EU Process Industry Conference: A look to the future
The EU Climate & Energy framework / Innovation Fund

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European Commission
Overview

1. **Implementing the Paris Agreement:**
Making growth and climate objectives compatible through innovation and sustainable finance

2. **The innovation fund:**
Outcome of the stakeholders' consultations
October 2014 European Council agreed headline targets of the 2030 climate and energy framework

-20% Greenhouse Gas Emissions
20% Renewable Energy
20% Energy Efficiency
10% Interconnection

≥ -40% Greenhouse Gas Emissions (domestic)
≥ 27% Renewable Energy
≥ 30%* Energy Efficiency
15% Interconnection

* According to the new Directive proposal

Energy Union governance
The development of EU GHG emissions since 1990, future projections until 2030

**Diagram:**
- Historic emissions
- Projections with existing measures - WEM - (based on MS submissions)
- Indicative Policy Trajectory

**Source:** EEA, Commission
Sustainable finance: Climate action at the heart of EU agenda

Examples of climate targets for the current framework:

<table>
<thead>
<tr>
<th>Program</th>
<th>Climate target</th>
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<tbody>
<tr>
<td>European Budget (MFF) 2014-2020</td>
<td>20%</td>
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<tr>
<td>Specific sub targets:</td>
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<tr>
<td>• Horizon 2020 (Research and Innovation)</td>
<td>35%</td>
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<td>EIB portfolio 2014-2020</td>
<td>25%</td>
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<td>EFSI II (2017 – 2020)</td>
<td>40%</td>
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## EU 2021 - 2030: Innovation + Modernisation Funds

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Innovation Fund</th>
<th>Modernisation Fund</th>
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<tbody>
<tr>
<td>Sector</td>
<td>Innovative RES, CCS / CCU&lt;br&gt;Low-carbon innovation in energy intensive industries&lt;br&gt;Low-carbon innovation in small scale projects</td>
<td>Energy systems, mainly infrastructures (including utilities &amp; networks) and energy efficiency</td>
</tr>
<tr>
<td>Geography</td>
<td>EU-28</td>
<td>10 Eastern Europe MS</td>
</tr>
<tr>
<td>Innovation level</td>
<td>First of a kind/demonstration</td>
<td>Deployment</td>
</tr>
<tr>
<td>Endowment</td>
<td>From 450 to 600 million allowances</td>
<td>Around 310 million allowances (2% of EUAs)</td>
</tr>
<tr>
<td>Starting date</td>
<td>From 2021 at the latest</td>
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### Roundtable consultations Series for IF

- Innovation perspective & Financial needs from Industry
- Involvement of finance providers
- Report available at: [https://ec.europa.eu/clima/events/articles/0115_en](https://ec.europa.eu/clima/events/articles/0115_en)
Financing needs: Main conclusions from the IF roundtables

✓ No shortage of low-carbon solutions that should be demonstrated in the coming decade.
  • 85 Pathways & Technologies identified, many of them cross-sectoral

✓ Markets, technologies and investments change and evolve rapidly.
  • definition of eligible technologies

✓ Cross-sectorial cooperation may unlock new value chains and economic benefits
  • CCS infrastructure, Hydrogen, Energy Storage or Integration of Renewables
Financial support for projects should be linked with their risk profile.

- Heterogeneity of financial instruments

Milestones funding according to investment cycle

- e-direct financing from underperforming projects to performing ones

Complementarity with other relevant EU Financial Instruments

- Innovation Fund as a set of financing products and services
**IF Next steps**

- 12-week public consultation
- Impact Assessment
- Subject to adoption of the ETS proposal this year, our objective is to come up with the operational rules for the Innovation Fund in 2018
- Launch the Innovation Fund close to or before 2020.
Conclusions

• Paris Agreement is a milestone for the transition to a low carbon economy
• Climate mitigation and growth are two sides of the same coin: innovation as a driver of competitiveness and growth
• Significant sustainable investment needs, avoid lock-ins, "green finance" is not a niche product anymore
• Public and financial sector cooperation is needed for derisking breakthrough innovation
• EU financial instruments offer many opportunities
Thank you!
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Read our book "EU Climate Policy Explained" (published by Routledge, 2015)

English, French, Spanish, Chinese versions online: