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Accelerating Public-Private Action for the European Green Deal

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The European Green Deal presents an historic opportunity to modernize Europe's economy, revitalize the industry and ensure growth and new jobs for the region. Europe must seize this moment and become a global leader in the transition towards a green and sustainable future – but it needs to be a just transition. Such a transition has to take into consideration the difficult challenges that businesses, industries and countries with a heavy dependency on coal and other fossil fuels are facing. Building on the World Economic Forum's efforts to support public-private action for more sustainable societies, the session focused on the role of business in accelerating the Green Deal and in exploring interest for a CEO coalition to drive the deal forward.

Frans Timmermans, Executive Vice-President of the European Green Deal, underlined that the Green Deal is Europe's growth strategy and the European Commission's way of translating the climate-neutrality ambition into concrete measures. Europe faces several tipping points if leaders and policy-makers fail to halt climate change and take control of the risks and negative impacts. The transition from fossil-fuel dependency to basing wellbeing and lifestyle on green energy will be as significant as going from horses to cars, from steam to petrol – there will be major consequences for all sectors. All revolutions in history have led to geopolitical and societal consequences; this industrial revolution is no different.

He also emphasised that today's severe environmental challenges require us to innovate, reinvent, reorganize and redistribute. If this is not done in a timely manner, the political ramifications will be potentially very significant. Policies and regulations need to be tailor-made for those sectors that

will be most hard-hit by the transition. This requires more platforms for dialogue between regulators and businesses since having business engaged from the beginning would help create more efficient regulations. However, the European Commission will regulate regardless of whether business shows up or not as European citizens will demand it. Timmermans said there is the need to work at lightning speed and the shift will be hugely demanding for industries; there will be many challenges, but the Green Deal offers a lot of opportunities. There is also a need to jointly deliver a narrative that transmits the complexity combined with optimism and to create synergies and drive public-private cooperation.

Against this backdrop, participants discussed challenges and opportunities for industry and business in realizing the Green Deal and how to accelerate the transition towards a low-carbon and resilient economy. Various perspectives were shared on how to strike the right balance in developing policies and regulations while at the same time creating incentives for industry-wide action and unlocking the investments, innovation and technologies needed to realize the transition.

As global investors, the insurance industry is exploring ways to ensure that its portfolio choices help meet the Paris Agreement reallocating capital from polluting sectors of the global economy towards the green economy. For example, global insurance company AXA has so far shifted a total of €24 billion from coal to non-fossils and has announced a commitment for a total pull-out from coal-related investments by 2040. Identifying a "temperature score" that gives a snapshot of how investments are contributing to climate change is another initiative increasingly explored by the

financial industry. However, to fully ensure the efficiency of this approach, more work is needed to develop more consistent standards and reporting mechanisms to measure and define the sustainable value companies create.

Delivering industry-wide action also requires finding more efficient ways to tackle third-party suppliers and setting standards that are universally adhered to throughout global supply chains. European companies can lead the way globally here if they work more consistently with their third-party suppliers, notably in Asia. One speaker introduced the idea of asking five market-leading European companies to tackle their supply chains in Asia and to encourage third-party suppliers to set ambitious 2030 targets. Another way of encouraging industry-wide action would be to make scorecards public and to tie CEO salaries to ESG-rating performance. A similar approach could be explored for countries, making high-polluting countries accountable by having them pay a premium on their national debt.

Many participants welcomed a more structured dialogue on carbon pricing and underlined the need to include business in these discussions. Royal DSM has adopted its internal price of €50 per ton of CO₂ and several other companies are following suit. While this is a positive development, Europe is moving forward in an often fragmented approach and the Green Deal presents an important opportunity to create a more unified and regional perspective on carbon pricing. Several participants also highlighted the importance of ensuring public support for the transition towards a green economy. For many in Europe, the transition is associated with fear of the unknown and potential loss of jobs and livelihood. Anticipating how transition policies will affect the most vulnerable in society and offsetting negative effects to social cohesion will be crucial to avoid the social unrest that has been seen in places such as France.

Although the transformation to more sustainable systems has started, action is urgently needed in the agricultural sector which currently accounts for 25% of greenhouse gas emissions. Reducing emissions from agricultural and food production will be one of the greatest challenges in the coming decades. Today, European farmers hold the key to more efficient farming and carbon capture but are not incentivized to do so. If the European Union says farmers have a responsibility for and are compensated for carbon-capture, they need to have a full ecosystem approach. A range of solutions is needed, from scaling carbon-capture technologies and exploring nature-based solutions to improvements in agricultural efficiency, changes to diets and food-waste reduction.

Participants noted that several good things had come out of the Dutch National Climate Agreement and that lessons could be learned from this experience. The process recognized that achieving a cost-effective and affordable transition requires a customized and inclusive approach for each sector. One example is the Dutch construction sector where standards and regulations for encouraging low-emission and green buildings were put in place without creating an overly complicated and bureaucratic legal system. The fact that they were developed in close collaboration with various sectoral umbrella organizations and the national government helped to ensure efficient implementation. The Green Deal is an opportunity to set ambitious targets in the European building sector and to move away from the current fragmented approach to building codes and standards.

Mobilizing both public and private investments for the Green Deal will be critical for its success. The European Commission's investment plan calls for mobilizing €1 trillion in the next decade from both private and public sources. The European Investment Bank (EIB) is ready to do its part by scaling funding and driving investments. By 2025, the EIB will focus 50% of its investments on climate-related investments. From the end of 2021, the EIB will end financing for fossil-fuel energy projects. Furthermore, the EIB Group will align all financing activities with the goals of the Paris Agreement from the end of 2020.

Ultimately, the European Green Deal must be seen as an opportunity to grow the European economy more than anything else. It presents an unprecedented opportunity to reform business, industries and societies and to invest in new technologies and create new jobs. Europe has the capacity to become a global leader in the green transition and to spearhead the change ahead of China and the United States. Regional cooperation will be key and Europe's strategic relationship with China is critical in ensuring the transition to a climate-neutral future. The 2020 EU-China summits in Beijing and Leipzig will be an opportunity to reinforce the partnership between the EU and China on climate and environmental issues, notably ahead of the Kunming Biodiversity Conference and COP26 in Glasgow.

In wrapping up the session, the moderator concluded that the transformation required by the European Green Deal cannot be made by governments or international institutions alone – business and industry have to be part of the solution. In responding to the need for further public-private dialogue on the Green Deal, it was announced that the World Economic Forum will explore the idea of creating a business coalition for the Green Deal in the form of a CEO Action Group, with a mandate to identify concrete measures in which business and industry can take part in ensuring an action-oriented approach to making the Green Deal a reality.

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