

Towards a Sustainable Europe

A paradigm shift for policy making ?



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Business Europe Seminar • 20 June 2018

The European Political Strategy Centre

- Strategic analysis
- Political advise
- From ideas to policies
- Breaking silos within EU institutions and building bridges with stakeholders



1. Why does sustainability matter?

Challenges and Opportunities for Europe

Why Sustainability?

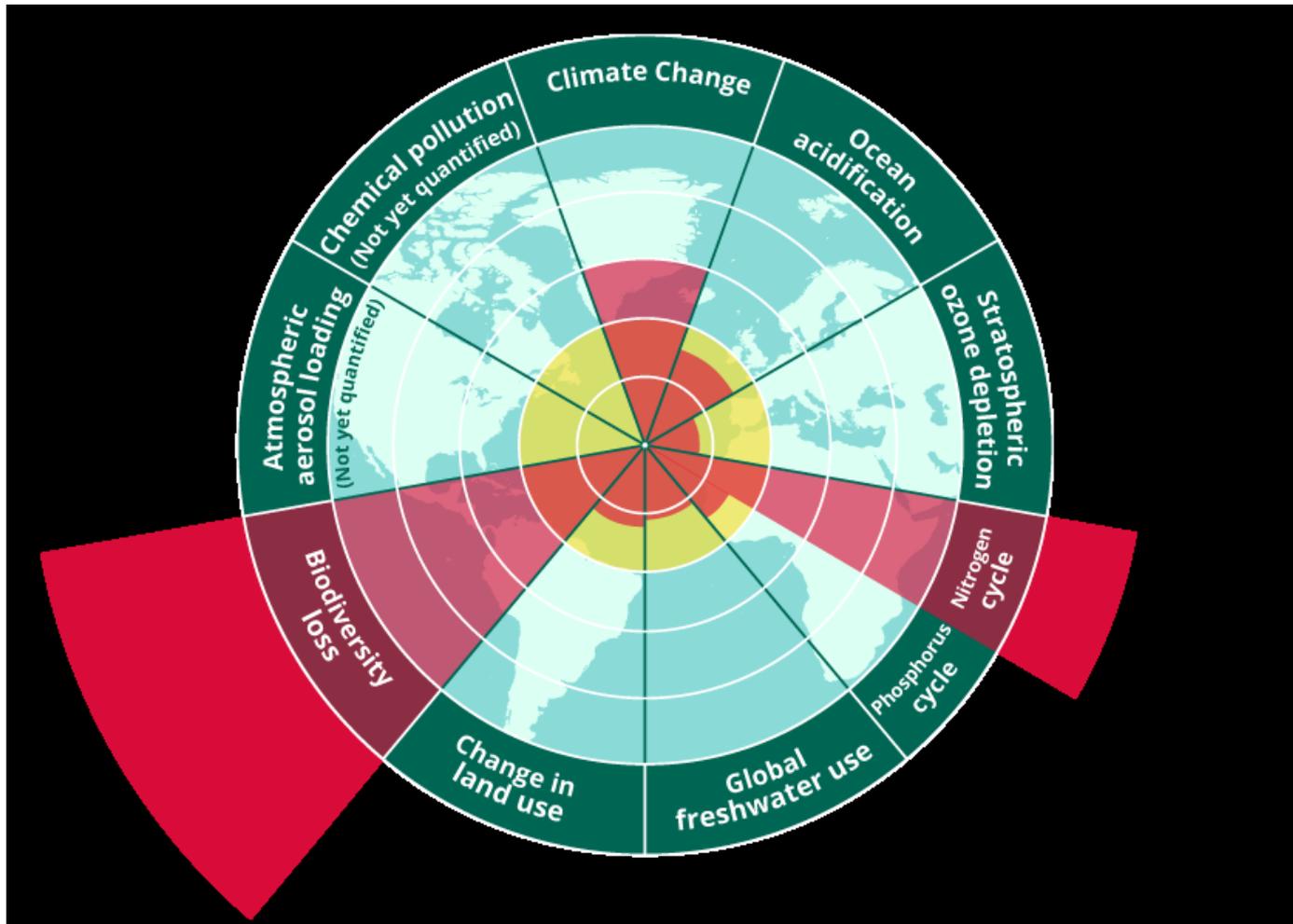


It's part of Europe's DNA, our way of life, and strong track record

The EU is preparing its future: A positive Agenda for Europeans

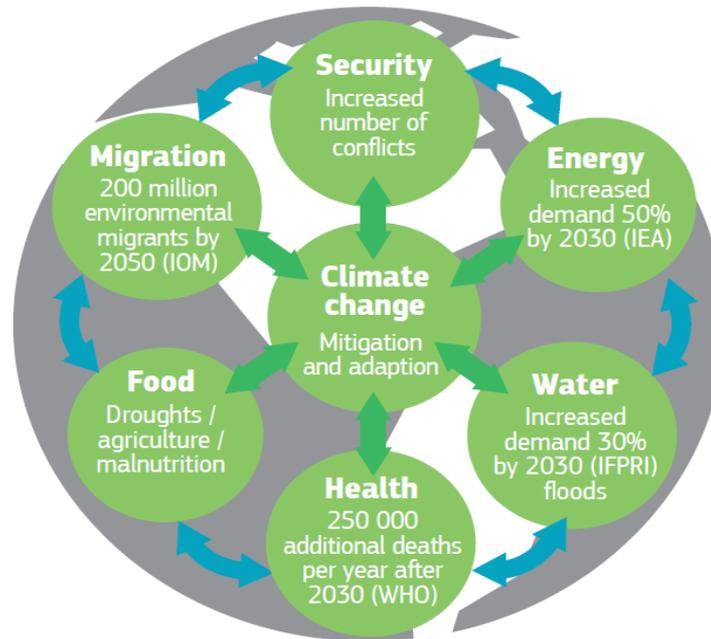


The big challenge of our time: how to grow within the limits of the planetary boundaries?



Why is such a strategy important? Because of the risks – AND – the opportunities !

The 'Perfect Storm' Challenges: More Complex and Cross-Cutting than ever



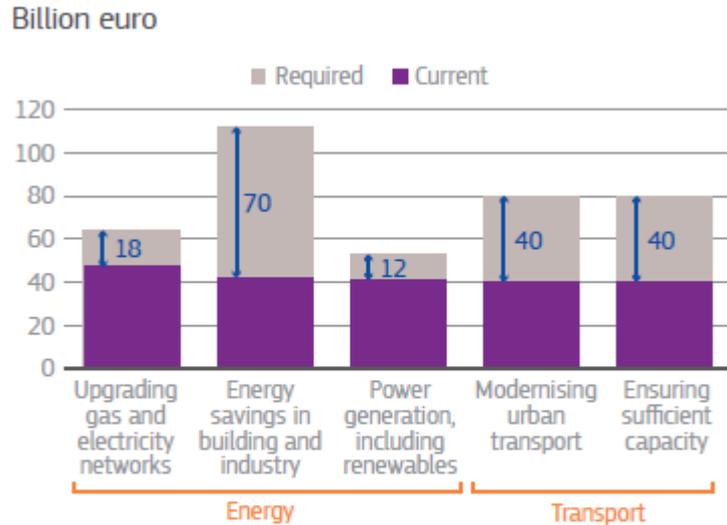
Source: Oxford Martin School, European Political Strategy Centre

... turning challenges into opportunities - By addressing sustainability, Europe gets major co-benefits

- Modernising our economy: jobs, growth and investments
- Improvement of citizens' quality of life: clean energy, clean air, water, food, environment
- EU's global leadership position on key geostrategic issues: security and migration
- Reindustrialising Europe through digital and low-carbon innovation
- Free, fair and sustainable global competition for markets, trade and investments
- Just transition and social challenges



... investing in the future of Europe's economic transformation



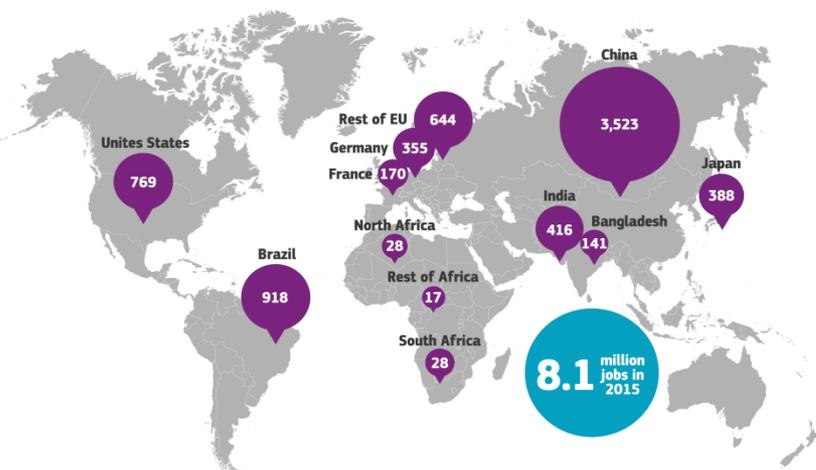
Innovation – Energy – Mobility –
Housing - Smart cities - Agriculture
– Production processes

Source: European Investment Bank



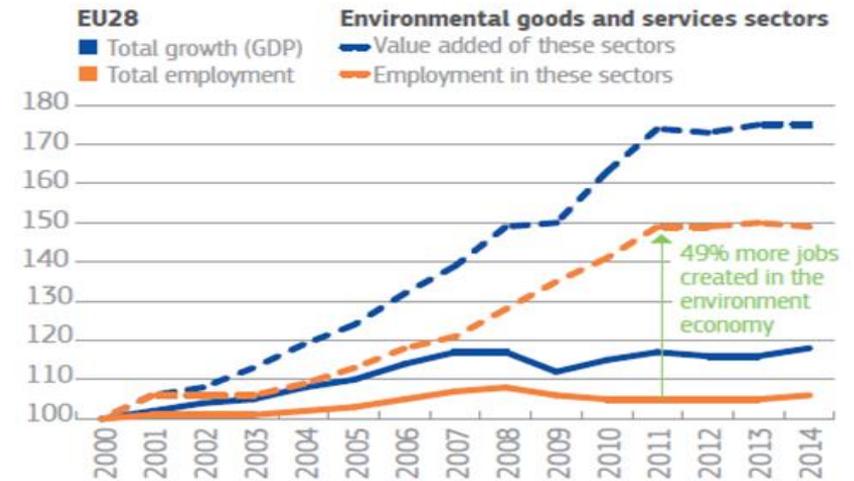
... and future jobs and growth for Europe

Jobs in renewable energy sector worldwide



Source: International Renewable Energy Agency 2016

Jobs and growth in the environmental goods and services sectors



Source: European Commission

The way we address **sustainability** has **implications for Europe's own security and geopolitical standing**



