

A JUST INDUSTRIAL STRATEGY FOR CLIMATE LEADERSHIP

Europe: a global leader in climate technologies

The European Commission's objective to reach carbon neutrality by 2050 can only be achieved if Europe's industrial base – one of its greatest strengths – is preserved. Therefore, the Industrial Strategy should be ambitious in its support for the Commission's long-term objective for 2050. It should be an Industrial Strategy that supports a just transition and promotes EU leadership in climate technologies.

Europe is home to pioneers in renewable and decarbonised gas technologies; ITM Power for example, operates the world's largest electrolyser factory and supplies solutions to customers in transport, industry, and the power sector around the world. Europe is also a market leader in anaerobic digestors, pyrolysis, carbon capture and storage, and LNG engines and turbines. These technologies will revolutionise the way in which we produce energy and goods around the world and Europe must maintain this industrial advantage.

By 2050, forecasts suggest that 50% of global energy demand will be electrified, with a large share of variable renewable power (IRENA, 2019). Gas – natural, renewable and decarbonised – will be needed across the globe to ensure sustainable, affordable and secure energy supply. A successful European industrial strategy should both provide the EU with the means to achieve carbon neutrality, and open new export opportunities for climate technology and services.

Optimise financial instruments for EU climate leadership

Eurogas welcomes existing EU actions to support innovation efforts among European industries. It is important that EU financial instruments target the development and deployment of renewable and decarbonised gas technologies in order to maintain European leadership in these.

The recently agreed EIB lending policy is a good example. The EIB will fund gas projects, including renewable and decarbonised gas in combination with CCUS, as well as small efficient gas boiler heating systems. Another example is the Innovation Fund, and the Important Project of Common European Interest (IPCEI) framework which can support technologies with low readiness levels. Eurogas also supports the increased ambitions under the new Horizon Europe programme, branches of which are specifically aimed at innovation in renewable and decarbonised gases. For example, the European Partnership on Clean Hydrogen and the European Partnership for a Circular Bio-based Europe.

Nevertheless, the EU should ensure a consistent approach. The Commission needs to ensure coherence between the Sustainable Finance Initiative and sectoral EU policies, which remain crucial for the implementation of effective measures to support investments. Likewise, the Just Transition Fund should cover all technologies that support national efforts to rapidly cut emissions, including those that allow a fast switch from carbon-intensive fuels to cleaner fuels. Additionally, Eurogas would welcome the use of other financial instruments such as Public-Private Partnerships or seed funding that involve private market players and limit the risks of their investments.

Alliances for frontrunners in renewable and decarbonised gas technologies

Broad alliances can facilitate the development of synergies between sectors and create momentum for innovation and smart sector integration. By pooling resources and exchanging best practices, alliances can serve as a catalyst for research and development for technologies like thermal gasification, pyrolysis and carbon capture. Cooperation between industry, the European Commission

and Member States is also important in identifying the main technical and market barriers to the deployment of existing technologies like power-to-gas, anaerobic digestors or LNG engines.

Eurogas welcomes the European Commission proposal for alliances on clean hydrogen and low carbon technologies. These could serve as a platform to discuss and design support schemes, joint communication efforts and policy recommendations. In doing so, they could eliminate barriers and ensure a faster scale-up of technologies.

In parallel, the Commission should include representatives of the biomethane, power-to-gas, pyrolysis and CCUS industries in the new European Commission Industrial Forum. This would offer the opportunity for different actors to cooperate on solutions and create a platform for sector integration.

Skills for future jobs in the gas sector

Eurogas is working closely with trade unions through the EU Sectoral Social Dialogue on gas, which aims to drive upskilling and reskilling of workers for future jobs in the gas industry. Citizen support for EU climate ambition is important, and industrial policies should complement EU efforts on a Just Transition. It will be essential to anticipate and prepare the retraining and reskilling of the workforce currently employed in the natural gas value chain to ensure that they are equipped for the new employment opportunities offered by the decarbonisation of the gas industry.

A recent study found that the renewable gas sector has the potential to provide up to 2.4 million jobs within the EU by 2050 (Navigant, 2019). These jobs, along with additional jobs in gas reforming and carbon capture, would be diverse, non-seasonal and highly skilled, and could help balance the impact of the energy transition on the labour market. Additionally, the deployment of these technologies is already opening new opportunities for regions in economic decline, such as rural areas.

Levelling the playing field in global carbon markets

The allocation of free allowances under the ETS has not prevented the EU from losing its leadership in strategic value chains, especially in the field of renewable energy. This is in part because the carbon leakage list does not directly impact the competitiveness of non-EU products on the EU market. It does not create incentives for third countries to adopt similar carbon pricing mechanisms.

Eurogas supports the Commission's efforts to encourage more countries to join international carbon pricing mechanisms and climate agreements, through trade policy for instance.

Our recommendations

- 1) Provide funding for innovation:** EU financial instruments should be optimised for the development of renewable and decarbonised gas technologies. Consistency must be ensured throughout EU financial instruments, including Sustainable Finance initiatives.
- 2) Enable smart sector integration:** The upcoming Industrial Forum and alliances on clean hydrogen and low-carbon industries should cover all renewable and decarbonised gas technologies and include representatives of the biomethane, power-to-gas, pyrolysis and CCUS industries.
- 3) Anticipate future job requirements:** it will be essential to anticipate and prepare the retraining and reskilling of the workforce for an evolving EU gas industry.
- 4) Address carbon leakage:** the EU should drive international initiatives for a global carbon pricing mechanism to prevent carbon-leakage.