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ENER 45
TRANS 61
SUSTDEV 5
AGRI 46
ECOFIN 84
COMPET 84
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NOTE

From: Presidency
To: Permanent Representatives Committee/Council

Subject: *Preparation of the Council of the European Union (Competitiveness (Internal Market, Industry, Research and Space)) 18 and 19 February 2019*
- Clean Planet for all: Strategic long-term vision for a climate neutral economy (Public debate in accordance with Article 8(2) of the Council's Rules of Procedure [proposed by the Presidency])

1. On 28 November 2018, the Commission adopted the Communication 'A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy'.
2. The Communication was presented to the Council on 19 December 2018 (Transport, Telecommunications and Energy) and 20 December 2018 (Environment). The presentation was followed by an initial exchange of views between ministers.
3. The Commission presented the Communication at the Energy Working Party (EWP) on 29 November 2018 and at the Atomic Questions Working Party (AQWP) on 12 December 2018 ahead of the Transport, Telecommunications and Energy Council meeting mentioned above.

4. The Working Party on the Environment (WPE) is currently discussing the Commission Communication and its accompanying in-depth analysis. Delegates from the Working Party on Competitiveness and Growth were invited to the WPE on 25 January 2019 for a discussion of the in-depth analysis focusing on its economic aspects as well as on those related to industrial competitiveness and the role of finance, research and innovation.
 5. The Working Party on Competitiveness and Growth (Industry) discussed the Commission Communication and its accompanying in-depth analysis on 8 February 2019 with a focus on the challenges and opportunities that the transition to a net-zero-greenhouse gas emissions economy brings to the European industry.
 6. The Presidency aims to hold debates in all relevant Council formations on the contribution of their respective policy areas to the overall vision.
 7. With a view to the meeting of the Council (Competitiveness) on 18 February 2019, the Presidency has prepared a background paper and questions (in Annex) to help structure the ministerial debate.
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Clean Planet for all: Strategic long-term vision for a climate-neutral economy**Presidency background paper for exchange of views****Background:**

1. Industry is a key player in the EU's economic growth and employment, as well as an essential element of innovation and productivity. Therefore, it is essential to maintain a strong industrial base in the EU while ensuring the competitiveness of the European economy, the creation of new jobs and a significant share of high added-value products in exports.

The Competitiveness Council, in its Conclusions adopted on 29 November 2018, and following the Conclusions adopted on 29 May 2017, 30 November 2017 and 12 March 2018, called for a comprehensive and long-term industrial policy strategy for the EU, by building on the Commission's Communication from 2017 on "Investing in a smart, innovative and sustainable Industry – A renewed EU Industrial Policy Strategy"¹ as an important first step. Such a strategy should strengthen the competitiveness of the EU industry and meet the major challenges of the transition to a digital, competitive, safe, sustainable, low-carbon and circular economy in accordance with the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC), and ensure strategic access to raw materials and feedstocks, as well as affordable energy prices.

The need for an ambitious and comprehensive EU industrial policy strategy with a vision for 2030, based on priority objectives, was also highlighted in the Declaration signed by 18 Member States in Paris, on 18 December 2018, on the occasion of the sixth Friends of Industry conference.

¹ COM(2017) 479 final/13.9.2017

2. On 28 November 2018, the Commission adopted the Communication 'A Clean Planet for all: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy'². The proposed Strategy presents how the EU intends to contribute in the long-term to achieving the Paris Agreement objectives. It aims to launch a wide debate involving European decision-makers and citizens on how Europe should prepare itself towards a 2050 horizon.

Based on this, the EU should be able to adopt and submit its Strategy by 2020 to the UNFCCC as requested under the Paris Agreement.

3. The proposed Strategy sets out the Commission's vision for a prosperous, modern, competitive and climate-neutral Europe by 2050. It outlines a vision of the economic and societal transformations required, engaging all sectors of the economy and society, to achieve the transition to net-zero greenhouse gas emissions by 2050. It seeks to ensure that this transition is undertaken in a cost-efficient and socially fair manner and has the potential to enhance the competitiveness of the EU's economy and industry on global markets.
4. As outlined in the Communication, a broad set of policies in all sectors of the economy will be necessary for the EU to make a long-term contribution to the achievement of the objectives of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels.