Cyberattack cripples Ukrainian power grid

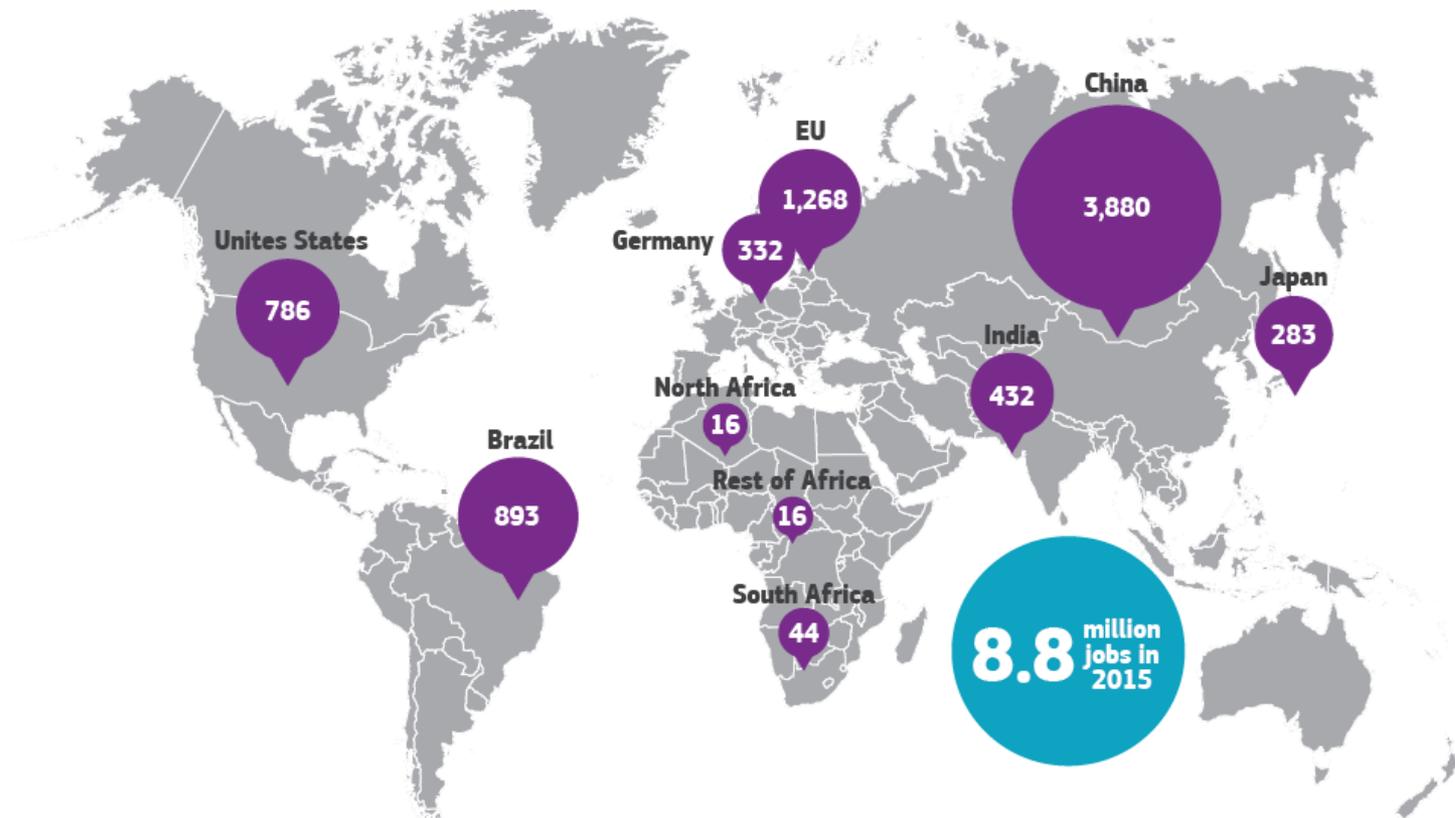
Wake-up call for Infrastructure operators around the world?
Source: MSNBC

Climate refugees coming to Europe, Juncker warns



The way we address **sustainability** has **implications** **for Europe's economy**

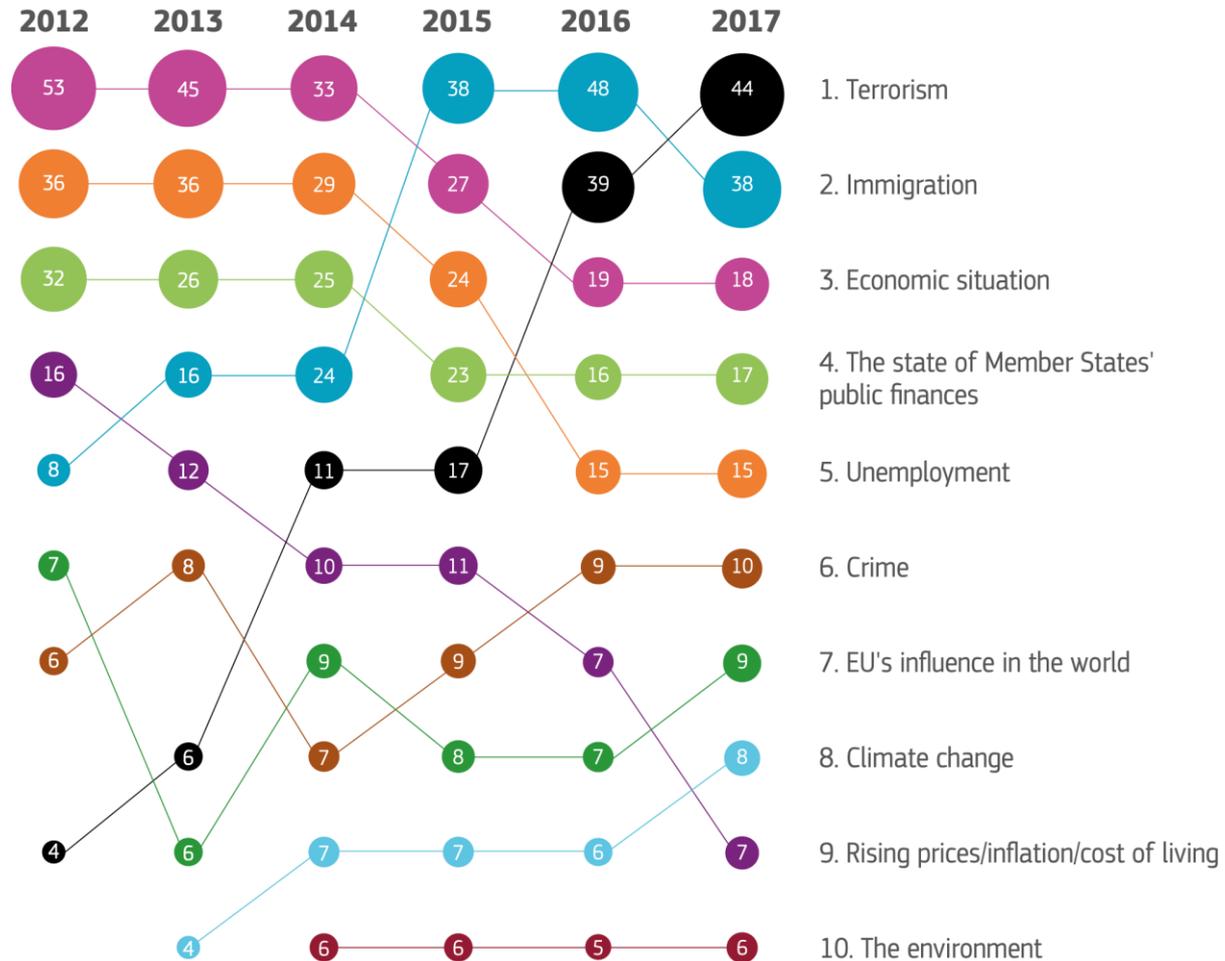
Renewable energy related employment



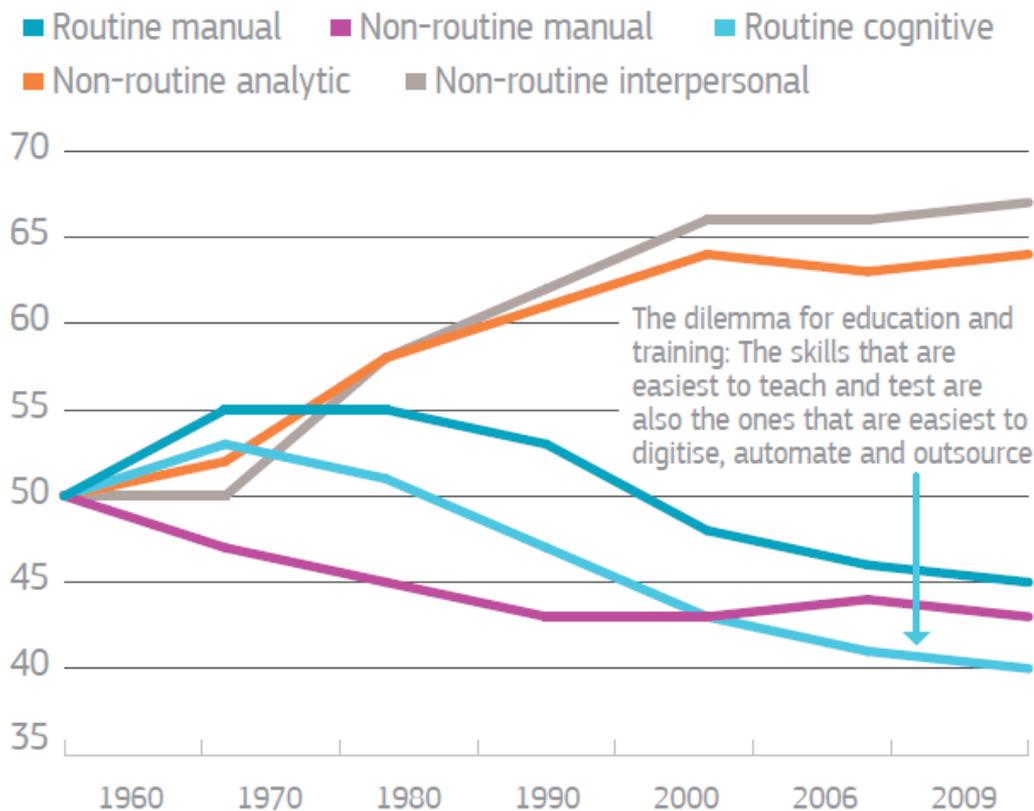
Source: IRENA (2016), Renewable Energy and Jobs - 2016

At the same time... Don't forget we have many other challenges

What Europeans worry about



The transition already today causes **loss in employment** and **skills challenges**



Source: OECD Skills Outlook 2013, OECD

Industrial Union in the Mining, Chemical and Energy Industry protesting against the "social blackout for entire regions" in Germany



Truck drivers on strike in France



Social protection is not always targeted towards those who need it most

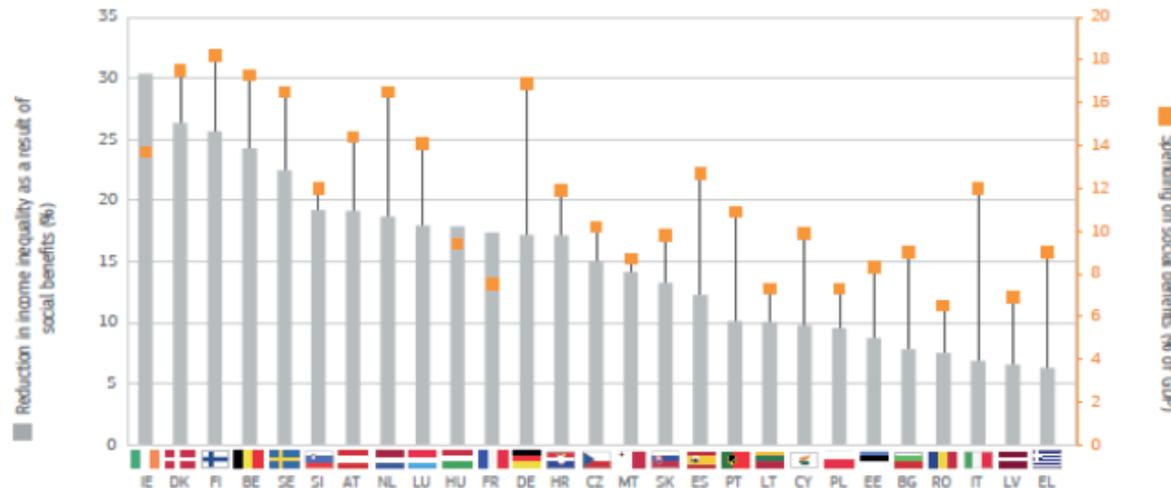
Share of working-age benefits going to different income groups, in %, 2013



