

# INTERNATIONAL TRENDS AND BEST PRACTICE IN ENERGY TRANSITION

ENERGY TRANSITION IN WALES - COMMITMENTS, PARTNERSHIPS AND PRIORITIES

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# THE EUREC NETWORK

## Representing the Renewable Energy R&D Community in Europe:

- 35 prominent R&D groups and research centres active in research, development and demonstration for all renewable energy technologies and supporting technologies
- EUREC is active in 3 main areas:
  - project development
  - EU policy inputs focused on innovation in RES
  - Coordinating European Master in Renewable Energy



# CONTENT OF PRESENTATION

1. Policies to support a fair transition
  1. EU Just Transition Fund
  2. New ETS Social Climate Fund
2. Innovation in industry with new ETS Climate Contracts for Difference
3. Getting the financial sector on board with EU Taxonomy



# 1. POLICIES TO SUPPORT A FAIR TRANSITION

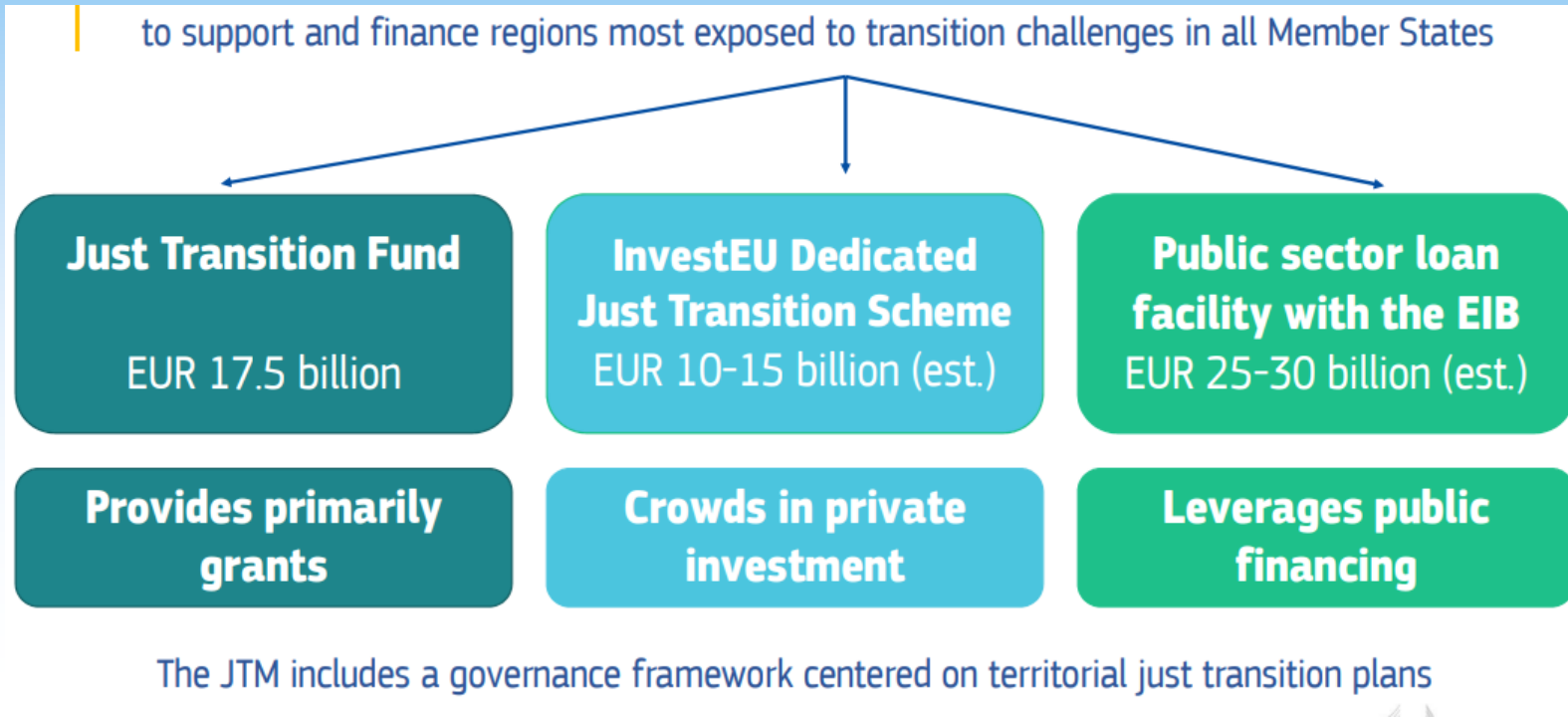
Achieving a fair transition became a key political priority



