards Board to ensure interoperability between disclosure frameworks.

- **Medium-term:** Advocate for implementation of a biodiversity protection strategy in every member country through the National Biodiversity Strategy and Action Plans (NBSAPs). Key financial institutions, such as institutional investors, should be included in the revision of NBSAPs to effectively leverage private finance in achieving the goals of the Global Biodiversity Framework.16

- **Medium-term:** Revise the Common Agricultural Policy to align with the European Green Deal by i) supporting rural communities transition to agricultural practices that protect nature, and ii) removing harmful subsidies and incentives that encourage unsustainable land-use practices.
Enable financial flows towards the net zero transition

Resolve issues with the usability and coherency of sustainable finance regulations to reduce implementation challenges.

Current barriers:
Investors and corporates have faced challenges in implementing regulatory requirements because of issues with the usability and coherency of key sustainable finance regulations. Streamlining duplicative disclosure requirements, addressing inconsistent concepts and terminology across regulations and ensuring interoperability with non-EU frameworks will help to reduce costs and complexity for firms progressing with their implementation programmes.
Greater clarity on key concepts underpinning the sustainable finance regulatory framework, particularly in relation to ‘sustainable investments’, will also help to support the ultimate goal of reorienting capital towards the decarbonisation of the real economy.

Recommendations:
- **Short-term**: The Commission should commit to a review of the usability of Substantial Contribution and Do No Significant Harm criteria under the Taxonomy to address implementation issues, in line with the recommendations of the Platform on Sustainable Finance’s 2022 data and usability report.
- **Short-term**: Clarify the framework to assess transitioning assets, leveraging the definition of ‘sustainable investments’ under the Sustainable Finance Disclosure Regulation (SFDR) or the EU Taxonomy to accelerate transition finance flows.
- **Short-term**: Ensure alignment of key concepts, definitions and indicators across the pillars of the sustainable finance regulatory framework (Taxonomy; Corporate Sustainability Reporting Directive; SFDR).
- **Medium-term**: Ensure interoperability where possible between EU regulations and non-EU jurisdictions, including in relation to transition plan disclosures (while upholding ambition on fundamental principles of the EU regulatory architecture e.g. double materiality).
- **Medium-term**: Ensure sector-specific standards for the high-impact sectors identified by the European Financial Reporting Advisory Group, including Capital Markets, are ready for adoption by mid-2026. These will underpin the Corporate Sustainability Reporting Directive.
Ensure the sustainable finance regulatory architecture supports and actively encourages investment in transitioning assets (with a particular focus on high emitting and hard to abate sectors).

**Current barriers:**

The EU’s sustainable finance framework has provided a basis to reorient capital toward economic activities that are already environmentally sustainable.

To support a whole-of-economy transition, sustainable finance policy tools must fully account for, and facilitate investment in, activities and entities who are not presently sustainable, but which have a credible trajectory to align with net zero over time.

This should include a particular focus on financing the transition of high emitting and hard-to-abate sectors/activities, which represent the greatest opportunities to maximise real world emissions reductions.

**Recommendations:**

- **Short-term:** Deliver on proposals to introduce product categories/labels under the Sustainable Finance Disclosure Regulation, including a dedicated category for transition-focused investment strategies.
- **Short-term:** Ensure transitional activities in the taxonomy are credible and aligned with a 1.5°C pathway.
- **Short-term:** Commit to mandating disclosure of key climate-related indicators under the European Sustainability Reporting Standards, irrespective of materiality assessments, including Scope 1, 2, and 3 greenhouse gas emissions and disclosures enabling investors to assess the credibility of corporate transition plans.
- **Medium term:** Review the scope of the Corporate Sustainability Due Diligence Directive and commit to aligning it more closely with the Corporate Sustainability Reporting Directive, establishing greater coherency between requirements to adopt and implement transition plans that align with a 1.5°C pathway, and to disclose on these plans.
- **Medium-term:** Commit to reviewing the Shareholder Rights Directive II under the next mandate and embedding the concept of sustainability more explicitly within the requirements, including the adoption of a revised definition of stewardship and potentially an EU Stewardship Code.
- **Medium-term:** Commit to reviewing the Low Carbon Benchmarks Regulation, adapting prescriptive methodological requirements to better support real-world decarbonisation and prioritising comprehensive and transparent disclosures.
Increase deployment of targeted public and blended financing tools to catalyse private investment into strategic projects and sectors.

Current barriers:

The Commission estimates that in the years leading up to 2030, an additional EUR 620 billion investments will be needed annually to meet the goals of the European Green Deal and REPowerEU, much of which will need to come from the private sector.\textsuperscript{17}

However, this finance will not flow at the pace and scale needed unless accompanied by targeted public spending to catalyse private investment and which helps to align public-private incentives with the goals of the Green Deal.

While similar amounts of state support are available in Europe as compared to those estimated under the US Inflation Reduction Act, the latter makes it comparatively much easier to access the support – a key factor in the global race for clean investment.\textsuperscript{18}

Private finance could be supported through a strengthened role for EU public finance institutions. For example, the European Investment Bank (EIB) has committed to support EUR 1 trillion of investments in climate action from 2021 to 2030 and increase the share of financing dedicated to climate-related projects to over 50% of its operations in 2025.\textsuperscript{19}

Recommendations:

- **Short-term:** In support of the EIB’s commitment to support EUR 1 trillion of green investment to 2030, empower the EIB to channel more funds to early-stage/high-risk clean technologies and strategic investments to help these derisk and scale.

- **Short-term:** Consider ways to partner with institutional investors on a de-risking vehicle to help align different risk-return requirements and attract more institutional capital to infrastructure funds, financing mechanisms for cleantech manufacturing, and other climate solutions.

- **Short-term:** Align public-private investments and public procurement with the EU’s sustainable finance policy tools (for example the EU Taxonomy, EU Green Bond Standard, transition plan requirements) to crowd in private finance and amplify capital flows towards sustainable activities.
Endnotes

1 https://www.euractiv.com/section/energy-environment/news/climate-investment-gap-looms-over-next-eu-mandate/
5 https://ember-climate.org/insights/research/european-electricity-review-2024/
7 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A757%3AFIN&qid=1701167355682
8 https://www.bruegel.org/policy-brief/europes-under-radar-industrial-policy-intervention-electricity-pricing#
10 https://ec.europa.eu/commission/presscorner/detail/it/speech_19_6629
18 https://www.bruegel.org/policy-brief/how-europe-should-answer-us-inflation-reduction-act