Source: OECD Income Distribution database, via <http://oecd/idd>

Well-targeted welfare policies can have a powerful impact on reducing inequalities...

in %, 2014



Source: European Commission



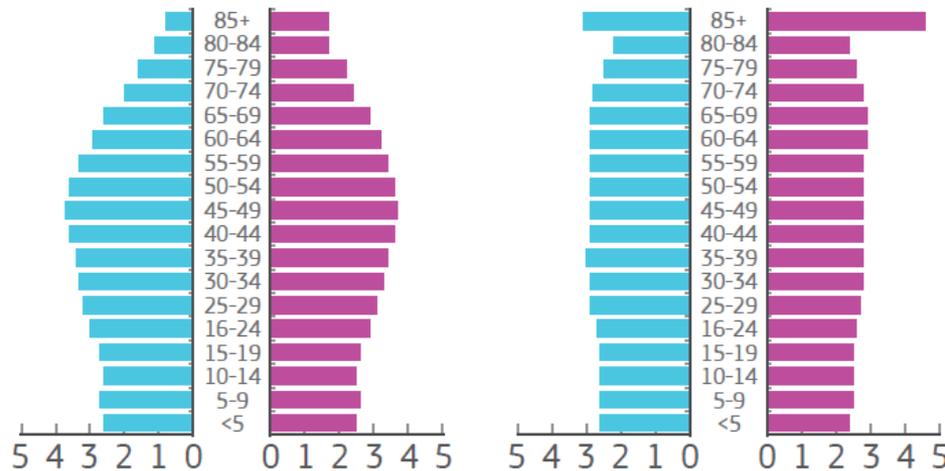
Demographic challenge

Europeans will be much older in the future

Men Women

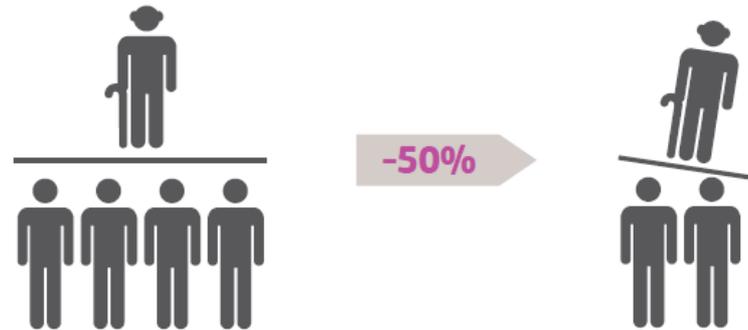
2015

2080



2013

2060



-50%

4 workers / 1 pensioner

2 workers / 1 pensioner

Source: European Commission, Ageing Report

Source: Eurostat

Some trends are opposite in our neighbourhood

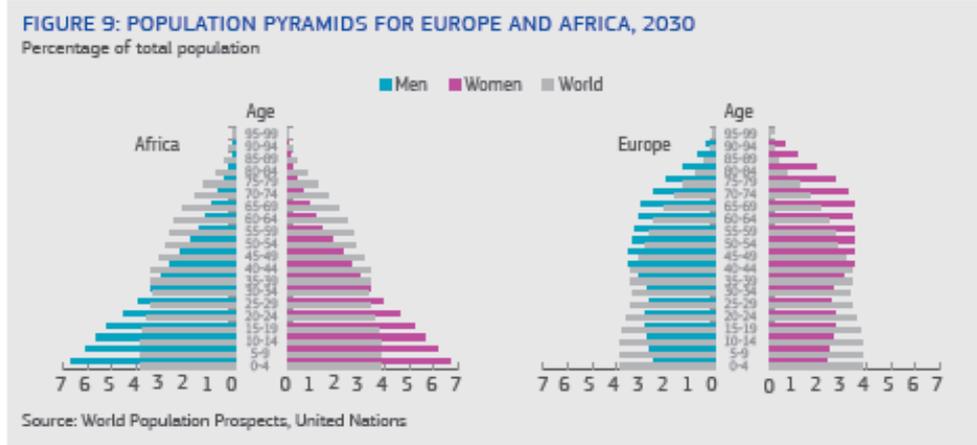
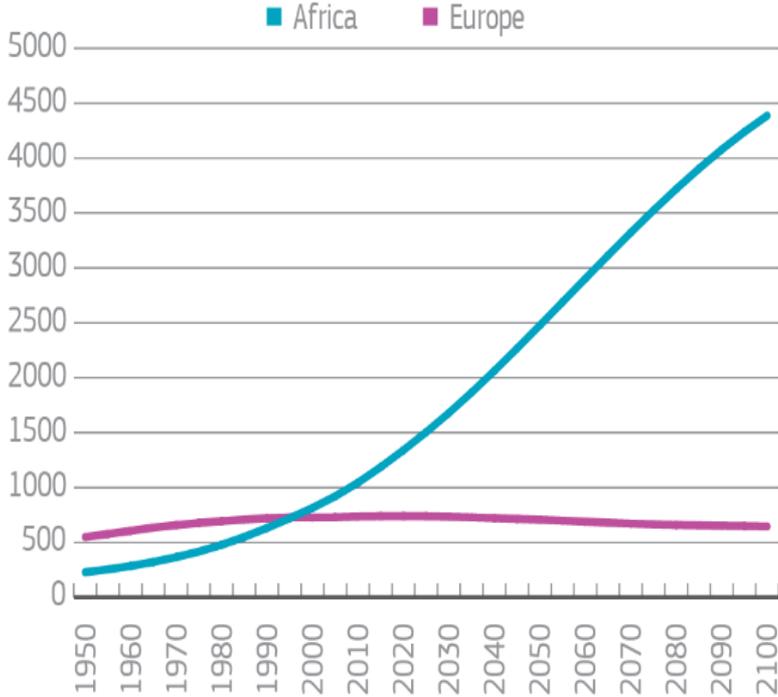


Figure 1: African population to quadruple by 2100

In millions of people



Source: United Nations

Many different **disruptive technology trends** will have an impact on the **transition to a clean economy**



Artificial Intelligence



Augmented Reality



Biotechnology



Internet of
Nano Things



Blockchain

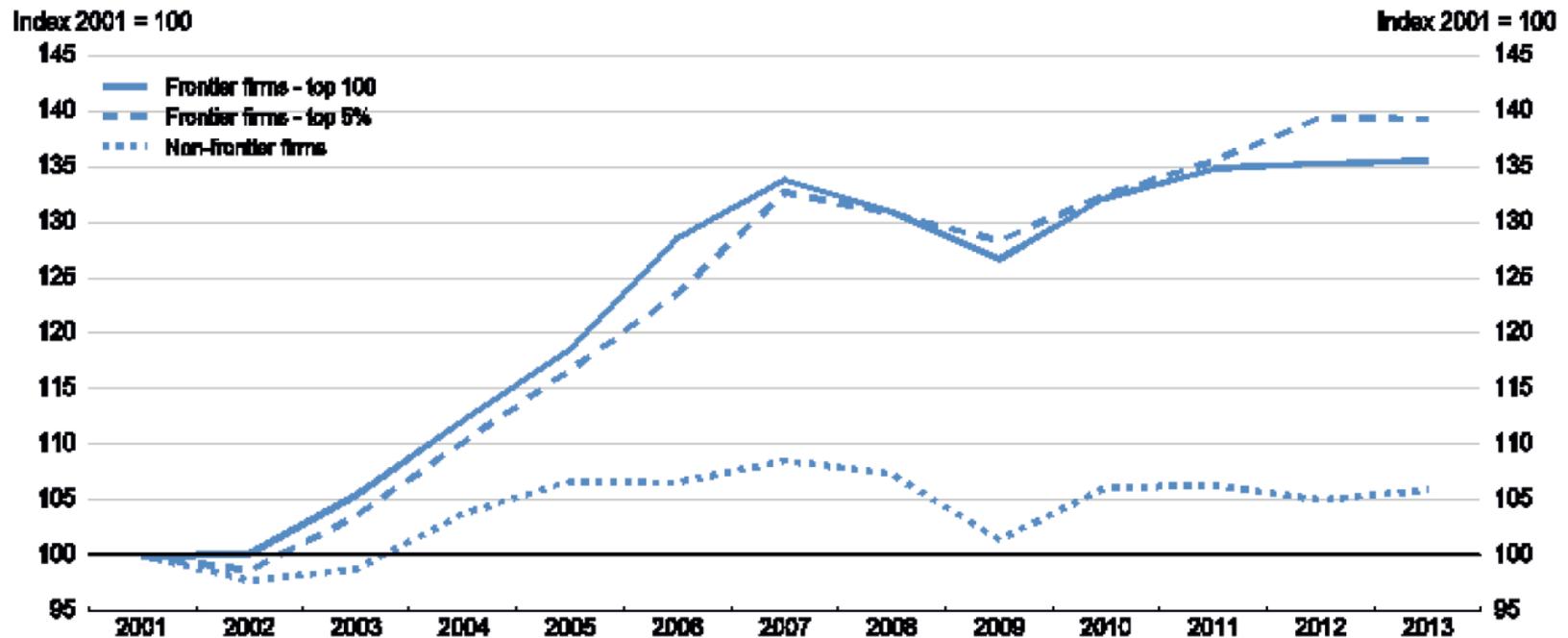


Big Data



Autonomous Cars

The productivity gap between the world's most productive firms and other firms has widened



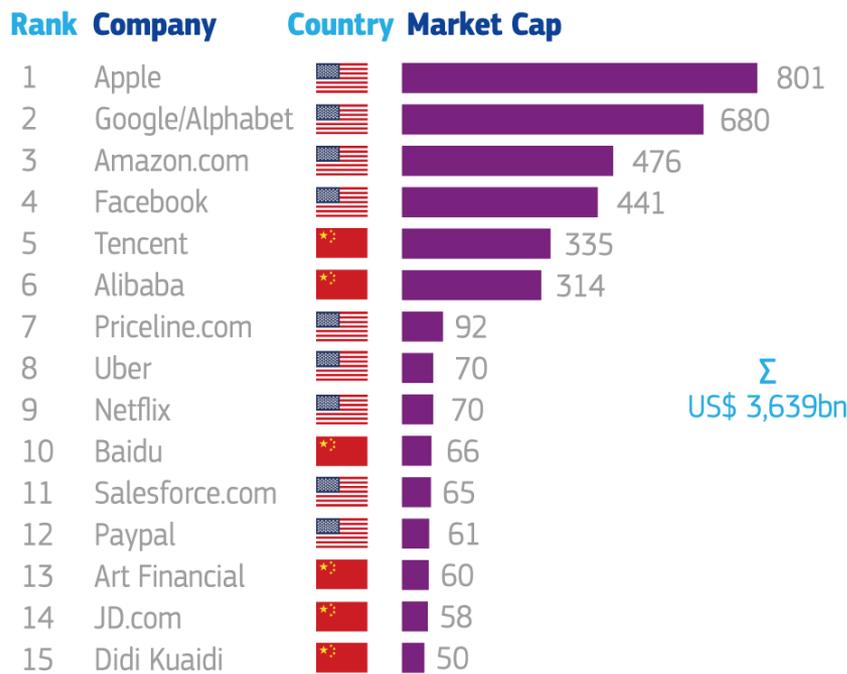
Note: "Frontier firms" is the average labour productivity (value added per worker) of the 100 or 5% globally most productive firms in each two-digit industry. "Non-frontier firms" is the average of all firms, except the 5% globally most productive firms.

