
Charting Europe's path towards an ambitious 2040 climate goal

Press release

Mainstreaming climate across different policy fields is crucial for Europe's successful transition to climate neutrality, according to a new discussion paper by the Agora Think Tanks. In the run-up to an EU 2040 climate target announcement and the European elections, the paper outlines 20 policy initiatives that can accelerate emission cuts, strengthen solidarity and competitiveness, and safeguard a sound financial base.

Brussels, 24 January 2024. The next European Commission faces a two-fold challenge in ensuring Europe achieves its goal of becoming the first climate-neutral continent: implementing the "Fit for 55" policy package and building on this flagship policy with new initiatives, including a 2040 emissions reduction target.

Two weeks before the EU Commission is expected to publish a paper on an EU 2040 climate target, the Agora Think Tanks – Agora Energiewende, Agora Industry, Agora Agriculture and Agora Verkehrswende – propose 20 policy initiatives that would accelerate the EU's transition to climate neutrality and help achieve 90 percent greenhouse gas emission reductions by 2040, while strengthening competitiveness and solidarity.

Frauke Thies, Executive Director of Agora Think Tanks said:

"Social justice, industrial competitiveness and security are some of the main themes ahead of this year's European elections. Our 20 initiatives across a broad range of different policy fields would help Europe accelerate its emission cuts, while making sure that the transition is effective and inclusive, and built on a sound financial basis."

According to the Agora discussion paper, greening Europe's industrial base and ensuring resilient clean-tech value chains, making climate-friendly heating, mobility, electricity and food options affordable to all and tackling climate disinformation should be among the priorities of the next European Commission.

Greening the industrial base and ensuring resilient clean-tech value chains

The transition to climate neutrality is an opportunity for Europe's industry but ensuring its success requires a robust policy framework. Direct electrification of industrial heat should become a major priority as it would result in rapid reduction of both fossil gas use and CO₂ emissions, making the industry more resilient and competitive. To achieve this, the incoming Commission should develop an 'EU Industrial Direct Electrification Action Plan' that among other things sets clear phase-out dates for the use of fossil fuels in low- and medium-temperature industrial heat applications and thus drives the market for heat pump and e-boiler deployment.

Agora also makes the case for using the internal market to drive domestic investments in clean-tech manufacturing, while providing sufficient deployment funding for green basic materials production.

Renegotiating trade and investment relationships with China and the US in specific value chains would help reduce trade imbalances.

"Scaling lead markets for climate-friendly materials and technologies can help overcome barriers to green manufacturing investment. The EU already has promising tools at hand, for example the recently agreed embodied carbon requirements for new buildings. Effective implementation of the buildings law should thus be among industrial policy priorities of the next Commission along with advancing green public procurement rules for basic materials like steel and concrete," Frauke Thies said.

Affordable low-carbon options and a "European Rural Deal" to foster public support

The impacts of the climate crisis are increasingly affecting the lives of Europeans, with the recent flooding in Western Europe as just another example of such events. At the same time, in the implementation phase, climate policies and the necessary switch to clean technologies increasingly have a direct impact on people's lives.

The Agora Think Tanks propose targeted financial support to low-income households as well as broadly accessible low-interest loans to make the transition to clean heating systems affordable. The Commission should also ensure that EU countries provide the necessary infrastructure and affordable options to allow citizens to switch to electric cars or to public transport.

To particularly support rural areas in the transition, Agora proposes initiating a "European Rural Deal". The initiative should for example stimulate future-oriented rural economic value chains, mobilise investments into key infrastructures, and support EU regions in ensuring that rural communities benefit from the transition to renewable energy sources.

Facts on the climate crisis and available solutions are increasingly important as measures rely on broad public support to be effective. Concerns around (climate) misinformation are particularly strong in the run-up to the June European elections. The new EU digital services law obliges large online service providers and widely used search engines to ensure that their services are not used to manipulate a democratic discourse or electoral processes and that problematic content is quickly identified and corrected or removed. Agora proposes using this flagship policy to tackle misinformation about the climate crisis and available solutions and supporting scientific institutions and civil society to rapidly develop capacity for monitoring and fact-checking such misinformation.

Ensuring sufficient funding for the transition

Investments into the transition need to accelerate across Europe. Agora estimates that EU governments will need to cover a public green spending gap of 1-2 percent of GDP per year between 2022-2027 to meet the EU's climate goals. EU-level climate funding is essential as a complement to national public funding, especially for lower-income and fiscally constrained member states. It can also help balance national budgets as the transition away from fossil fuels affects the fiscal revenue base.

The current EU budget that runs until 2027 foresees significant support for climate objectives. However, the outlook beyond 2026 is currently uncertain. The EU's economic recovery budget will end in 2026, while investment needs into the transition continue to rise.

Frauke Thies: "A credible strategy to reach climate neutrality must be underpinned by sufficient funding. The EU needs to increase overall financial support available for the transition under the next EU budget. This could be achieved by better coordinating climate investments across different budgets and aligning funding more closely with sectoral and regional investment needs.

Furthermore, as the EU reduces its reliance on fossil fuels, tax revenues from these sources will decrease. The Commission and EU governments should start exploring alternative revenue sources such as road charging schemes to ensure adequate funding for the transition."

The 2040 climate target is a crucial benchmark on the way to climate neutrality

In addition to the climate neutrality 2050 goal, the EU Climate Law obliges Europe to adopt an emissions reduction target for 2040. A recent Agora Energiewende study found that, based on the latest technological progress, a greenhouse gas reduction target of 90 percent by 2040 is realistic. According to the European Scientific Advisory Board on Climate Change, staying on course to climate neutrality requires emissions reductions of 90–95 percent by 2040. Among EU governments, so far Denmark, Bulgaria and the new Polish state secretary for climate have indicated that they would support a 90 percent target.

"The 2040 emissions reduction target is an important milestone on the EU's pathway to climate neutrality and should be set at least at 90 percent. It provides a benchmark for governments, industry and citizens when deciding on investments into clean technologies and infrastructure planning," Frauke Thies concluded.

While the current Commission is expected to publish a paper outlining three possible scenarios on February 6, the next Commission will be responsible for proposing the target itself.

The paper will be presented at a hybrid event in Brussels on 24 January 2023 9:00–16:00. Programme and registration are available on our website at <https://www.agora-energiewende.org/news-events/eu-climate-and-energy-policy-in-the-decisive-decade>.

The 30-page publication **EU policies for climate neutrality in the decisive decade: 20 initiatives to advance solidarity, competitiveness and sovereignty** is a result of extensive research and discussion with decision-makers and experts across Europe. It is available for free download at www.agora-energiewende.de. This executive summary will be followed by a more extended full version of the impulse paper in the coming months and complemented with detailed analyses on different sectors.



About Agora Think Tanks

Agora Energiewende, Agora Industry, Agora Agriculture and Agora Verkehrswende develop scientifically sound and politically feasible strategies for a successful transformation to climate neutrality – in Germany, Europe and internationally. The organisations which are part of the Agora Think Tanks work independently of economic and partisan interests.