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Orgalim position and recommendations on the Communication on the 2040 Climate Target for the European Union

Executive summary

Orgalim welcomes the timely initiative of the European Commission to develop intermediate goals for the EU's path to net zero, in the form of the 2040 Climate Target for the European Union. Any 2040 climate goal must be in equal terms ambitious and pragmatic.

Our recommendations for the next steps in EU climate legislation include the following:

- **A high level of climate ambition is needed**, in line with the average trajectory towards climate neutrality in 2050.
- **Technology neutrality**: the EU must not "pick winners" in the search for climate-friendly solutions by either actively privileging certain types of technology or effectively curtailing research into promising avenues of innovation.
- **Build on the lessons of 2030**: In parallel to designing the policy architecture underpinning 2040 targets, the European Commission and Member States should take into account the full implementation and thoroughly evaluate the impacts of energy and climate legislation adopted as part of the 2030 decarbonisation efforts.
- **Focus on Infrastructure and Technology**: The Commission must adopt a policy framework that ensures strong investments in digitalisation, electricity grids and energy system integration and efficiency infrastructure— with a focus on resource efficiency solutions to "deliver more with less". In addition, Europe's net-zero technology deployment should be made in a strategic autonomy spirit, together with safeguarding the ability to export technology solutions developed in Europe to international markets thanks to a robust trade policy.
- **Mobilise investment**: In 2023, investment in the industry sector decreased. Decarbonisation will not be successful unless all available financial means are mobilised to advance the green transformation of our industries. As an example, we need to include the whole value chain in the scope of publicly financed innovation programmes.
- **Empower Industry & Harness the Single Market for Climate Neutrality**: European companies continue to face complex and even unenforceable rules that hamstringing innovation and investment, as well as major obstacles in trading across the EU market. The European Commission should rely on "lean" regulation, namely in the form of market-/price-based instruments and on New Legislative Framework (NLF) principles, to advance the 2040 climate goal.

Introduction

Orgalim, representing Europe’s technology industries, welcomes the timely initiative of the European Commission to develop intermediate goals for the EU’s path to net-zero, in the form of the 2040 Climate Target for the European Union. For the green transition to be a success, clear and predictable milestones that allow European society and industry to adequately lay the necessary foundations are indispensable.

At the same time, we want to emphasise that any 2040 climate goal must be equally ambitious and pragmatic. Ambitious, since a swift and successful achievement of climate neutrality will future-proof the EU economy and allow it to be at the forefront of economic development. Pragmatic, in that it must give European industry the flexibility to achieve the target without undermining its global competitiveness in the medium term; thereby avoiding prescriptive rules, including when it comes to the deployment of innovative net-zero solutions.

Position and Recommendations

1. A high level of climate ambition

Our industries believe that the EU must continue to play a global leadership role on climate action. By combining a high level of ambition with a firm focus on innovation, the EU can also stimulate lasting growth that enhances the global competitiveness of European industry. We believe that the future of the EU’s competitiveness and continued climate leadership will be interlinked, and not contradictory. Therefore, the EU’s 2040 climate target must, as a minimum, follow the average trajectory towards climate neutrality in 2050. We are ready to take responsibility: our industries are global leaders in the carbon-neutral energy, electrification, energy efficiency and clean manufacturing technologies needed to achieve net-zero, and we are committed to playing our part to fulfil the ambitions of the Paris Agreement.

A timely agreement on an EU climate target for 2040 is, therefore, very welcome in order to ensure that industry – along with the rest of society – can adapt and lay the foundations for the achievement of all of the above objectives.

To reach the 2040 target, the EU should prioritise the use of flexible and market-based regulatory instruments that offer industry and other actors sufficient margin to find the most cost-effective means to achieve decarbonisation. Only a regulatory framework that places innovation at the centre of climate action will succeed in its goals. On the other hand, excessively restrictive measures and the lack of an attractive investment environment will severely curtail the ability of businesses to find the best solutions to reduce greenhouse gas emissions.

2. Technology neutrality

The overwhelming priority of the EU in pursuing decarbonisation must be to reduce greenhouse gas emissions. Given the speed at which the climate is deteriorating¹, we cannot afford to ignore any existing or new instrument that enables the EU to achieve its goal of climate neutrality. This means that technology neutrality should be guiding all EU initiatives on climate action. In turn, the EU must not “pick winners” in the search for climate-friendly solutions by either actively favouring certain types of technology or effectively curtailing research into promising avenues of innovation. This is particularly important in the fields of energy efficiency, electrification, and sustainable product development.

3. Build on the lessons from 2030

Agreeing on a 2040 climate target is only the first step in a wider process. Once a corresponding amendment to the European Climate Law has been adopted, the EU will have to consider how to update its broader climate action architecture in order to achieve its new climate objective. In parallel with this effort to design and propose instruments to achieve any 2040 climate target, the European Commission and Member States should take into account the full

¹ IPCC, [Sixth Assessment Report on Climate Change](#), 20 March 2023

implementation and thorough evaluation of the impacts of energy and climate legislation adopted as part of the 2030 decarbonisation efforts, as well as the remaining gaps.