Source: OECD preliminary results based on Andrews, D., C. Criscuolo and P. Gal (2016), "Mind the Gap: Productivity Divergence between the Global Frontier and Laggard Firms", OECD Productivity Working Papers, forthcoming; Orbis database of Bureau van Dijk.

- ✓ there is more investment globally in intangibles such as human capital and knowledge than in tangibles such as machinery and technology
- ✓ There's a growing gap between agile, fast-growing businesses and the laggards (including zombies), who provide jobs but aren't growing. Europe has too few agile leaders and the laggards are too complacent

There is no European company among the most valuable ones in the world, but Europe has strong players in clean tech

Most valuable companies in the world



Source: Statista, 2017

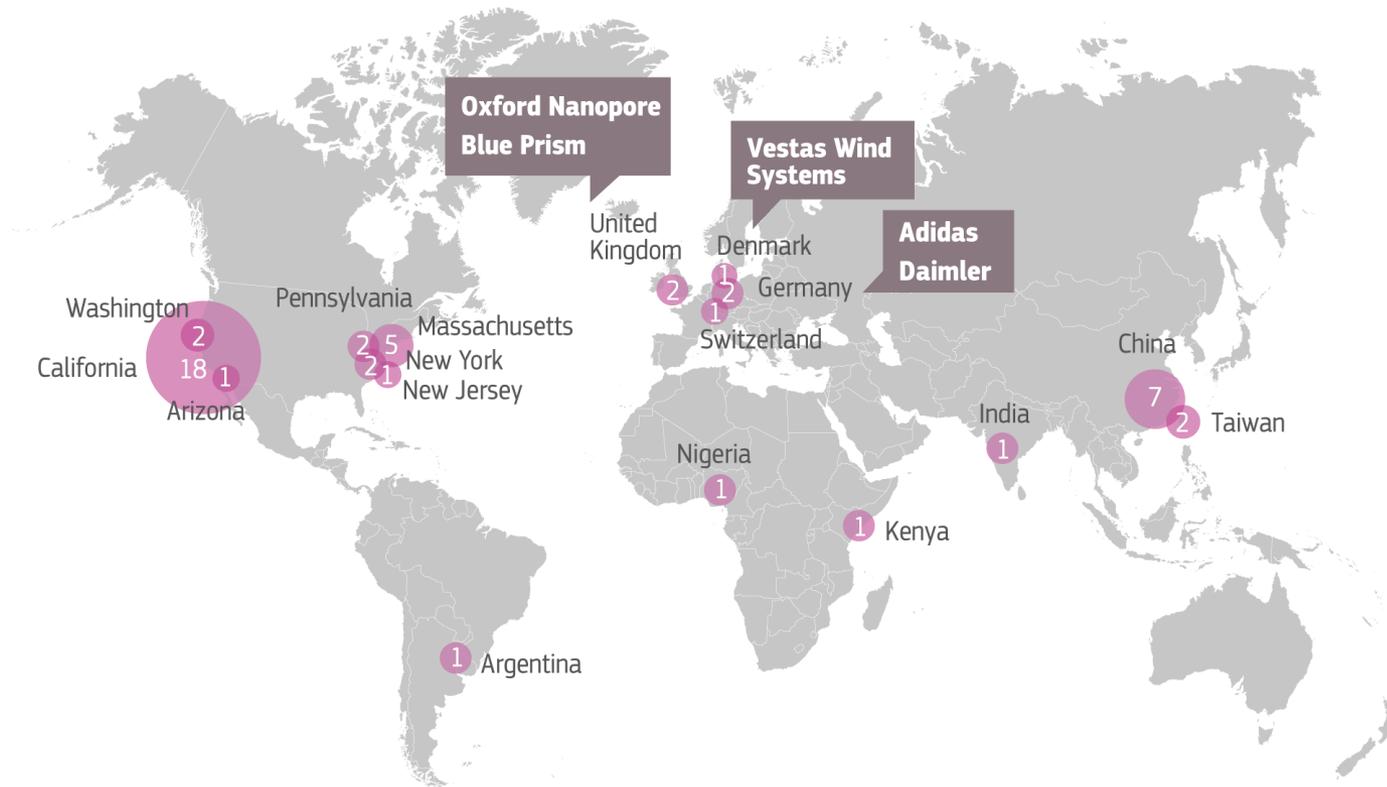
Largest companies in the New Energy Global Innovation Index (NEX) by market capitalisation on 7 February 2017

| RANK | COMPANY | COUNTRY | SECTOR | \$M |
|------|-----------------------|-----------|---------------------------|--------|
| 1 | Tesla Motors | USA | Electric vehicles | 41,524 |
| 2 | BYD | China | Electric vehicles | 17,888 |
| 3 | Vestas Wind Systems | EU | Wind turbine maker | 15,880 |
| 4 | Dong Energy | EU | Offshore wind developer | 15,379 |
| 5 | Novozymes | EU | Biofuel enzyme maker | 12,421 |
| 6 | Acuity Brands | USA | Lighting | 9,120 |
| 7 | China Longyuan | China | Wind developer | 6,734 |
| 8 | Goldwind | China | Wind turbine maker | 6,287 |
| 9 | Osram Lighting | EU | Lighting | 6,082 |
| 10 | Gamesa Corporacion | EU | Wind turbine maker | 5,959 |
| 11 | EDP Renovaveis | EU | Wind developer | 5,582 |
| 12 | Verbund | EU | Hydro, wind operator | 5,508 |
| 13 | China Everbright Intl | China | Environmental consultancy | 5,426 |
| 14 | Kingspan | EU | Energy efficiency | 5,103 |
| 15 | Nibe Industrier | EU | Sustainable heating | 4,015 |
| 16 | Philips Lighting | EU | Lighting | 3,799 |
| 17 | First Solar | USA | Thin-film PV maker | 3,339 |
| 18 | Huaneng Renewables | China | Wind developer | 3,135 |
| 19 | Mercury NZ | Australia | Hydro operator | 3,104 |
| 20 | NRG Yild | USA | Wind, solar yieldco | 3,060 |

Source: Bloomberg

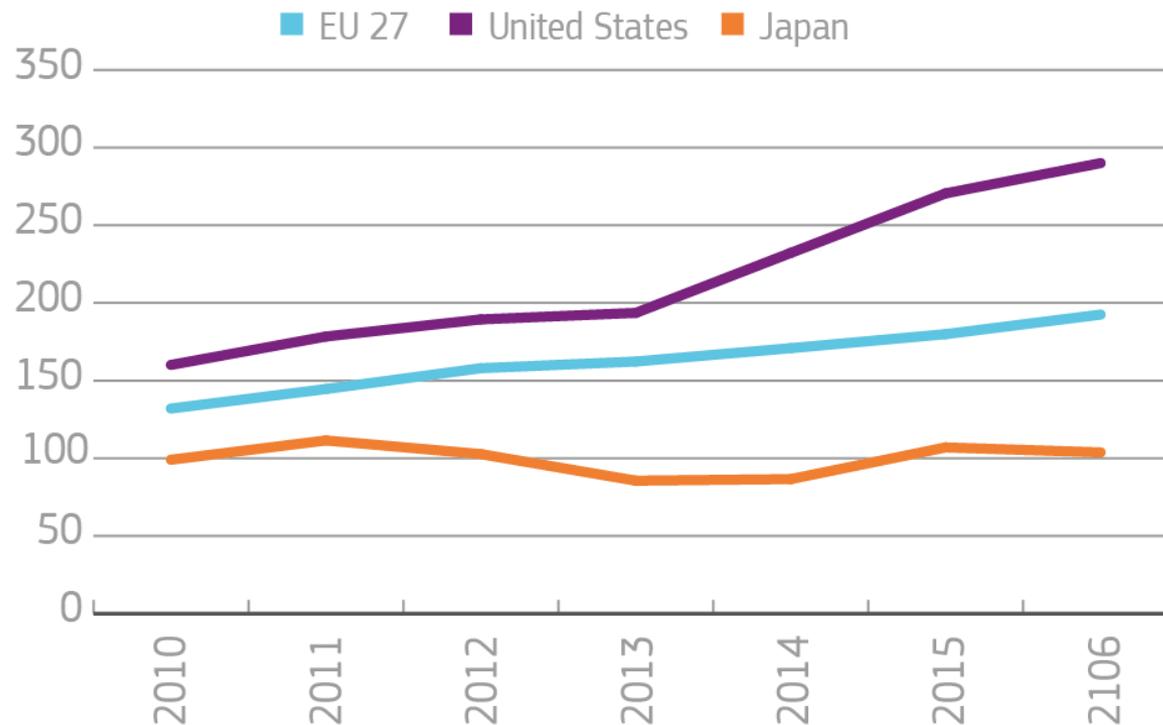
50 'smartest' companies in the world

Companies that best combine innovative technology with an effective business model, 2017



Europe cannot afford to lag behind – this is **not only about money** but also about **linking Research and Innovation with market uptake**

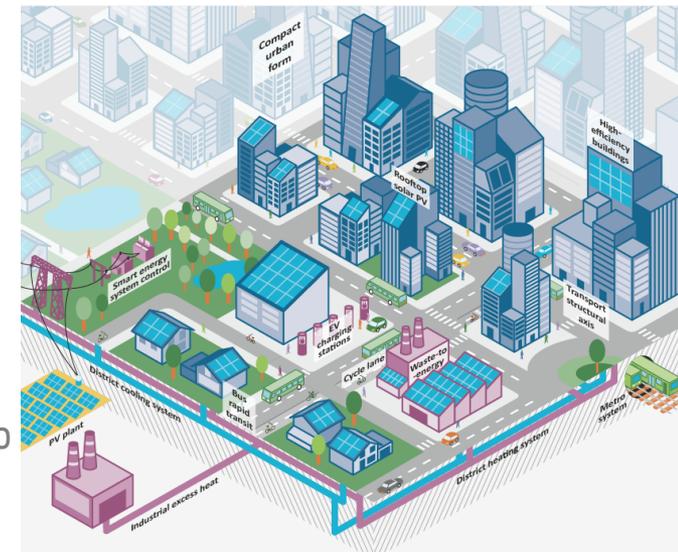
EU R&D investments see continuous growth



Integrating different technologies and sectors is a challenge : the example of energy

- Can Europe electrify all forms of mobility or are different technologies and fuels needed?
- Can Europe electrify heating in buildings across the continent or are different technologies and fuels needed?
- How many houses would need to be renovated (isolated) to electrify heating?
- Which infrastructures will be left behind as stranded assets if Europe electrifies all sectors?
- If Europe cannot fully electrify, which other fuels are needed and how do we source / import them?
- Which role will digitalisation, Big Data, Blockchain and Artificial Intelligence play in sector integration?