On the basis of eight pathways for achieving greenhouse gas emission reductions ranging from an 80% reduction to net-zero greenhouse gas emissions by 2050, the Communication identifies seven strategic areas in which joint action is needed to ensure climate neutrality by 2050: energy efficiency, deployment of renewables; clean, safe and connected mobility; a competitive industry and circular economy; the built environment, network infrastructure and interconnections; bio-economy and natural carbon sinks; and carbon capture and storage (CCS).

² COM (2018) 773 final/28.11.2018

According to the Communication, the development of the options and actions explored will to a large extent depend on the speed of their initial deployment, the extent to which citizens become active participants in the transition, the public acceptance of certain low-carbon and carbon-free technologies and how fast sufficient scale can be reached.

5. The Communication underlines that the transition to a low-carbon economy presents both opportunities and challenges to the EU's economy, industry and citizens. Significant additional investments will be required to modernise industry, transform the energy system and to foster research and innovation. Further investment will create new employment opportunities in a number of sectors, while some sectors will see a decline in jobs or a need to adapt existing jobs.

The impacts on the competitiveness of EU suppliers of climate-neutral solutions should be monitored along the new global value chains, in particular in terms of added-value, jobs, trade balances and exports. At the same time, special attention should be paid to sectors of the industry, which need adaptation to the new “climate-neutral” way of performing their activities, by providing adequate tools and financial support in order to ensure swift transition and avoid substantial / unjustified social and economic costs.

Challenges such as access to skills, training and finance will therefore need to be addressed. The Communication acknowledges that, while the transition is an opportunity for small and medium enterprises, these specific challenges are particularly relevant for them. Energy intensive sectors such as steel, cement and chemicals as well as downstream industries such as car manufacturers and the construction value chain will see a shift to new production processes with new skills required.

6. A competitive EU industry is a key enabler to reduce greenhouse gas emissions. The trend of emissions reduction and energy savings exhibited in the past few decades is expected to continue. However, to achieve further and deep emissions reductions, especially in line with the EU's long-term emission reduction objective and its commitment to fully implement the Paris Agreement, major changes need to be made in the way industry consumes energy and creates value. According to the Commission's in-depth analysis, further increasing the level of ambition to be consistent with net-zero greenhouse gas emissions, emissions reductions in industry need to approach 90-95% by 2050, which will require the availability of all pathways and technologies.
7. The Commission's long-term vision identifies electrification, energy efficiency, hydrogen, biomass and renewable synthetic gas as ways to further reduce energy-related emissions in the production of industrial goods. Whereas many industrial process-related emissions are very difficult to eliminate, options to mitigate them exist, such as alternative feedstocks, CCS and CCU (carbon capture and use), which are particularly important for energy-intensive industries. Research, development and demonstration are expected to significantly reduce the cost of technologies and enable business development first in Europe as a basis for leading the markets globally.

Among the priorities guiding the transition to a modern, competitive and climate-neutral economy, the Commission Communication highlights the need to boost the EU's industrial competitiveness through research and innovation towards a digitalised and circular economy that focuses on transformational climate-neutral solutions, maximises the benefits of the bio-economy, accelerates the deployment of renewables and limits the rise of new material dependencies. This is particularly important for the carbon-neutral transformation of energy-intensive industries. The Commission's work with energy-intensive sectors to develop a comprehensive masterplan for competitive, low carbon and sustainable energy-intensive industries and an industrial transformation roadmap demonstrates the industry's commitment to Paris Agreement goals.

Additionally, the Communication stresses the need to alleviate competitive pressures that lead to carbon leakage and unwanted industrial relocation.

The Communication invites all relevant Council formations to hold extensive policy debates on the contribution of their relevant policy areas to the overall vision for the EU long-term vision for a competitive, fair and climate neutral economy. In this context, Ministers for Competitiveness are invited to discuss the key elements of the proposed Strategy in the perspective of a future EU industrial policy strategy for 2030 and beyond.

Questions:

1. *What are the ministers views on the relationships between a future EU industrial policy strategy for 2030 and the long-term vision for a prosperous, modern, competitive and climate-neutral Europe by 2050?*
2. *Which actions and measures need to be taken at EU, national and international level to ensure that industry can meet the foreseen environmental challenges while remaining competitive, in particular sectors such as energy-intensive industries and SMEs?*
3. *The Communication states that "private business and households will be responsible for the vast majority of the investments needed for a net-zero-greenhouse gas emissions economy". Since climate change can only be tackled if consumers, citizens or investors actively engage, which policies need to be put in place to mitigate their costs and make these investments happen?*