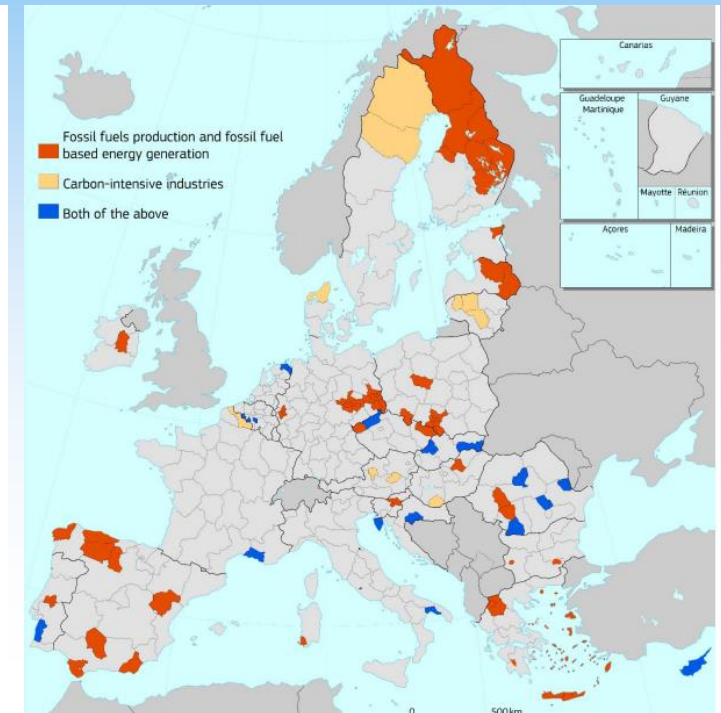
Source: European Commission

# 1.1 EU JUST TRANSITION FUND

## Overview of Just Transition Mechanism:



## Regional coverage of JTF (provisional map):





# 1.1 EU JUST TRANSITION FUND

## Just Transition Fund: scope of support

### Stronger focus in scope of intervention than other cohesion programmes

- Economic diversification and reconversion
- Re-skilling and job seeking assistance for workers
- Support to climate and environmental sustainability, where this will help mitigate the impact of the transition

### Limited additional eligibility – to be justified in territorial just transition plans

- Productive investments in large enterprises: if needed to offset job losses
- Investments reducing GHG emissions from ETS activities: if needed to preserve jobs

### Exclusion from the scope of support :

- Production, processing, distribution, storage or combustion of fossil fuels excluded from support

**Each operation must contribute to the implementation of the territorial just transition plans**

Exclusive list of activities defined in Article 8 of the JTF regulation

# 1.2 ETS SOCIAL CLIMATE FUND

- Proposal to extend emissions trading to the building & road transport sectors, new system separate from current ETS regulating fuel suppliers with declining yearly cap
- Social Climate Fund proposed last July to mitigate socio-economic impact
- Fund expected to mobilise between 2025-32 €72 billion (depending on CO2 price)
- Eligible expenditure in 4 main areas:



> **support households, transport users, and micro-enterprises** affected by the impact of the new emissions trading system for building and transport fuels



> **support investments** in energy efficiency and renovation of buildings, clean heating and cooling, and integration of renewable energy