➤ These decisions have **implications on social acceptance** of the transition, jobs, **competitiveness**, Europe's external relations, and infrastructure investments



Source: IEA

2. Where we come from ?

Getting started with ten
political priorities and a new
way of working

When the new Commission started in 2014, it was then often said that **many trains had left the station, including on the sustainable agenda**





The Commission of the last chance



"Citizens are losing faith, extremists on the left and right are nipping at our heels, our competitors are taking liberties. It is time we breathed a new lease of life into the European project. (...)

Huge challenges await us. It is up to us to shape these challenges. If we want a role to play in the future we have to play it now. It is up to us to ensure that the handwriting of the European Social Model is clearly visible in everything we do. Because Europe is the protective shield for all of us who can call this magnificent continent their home.

*(...) I want to reform and **reorganise Europe's energy policy into a new European Energy Union**. We need to strengthen the share of renewable energies on our continent. This is not only a matter of a responsible climate change policy. It is, at the same time, an industrial policy imperative if we still want to have affordable energy at our disposal in the medium term. I strongly believe in the potential of green growth. " (...)*

Jean-Claude Juncker, President-elect, speech before the European Parliament, 22 October 2014



Getting started

10 

10 POLITICAL PRIORITIES
A sharper focus



BIG on BIG things
SMALL on SMALL things



A NEW STRUCTURE, breaking silos:
project teams **WORKING TOGETHER**



MORE TRANSPARENCY
Talking to public and Parliaments,
more public consultation,
expanding the Transparency Register

DELIVERING SOLUTIONS WHERE THE EU IS NEEDED

10 political priorities of the Juncker Commission



A NEW BOOST FOR
JOBS GROWTH AND
INVESTMENT



A CONNECTED DIGITAL
SINGLE MARKET



A RESILIENT ENERGY
UNION AND A FORWARD-
LOOKING CLIMATE
CHANGE POLICY



A UNION OF DEMOCRATIC
CHANGE



TOWARDS A NEW POLICY
ON MIGRATION



A DEEPER AND
FAIRER INTERNAL
MARKET WITH A
STRENGTHENED
INDUSTRIAL BASE



A DEEPER AND FAIRER
ECONOMIC AND
MONETARY UNION



A REASONABLE AND
BALANCED FREE TRADE
AGREEMENT WITH THE US

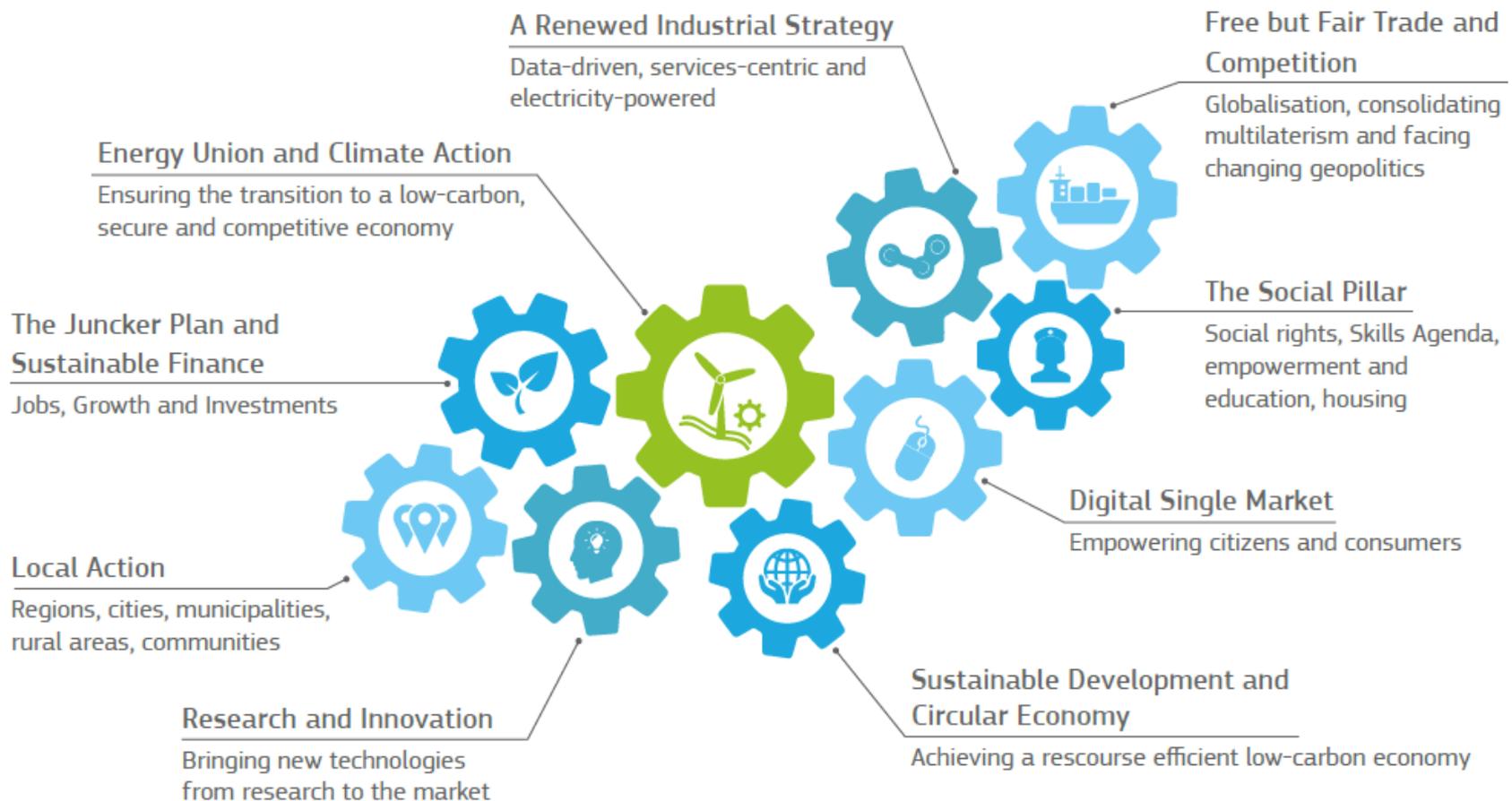


A STRONGER
GLOBAL ACTOR

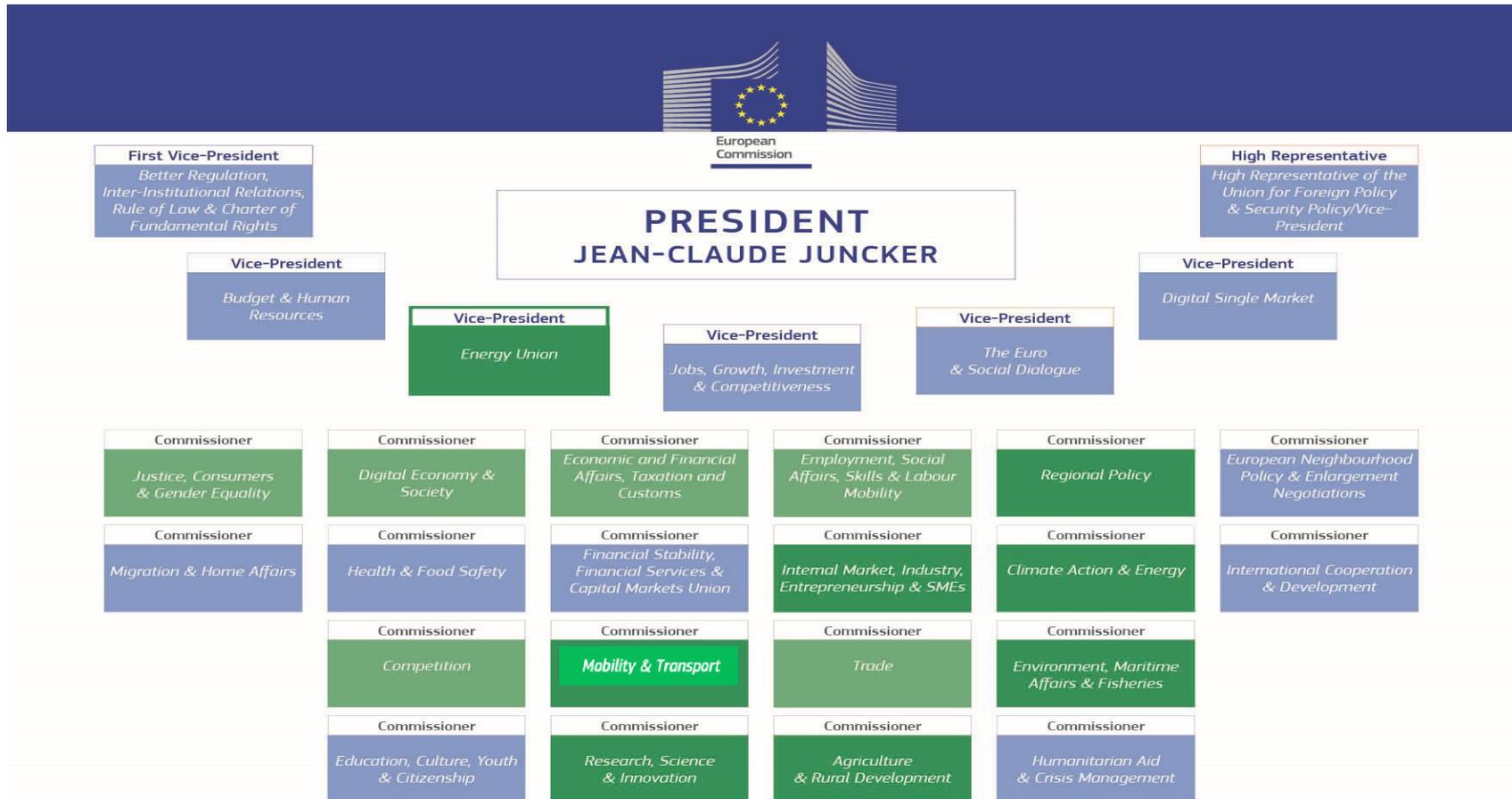


AN AREA OF JUSTICE AND
FUNDAMENTAL RIGHTS
BASED ON MUTUAL TRUST

The Commission's new working method applied to sustainability



The Project Team approach: more than the sum of its parts



A **new way** of **designing policy packages**



Political Communication:

Explaining in simple terms why we act, what we aim to achieve, and how this can be realised

- Communication Chapeau
- Communication Strategy (single narrative, fact sheets, follow-ups)
- Citizens Dialogue and Energy Union Tour

Regulatory Framework:

Bundling different legislative instruments and proposals in a coherent and mutually reinforcing way

- Tangible targets
- Sectoral legislative instruments
- Regulatory measures

Enabling Framework:

A wider range of measures and initiatives that complement the core regulatory framework

- EU investment strategy
- Social dimension
- Spill-overs and second-order effects