This first requires that sufficient resources are dedicated to ensuring that the legislation adopted under the “Fit for 55” Package is wholly and consistently implemented across the EU. Efforts to promote electrification from carbon-neutral sources, energy efficiency and sustainable production must be pursued at an accelerated pace. Likewise, policymakers and authorities need to ensure that companies and public bodies they rely on are not struggling with compliance: meaning that it must be clear which exact rules companies must follow and how different regulations interlink. Lastly, it must be ensured that the existing energy and climate laws are applied as uniformly as possible across the single market. Only when these conditions are fulfilled, can a robust assessment of the 2030 climate legislation framework be meaningfully undertaken.

When undertaking this legislative review, the European Commission should be particularly careful to identify the following potential hazards: implementation challenges, a possible lack of policy coherence across different fields, as well as any overlap and double regulation between EU instruments. The impact of the 2030 climate legislation on EU competitiveness should also be evaluated more broadly. The findings from this review should be at the heart of any preparation of climate laws to achieve the 2040 target.

4. Focus on infrastructure and technology

Without net-zero technology and infrastructure, there will be no net-zero transition. Yet it is also important to continue to recognise the interdependence between infrastructure and technology: in the spirit of the twin digital and green transition, the next European Commission must mandate the development of a smart climate-neutral infrastructure in the 2040 climate framework. This will support the achievement of electrification, energy efficiency and sustainable product ambitions. In this context, strong initiatives supporting investments in digitalisation, electricity grids and energy system integration and efficiency are crucial. Such investment initiatives are in line with the European Scientific Advisory Board on Climate Change’s report², which calls for development support by boosting investment in electricity grid infrastructure and enabling scaled-up implementation of relevant policies. The adopted regulatory framework should focus on resource efficiency, i.e. ‘delivering more with less’. The recovery and utilisation of unavoidable excess heat – for instance from industrial processes or the cooling of supermarkets and data centres – is just one of many examples here. Moreover, with a view to phasing out fossil fuels, the Commission must consider how it can guarantee the sufficient provision of carbon-neutral electricity production capacities, as well as sufficient grids, Power-to-X and H₂ infrastructure. According to a 2023 IEA case study, at least 3,000 GW of renewable energy projects are waiting in what are known as grid connection queues. Infrastructure is becoming a bottleneck for the European green transition.

The EU’s reliance on net-zero technologies should also compel it to approach their development and deployment in a spirit of strategic autonomy: Europe must not become dependent on individual global actors for these technologies and should ensure that European industry is not at a competitive disadvantage compared to companies from third countries. At the same time, we must also safeguard the ability to export into international markets net-zero technologies and solutions developed in Europe. The achievement of a 2040 climate goal must, therefore, also consider the international dimension of the net-zero transition. Concretely, that means that any target must be drawn up while taking global transition trends into account and must include a robust trade policy vision.

5. Mobilise investment

Decarbonisation will not be successful unless all available financial means are mobilised to advance the green transformation. Yet our industries are observing the opposite trend at present: investment in our industries is declining³, just when it should be increasing.

² European Scientific Advisory Board on Climate Change, [Towards EU climate neutrality: progress, policy gaps and opportunities](#), 18 January 2024

³ [Orgalim Economics & Statistics Report - Autumn 2023](#)

There are many ways in which the EU can leverage its public investment capacities to support the further greening of European industry: most notably, by including the whole value chain in the scope of publicly financed innovation programmes and – in the spirit of technology neutrality – prioritising excellence as a criterion when granting funds for research and innovation.

At the same time, public investment, dedicated first and foremost to essential public missions such as R&D, health and education, cannot and must not be the principal driver of the net-zero transition. To achieve any 2040 climate target, the EU must maximise access to private financing for the manufacturing industries, notably by promoting a wide range of state-of-the-art enabling technologies, systems and services in the EU Taxonomy. State aid instruments should only be applied when there are clearly observable market failures such as external factors of different kinds. Only a level playing field with a clear focus on outcomes can guarantee that money flows to the most effective climate-neutral solutions at the required level and speed.

In addition, the issue of complexity and bureaucracy when applying for funding in innovation programmes should be addressed without delay by the Commission.

6. Empower industry and harness the single market for climate neutrality

Climate neutrality can only be successfully accomplished by empowering European industry and tapping into the manifold possibilities offered by the internal market to advance the net-zero transition. Yet, at present, European companies continue to face complex and even unenforceable rules that prevent them from scaling up, hinder innovation and investment, as well as major obstacles in trading across the EU market.

To remedy this, in its mission to advance climate goals the Commission should rely on “lean” regulation, namely in the form of market-/price-based instruments and approaches, as well as by ensuring legislation’s consistency with the New Legislative Framework, e.g. by applying industry-led technical standardisation tools. Efforts to remove continued internal market barriers should also be reinforced. To bolster the global competitiveness of European companies leading the green transition, the Commission and Member States should take action to level the playing field between economic operators based inside and outside the EU through more market surveillance actions on the ground.

Orgalim represents Europe’s technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU’s largest manufacturing sector, generating annual turnover of €2,819 billion, manufacturing one-third of all European exports and providing 11.9 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.



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