> **provide direct income support** for vulnerable households

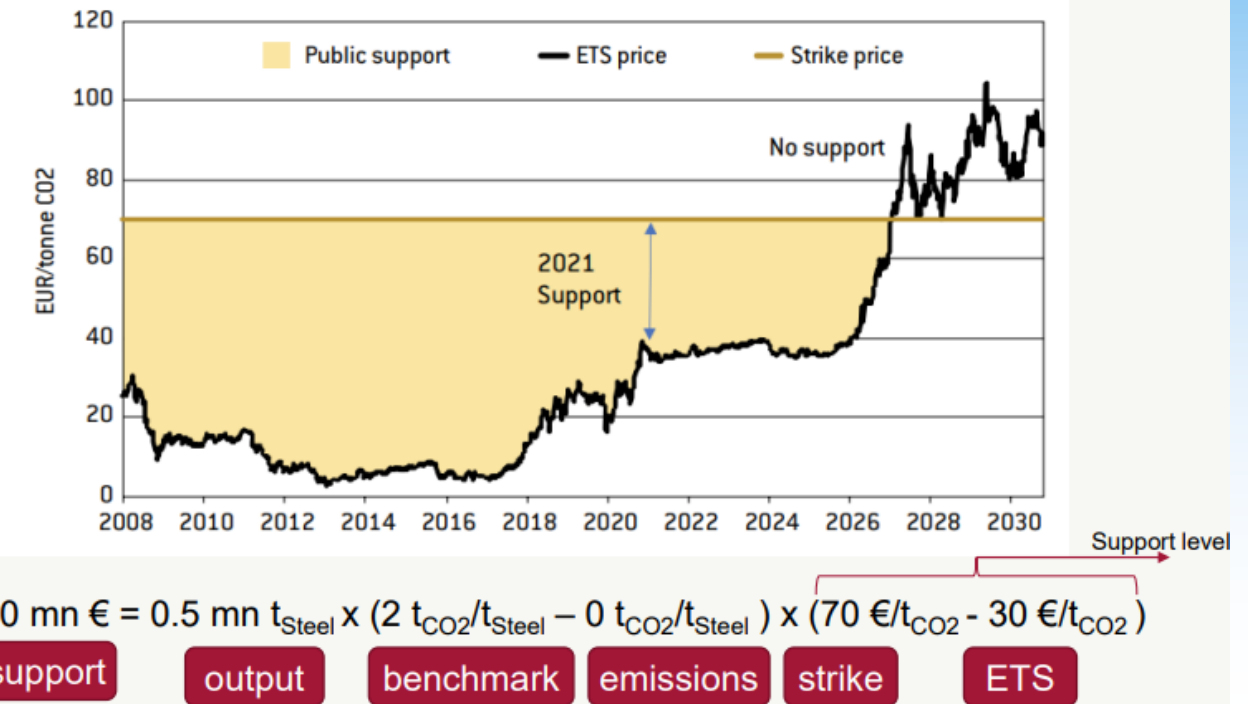


> **help finance zero-and low-emission mobility**

## 2. INNOVATION IN INDUSTRY WITH NEW ETS CLIMATE CONTRACTS FOR DIFFERENCE (CCFD)

- Carbon price is low and volatile
- Uncertainty discourages private investment in low-carbon tech. in high emission sectors: cement, steel, fertilisers
- Support in DE, NL and other countries to guarantee fixed carbon prices on project-by-project basis until technologies are commercially viable
- Open questions on: state aid rules (level or support), whether to have product-specific auctions for CCFD (depending on sector), EU/national/hybrid CCfD systems.

Figure 1: Illustrative commercialisation contract



Source: Bruegel think tank



# 3. GETTING THE FINANCIAL SECTOR ON BOARD WITH EU TAXONOMY

- Aim: *“Create a classification system for sustainable economic activities that will set a common language that investors and businesses can use when investing in projects and economic activities that have a substantial positive impact on the climate and the environment.”*
- Other expected benefits: avoid contradictory green claims and greenwashing; transparency; reward virtuous behaviour of market actors; articulate UN’s SDGs.
- Main taxonomy requirements

**Substantially contribute** to at least one of the six environmental objectives as defined in the proposed Regulation



**Do no significant harm** to any of the other five environmental objectives as defined in the proposed Regulation



Comply with **minimum safeguards**

# 3. GETTING THE FINANCIAL SECTOR ON BOARD WITH EU TAXONOMY

- EU Taxonomy Regulation 2020/852 entered into force in July 2020, with objectives 1 + 2 applying from January 2022 and 3-6 from January 2023
- Six environmental objectives covered:
  1. Climate change mitigation (Agreed)
  2. Climate change adaptation (Agreed)
  3. Sustainable use and protection of water and marine resources (In negotiation)
  4. The transition to a circular economy (In negotiation)
  5. Pollution prevention and control (In negotiation)
  6. The protection and restoration of biodiversity and ecosystems (In negotiation)
- Lessons learnt so far:
  - Defining sectors that are “sustainable” is political (e.g. nuclear, bioenergy)
  - Virtually all sectors will need a certain rethink (e.g. circular economy and materials)
  - Updating criteria will be needed as technology advances

**Thank you**

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