A Comprehensive Circular Economy Policy Approach

Key elements of a Successful Strategy and Action Plan



Explain the Story in the
Communication



Regulatory Framework



Enabling Policy Tools



Inspiring and tangible
Initiatives



Communication Strategy



Political Commitment at the
Highest Level

Clean Energy for all Europeans package

Three priorities



Putting energy efficiency first



Global leadership in renewables



Delivering a fair deal for consumers

Regulatory Framework



Energy Union Governance



Energy Efficiency
(Energy Efficiency Directive, European Performance of Buildings Directive)



Renewables
(Revised Renewable Energy Directive)



New Electricity Market Design



Energy prices and costs report

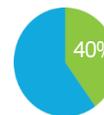
The Enabling Framework



Smart Finance for Smart Buildings



Initiative for Carbon intensive regions



Investments: At least 40% of the European Fund for Strategic Investments (EFSI) will support projects with components that contribute to climate action

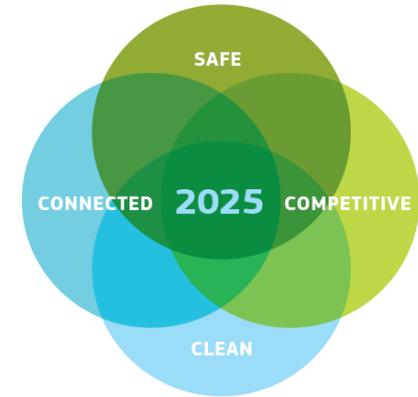


Key energy infrastructure projects

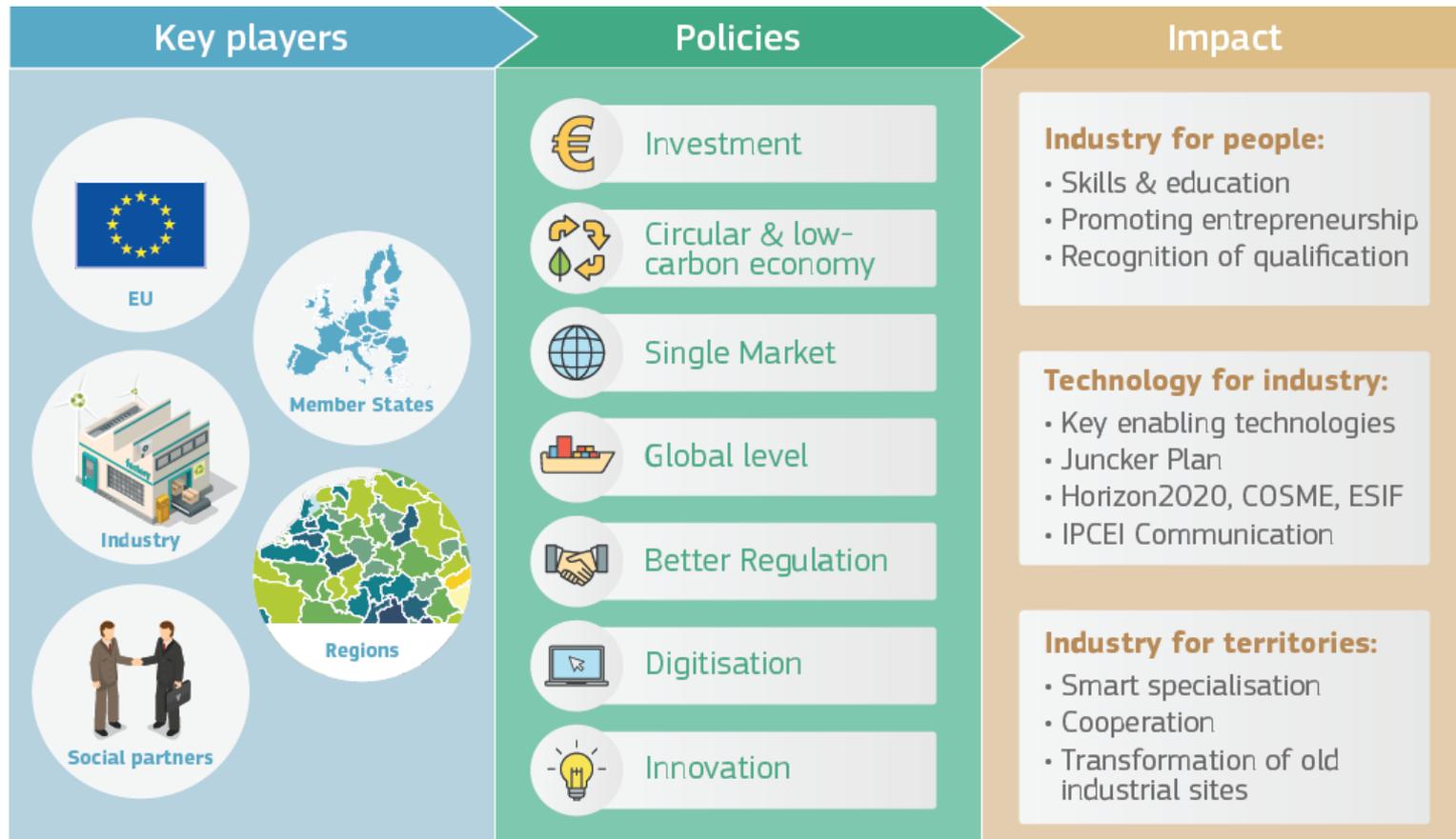


Sustainable Finance Action Plan

Some of the **key actions** proposed in the "Europe on the Move" packages in 2017 and 2018



A Renewed Industrial Strategy for Europe

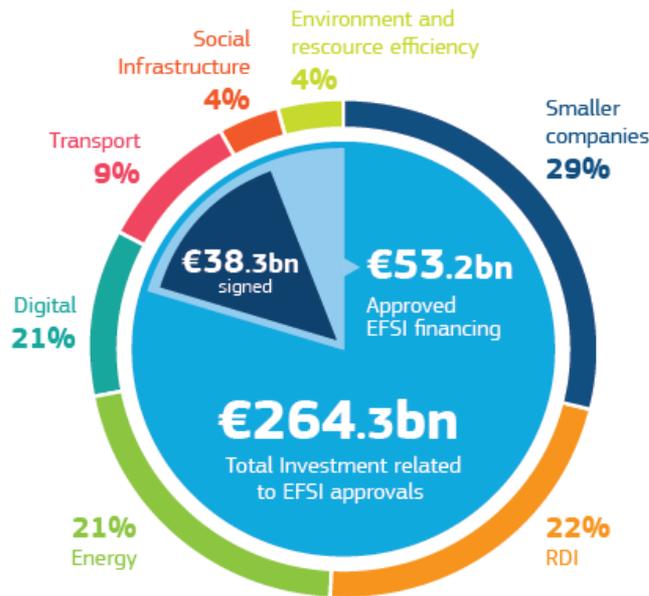


Facilitating the necessary investments in the transition



European Investment Bank

EFSI investment by sector*



*based on approved operations

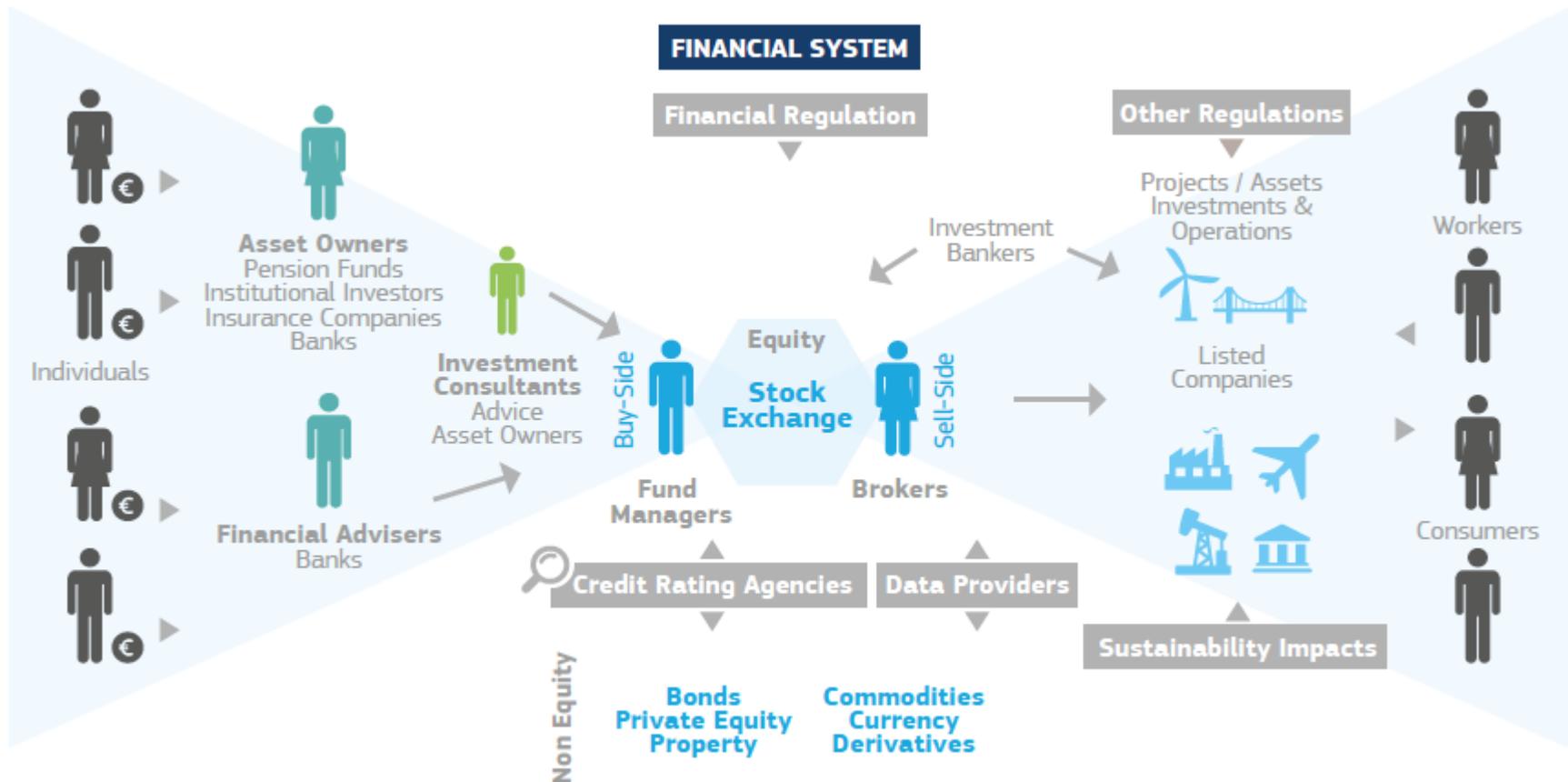
EFSI investment mobilized on energy per Member State
 Darker colour signify higher investment

- 0.0 - 0.05%
- 0.06-0.1%
- 0.11-0.2%
- 0.21-0.3%
- 0.31-1%
- >1%



EFSI investment mobilised (€) based on total energy spending per Member State in % of GDP (December 2017), source: EIB

A Sustainable Finance Action Plan addressing all actors throughout the finance value chain



A new Strategy on Plastics



Home > Chemistry > Materials Science > November 20, 2017

The future of plastics—reusing the bad and encouraging the good

November 20, 2017 by Kim Pickering, The Conversation

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Plastic pollution: discarded plastic bags are a hazard to marine life. Credit: Richard Whitcombe/Shutterstock, CC BY-ND

Ocean Hero Awards 2017 | The People and Communities Creating a Better Coast!

POSTED BY: DANIEL FARRELL 22ND NOVEMBER 2017

Clean Coasts hosted their 11th annual Ocean Talks and Ocean Hero Awards yesterday in Dublin and this year's winners were an impressive mix of people and groups from around the country who had gone above and beyond in their contributions to conserving and protecting our coastline.

The event also provided a fantastic opportunity to learn from the diverse experiences of those leading the effort to combat pollution and waste on our coast.



Further commitment made by Erris Inshore Fishermen's Association to tackle marine litter

Mayo Advertiser, Fri, Nov 03, 2017



Pictured are Tony Curley, Melvin Tighe, Pat O'Donnell, Pierce O'Donnell and Martin Tighe of the Erris Inshore Fishermen's Association with Catherine Barrett of Bord Iascaigh Mhara (BIM).

At least 25% of the proposed next EU budget contributing to climate objectives

ENERGY



With a budget of **€8.7 billion**, CEF will help **complete the Energy Union** and support Europe's **clean energy transition** following the *Clean Energy for all Europeans* package, in order to:

- Make the EU's energy systems better **interconnected** and more resilient to possible supply disruptions, as well as **smarter** and more **digitalised**.
- Foster for the first time Member State cooperation on cross-border renewable energy technology projects - ensuring a **lower cost for renewables integration** and enabling the strategic uptake of **renewables technologies**.
- Back key trans-European energy network **infrastructures**, allowing for further **integration of the internal energy market**, boosting **interoperability** of networks across borders and sectors, and facilitating the overall **decarbonisation** of our economy.

TRANSPORT

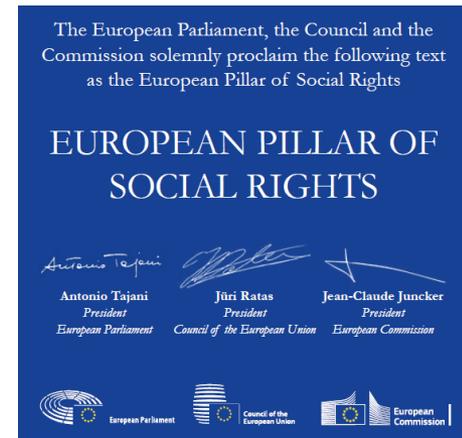
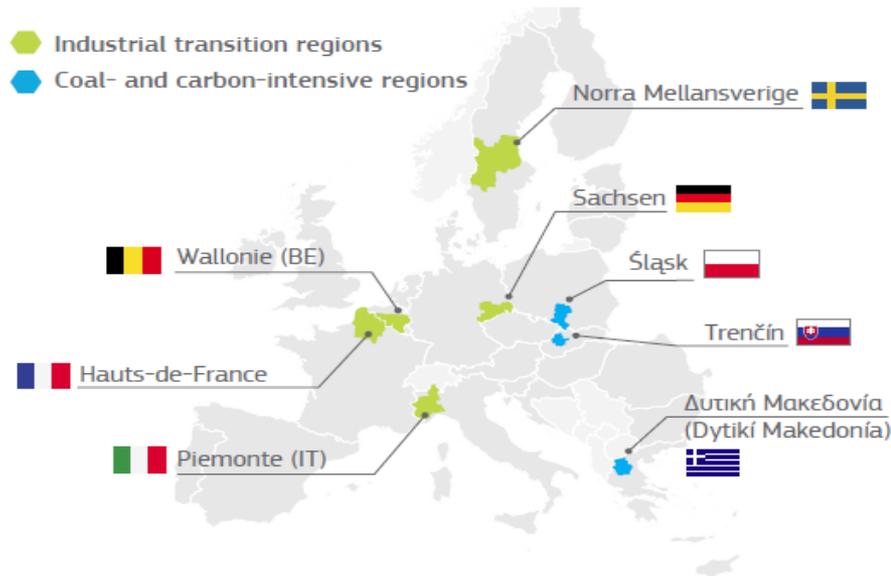


With a total budget of **€30.6 billion**, CEF will finance strategic transport projects in order to:

- Advance the work on the European transport network, while helping the EU transition towards **connected, sustainable, inclusive, safe and secure mobility**.
- **Decarbonise transport**, e.g. by creating a European network of charging infrastructure for alternative fuels and by prioritising of environmentally friendly transport modes.
- Invest in transport projects offering high-added value in cohesion countries, with a dedicated budget of €11.3 billion.
- Adapt sections of the transport network for **civilian-military dual-use** (for instance as regards technical requirements on dimensions and capacity) with a dedicated budget of **€6.5 billion** in the context of the European Defence Initiative.

Snapshot: The Connecting Europe Facility

Leaving no one behind in the transition to a clean economy: the European Pillar of Social Rights, Skills Agenda, and regional policies



OBJECTIVE:

the Skills Guarantee will help low-skilled adults to acquire a minimum level of literacy, numeracy and digital skills.



DELIVERY: adults will receive:

- a skills assessment, giving them the chance to identify their existing skills and their upskilling needs;
- a tailored learning offer, adapted to the specific needs of the individual and of local labour markets;
- opportunities for the validation and recognition of the skills they acquire.

Implementing the SDGs...

- November 2016: Communication Next steps for a sustainable European future. European action for sustainability.
 - *"The Commission will mainstream the Sustainable Development Goals into EU policies and initiatives, with sustainable development as an essential guiding principle for all its policies."*
 - Yearly Eurostat report
 - Multi-stakeholder Platform
 - Reflection Paper 'Towards a Sustainable Europe by 2030' on the follow-up to the UN Sustainable Development Goals
 - Proposal for a Strategy for long-term EU greenhouse gas emissions reduction, in accordance with the Paris Agreement

3. Where we are going now?

The future of Europe debate and the reflexion on the future of sustainability are part of the same positive agenda

Europe is already facing a number of **crises**

Economic and Financial



Social



Migration



Internal Security



Trade



Brexit



- Crises take too much of our attention, our time, and our political capital
- Europe is about its own positive agenda: avoiding rupture of solidarity
- Proactive and not reactive: focusing on our long term future
- New challenges require new approaches: A last chance and a new start under this Commission

What can the EU do?



How to bring everybody on board?



Citizens
Consumers
Workers



Research and
Innovation Community
Designers



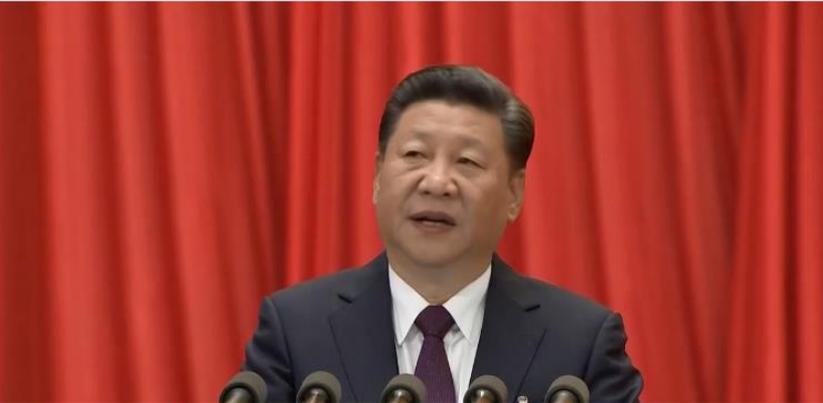
Industrial Stakeholders



Cities
Regions
Member States
Our Global Partners



- Will they be able to get a good education in Europe within the next decades? Will I have a good pension?
- Will there be European companies offering attractive jobs?



**OTHER POWERS IN THE WORLD HAVE A
LONG-TERM VISION... AND A SHORT-TERM
PLAN TO GET THERE**

THREE VISIONS, ONE DIRECTION

PLANS FOR THE FUTURE OF EUROPE

as laid out in President Juncker's *State of the Union*, President Macron's *Initiative for Europe* and Chancellor Merkel's *Plans for European Reform*



**WHAT IS EUROPE'S VISION AND STRATEGY
FOR THE LONG TERM ?**

It's happening...

the frameworks are there



September 2015: adoption of the UN Sustainable Development Goals



October 2016: the EU ratifies and triggers the Paris Agreement

But there are a lot of barriers...



We are preparing the **future of Europe** and the **future of the planet**

#Road2Sibiu Roadmap for a more united, stronger and more democratic Union:



Leadership in shaping the next chapter in the future of Europeans

A window of opportunity to better prepare our future at 27, but it will not stay open forever

Now is the time to move from reflection to action and from debate to decision

+ Strategy for long-term EU greenhouse gas emissions strategy

+ Reflection Paper 'Towards a Sustainable Europe by 2030' on the follow-up to the UN Sustainable Development Goals, including on the Paris Agreement on Climate Change.

What?



It requires

- more than ticking the boxes of the 17 SDG's (orientation points)
- an acceleration towards a low-carbon and circular economy
- systemic changes = systemic thinking & approaches
- Interplay with key stakeholders

5 key strategic questions calling for **strategic European answers: what do you say ?!**

- How can we use the fight against climate change to not only shape our own future, but also to keep our leadership, working towards multilateralism, peace and stability, as well as ambitious but not naïve trade and economic relations?
- How to keep our leadership in the fight against climate change technologically, not only as the best way to cut CO2 emissions but also as a way to reindustrialise Europe and boost our competitiveness?
- How can we take the opportunities offered by the clean economy to stimulate finance and investments, bringing back jobs and growth and investments to Europe?
- How can we have our citizens on board ahead of the difficult choices to be made? How to avoid that there are 2nd class citizens, workers or regions in Europe's climate and energy transition?
- Can we afford to be divided and fighting on the regulatory challenges and solutions or shall we work together on the collective and individual benefits that we can get from our European action?

Our **mandate** for the **Climate Strategy**: Unprecedented room for manoeuvre regarding scope, time-frame, methodology, etc.

Conclusions – 22 March 2018

II. OTHER ITEMS

Paris Agreement

6. The European Council invites the Commission to present by the first quarter of 2019 a proposal for a Strategy for long-term EU greenhouse gas emissions reduction in accordance with the Paris Agreement, taking into account the national plans.

- "by the first quarter" = within the current political/institutional cycle
- "invites" = different from detailed and prescriptive October 2014 EUCO conclusions
- "proposal" = to be discussed with Member States
- "Strategy" = need for strategic, cross-sectoral mix of instruments and technologies
- "for long-term EU" = the needed massive investments require long-term planning
- "in accordance with Paris Agreement" = not disconnected from the global action
- "taking into account national plans" = no EU top-down approach—rather in synergy with Member States

Start with the European vision: which is more than a set of targets

A Europe that protects the planet

- The planetary boundaries: net zero emissions, Sustainable Development Goals

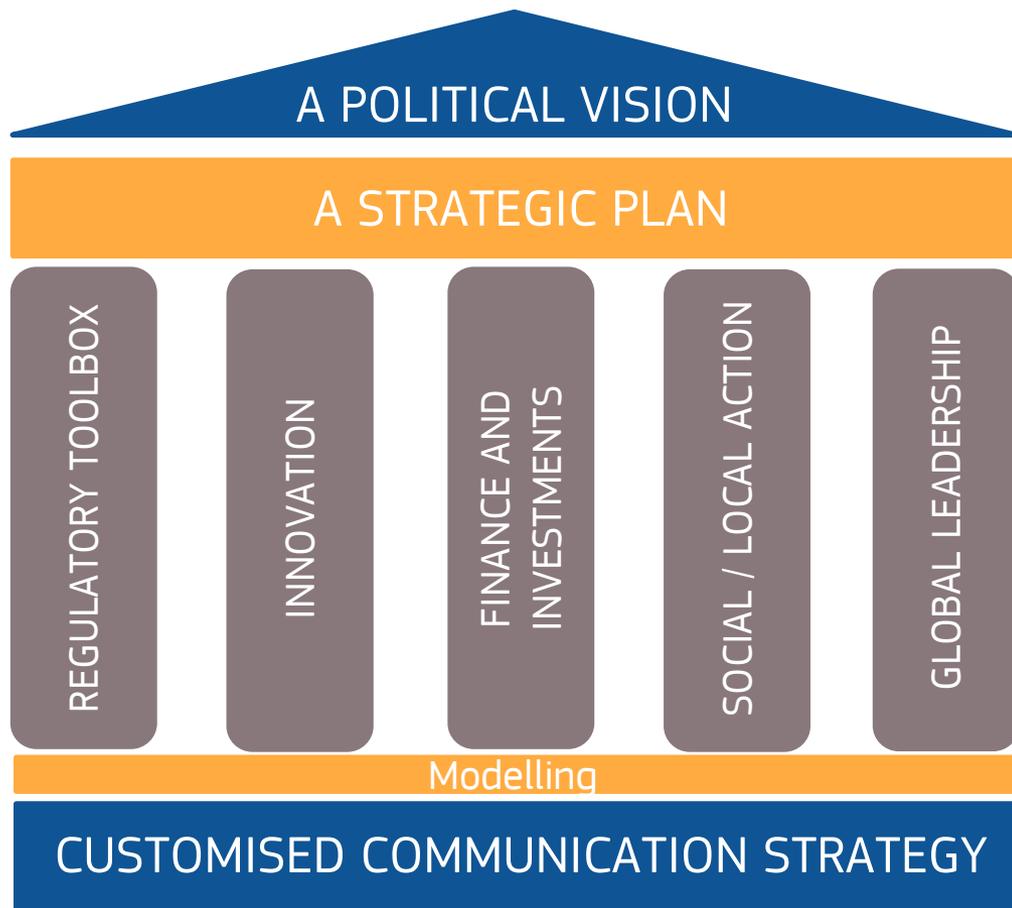
A Europe that defends its people

- No one left behind in the transition: citizens, workers, regions

A Europe that empowers its economy

- New business models, jobs, growth and investments, sector integration

A **comprehensive European strategy** backed by good evidence



Strategic Guidelines:

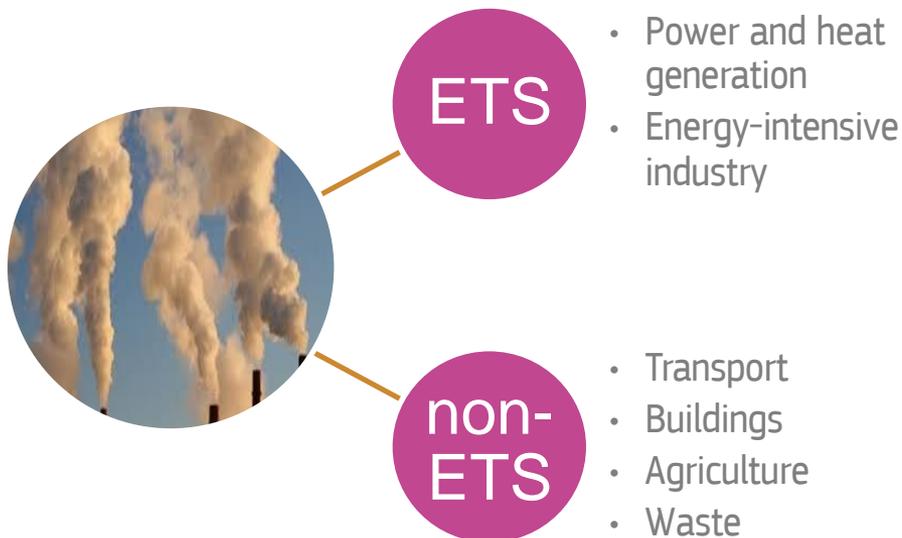
- All sectors should be involved
- Several possible pathways and options, none preferred at this stage – and No new targets for now
- New technologies, policy drivers and some behavioral change will be needed
- Consideration of the entire value chains and sector integration in ALL elements, including modelling
- Investment gap and its financing to be explored
- Explore contribution of other disruptive technological and economic models – from circular economy to digitalisation
- By breaking out of the silos: we need to activate a wide range of integrated policy tools jointly
- Cross-sectoral synergies and policy coherence around the same vision

Political guidelines for EU's reflection paper and long term climate strategy

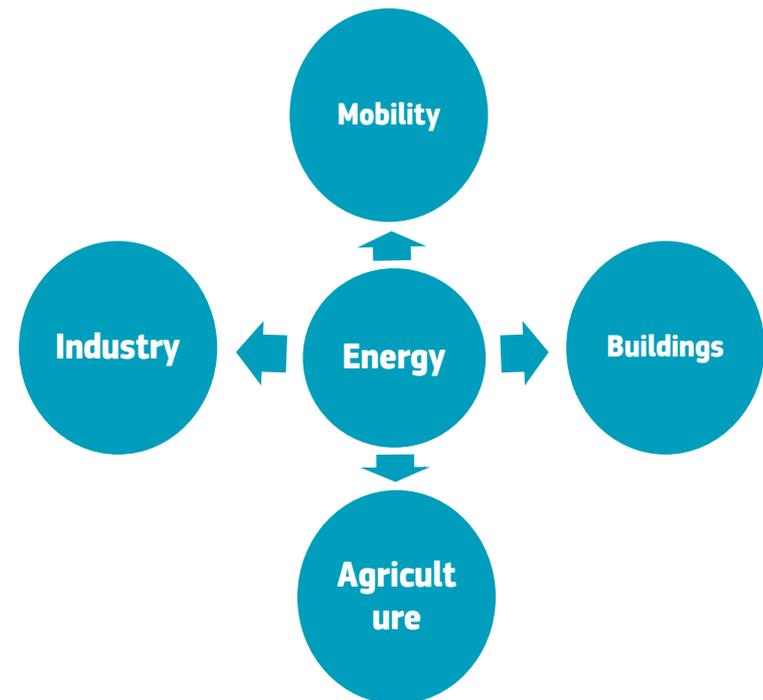
- **A positive agenda:** what unites us and what we want to achieve together - a More United, Stronger and More Democratic Europe
- **Politically motivated:** Europe that is big on the big things and more modest on the small things – the sustainable agenda cannot be a technical agenda managed by experts
- **Leading by example:** keep our leadership on the sustainable agenda both politically, economically but also technologically
- **Competitiveness:** take the opportunities offered by the modern and clean economy to defend our economic interests, bringing back jobs and growth to Europe
- **Just transition:** have our citizens on board ahead of the difficult choices to be made by avoiding that there are 2nd class citizens, workers or regions in Europe's sustainability transition
- **Solidarity:** translated into law, budget, and common infrastructures – also solidarity with Africa, and Europe's neighborhood
- **Trust and transparency:** work together on the collective and individual governance needed
- **Be ready for disruptive solutions:** doing different things that we never did or that we never thought about in the past, but also to do in a different way some of the things we have always been doing

Which types of **new policies and regulations** will we need to **address technological change** and sector integration ?

Current approach

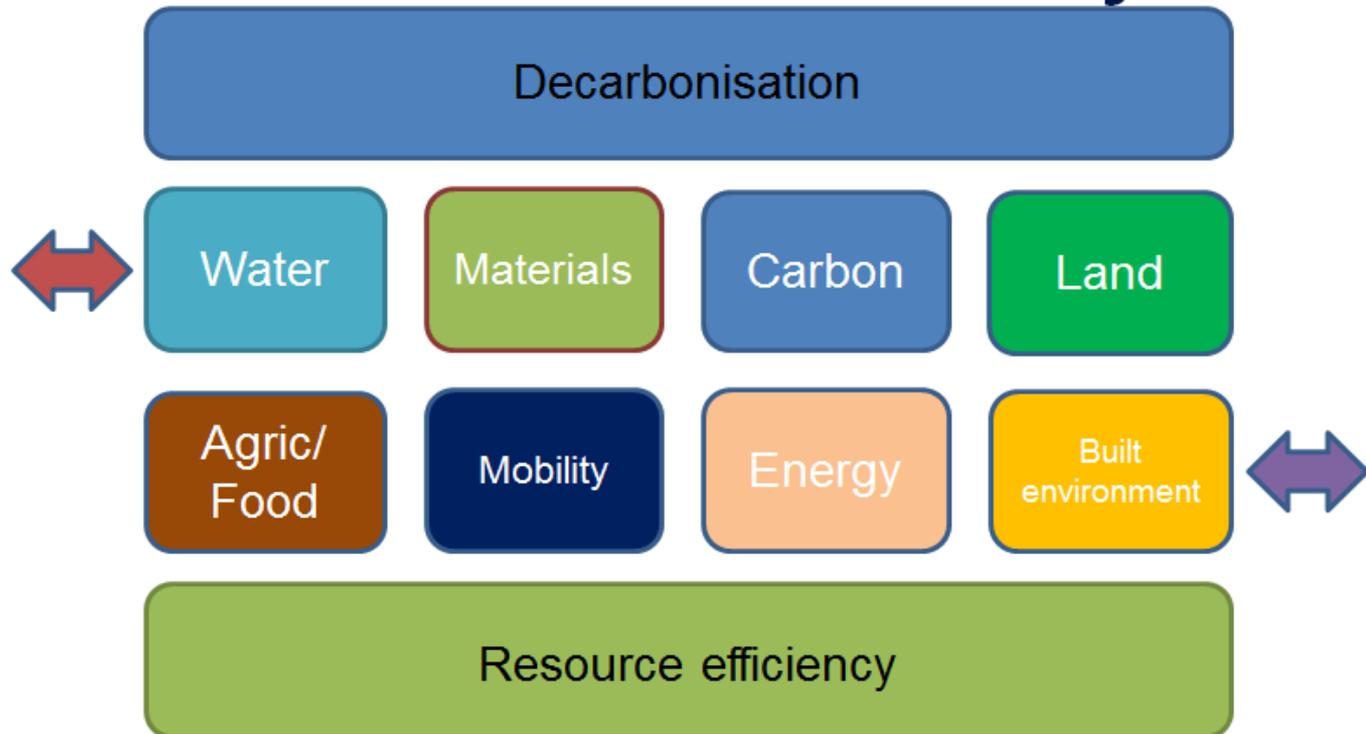


Sector integration approach



Integrating Policies

Low Carbon Economy



Circular economy

At the end, we also **need to be successful** when **communicating about a Sustainable Europe**

What works:

1. Ensure **coherence** between agreed policy and communication
2. Build up the communication **narrative** and momentum ahead of major events
3. A single and **simple message** works
4. Align intended **results** with the agreed results
5. **Sing from the same hymn sheet:** consistent use of common facts and figures
6. Shaping actively the Twitter / **social media** sphere
7. **EU on the ground:** Telling a good story – Europe in my region and the Investment Plan for Europe – match the regulation with investment
8. Ensuring that **communication is part of the equation from the beginning** of the policy-making process till the end of the negotiations





Thank you for your attention

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