

Business Outlines Plan of Action to Accelerate the European Green Deal and Post- COVID-19 Recovery



ENGAGEMENT MATERIAL
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The COVID-19 pandemic, and its enormous impact on lives, livelihoods, economies and societies, has demonstrated the need for a transformation to a more fair, sustainable and resilient future. In the spirit of the World Economic Forum's Great Reset initiative, we – CEOs and senior representatives of 30 companies – believe the way out of this crisis is not “more of the same”. We want to seize the opportunity this recovery offers to catalyse a new European growth model based on circularity, renewable energy and low-carbon industries, but this needs to go hand in hand with ambitious EU objectives which help de-risking innovative sustainable developments.

No government or business can handle the monumental green recovery challenge alone. Strong partnerships between governments, business and civil society are critical if Europe is to succeed in becoming the greenest, most innovative and inclusive region in the world. The CEO Action Group for the European Green Deal, launched in May 2020 in cooperation with the World Economic Forum and the European Commission, seeks to mobilize business to step up its commitments towards achieving the Green Deal and the EU greenhouse gas reduction targets for 2030 in order to drive a clean and inclusive economic recovery on the path towards climate neutrality in 2050.

To contribute to a net-zero and climate-neutral future, we are today announcing our Plan of Action, outlining our commitments to support and help realize the European Green Deal for a green and transformative recovery.

We commit to action in the following areas and invite others to join us:

1. Supporting and helping realize the Green Deal and its principal goal to make Europe climate-neutral by 2050

- The European Green Deal puts us irreversibly on a path towards a more sustainable and resilient future and it needs to be at the heart of our green growth strategy and the transition towards a green economy. Business, industry and investors all have a part to play in decarbonizing our economy and reaching climate neutrality by 2050. We need to provide sustainable solutions to reduce our combined carbon footprint by embracing new production and work models and facilitating the access to sustainable energy.

- We commit to setting meaningful, ambitious and long-term targets and to developing clear pathways that will contribute to achieving net-zero GHG emissions by 2050. We believe Europe can also make green technologies stronger as a business model for economic growth.

2. State interventions and stimulus need to reflect the need for a system shift

- European governments and institutions are responding to COVID with the largest stimulus packages since the Great Depression. We must ensure this stimulus is spent to set the economy firmly on the path to a sustainable and resilient recovery, while effectively contributing to the green and digital transition, thus facilitating a system shift to embrace a more equal, circular and sustainable economy.
- Conditionality must, therefore, be a core principle for all stimulus and bailout packages aimed at supporting struggling businesses and industries. This should include clear, time-bound and measurable targets aimed at driving more sustainable business models supporting companies and industries in their transition path and achieving the 2050 net-zero objective.
- In addition, key trade partners and interconnected value chains in the Customs Union should be taken into consideration in the design of the above-mentioned programmes.

3. Ensuring a fair and inclusive transition

- The rapid spike in unemployment caused by the COVID-19 pandemic threatens critical sectors of the economy and risks to particularly hit low-skilled and informal workers.
- The green transition must, therefore, be fuelled by a people-centric agenda, aimed at stimulating livelihoods, sustainable employment opportunities and a hope for the future. This must include investments in education, reskilling and upskilling of the workforce, with a particular focus on youth, to fit it to the green economy.

4. Making Europe a leader in innovation, green technologies and sustainable finance

- Europe needs to step up its game in the competition for global innovation leadership. The EU's innovative performance needs to be sharpened in today's increasingly competitive global environment. This includes catalysing cross-sector innovation strategies and platforms for high-potential industries, creating regulatory sandboxes for experimentation, and significantly stepping up investments in R&D to reach 3% of GDP.
- Companies must support the R&D agenda offering opportunities for technology transfer and scale-up.
- Digital and energy efficiency must be an accelerator for changes across the board to ensure stronger competitiveness and resiliency of the EU economy.
- Europe has to be the leading capital market hub for sustainable financing solutions. Already now, about half of all green bonds worldwide are issued in euro. Europe's financial services companies will scale up their ESG offers and work with peers on other continents to drive market development and define credible standards.

5. Encouraging carbon-offsetting and carbon-pricing schemes

- Financial incentives to transition to low carbon, such as setting a comparable internal price on carbon, should be encouraged. Carbon-pricing schemes create a stronger business incentive to invest in low-carbon technology and innovation. This is a critical step towards harnessing and optimizing the financial means, innovative power and actions of businesses when it comes to funding the transition to a low-carbon future.
- Large, liquid and efficient, transparent and responsibly regulated carbon offset markets – drawing on promising but small-scale existing schemes so far – should also be part of a broad decarbonization strategy.
- Ideally, to minimize potential negative reactions from trading partners and other trade conflicts, carbon border measures should be discussed internationally and should genuinely prevent carbon leakage, while realizing a CO₂ reduction potential.

6. Rethinking sectoral business models

Investing in the circular economy

- We want to contribute to a resource-efficient and competitive economy based on the principles of nature. Scaling up the circular economy from frontrunners to the mainstream players will make a decisive contribution to achieving net-zero GHG emissions by 2050 and decoupling economic growth from resource use, while ensuring the long-term competitiveness of Europe.

Redesigning agricultural and food systems

- The green recovery presents an opportunity to create a system shift, transforming the entire ecosystem around agricultural production and food systems.
- This will need to involve creating incentives for making agriculture nature- and carbon-positive, which requires a shift in business models, a repurposing of incentives and application of new digital solutions.

Buildings and cities

- Reduce carbon emissions through energy-efficient buildings and technology, smart energy infrastructure and clean electrification.

7. Enforcing financial disclosure through TCFD and ESG reporting

- Companies across public and private markets need to step up their disclosure and transparency on their environmental, social and governance (ESG) performance and alignment with the Task Force on Climate-related Financial Disclosures (TCFD) reporting standards.
- To avoid fragmentation and ensure information can effectively be compared across jurisdictions, it is critical to, as much as possible, align regional and global reporting standards. Here, the TCFD, also included in the IBC ESG Metrics Convergence initiative must serve as the basis to inform regional and global standards. A common, clear and concise set of sustainability criteria with metrics shall be defined. The EU legislative initiative to review the Non-Financial Reporting Directive as well as the EU Taxonomy for Sustainable Activities are further informing these developments, while inconsistency in the implementation of those two legs of sustainable legislations needs to be avoided. In addition to the harmonization of the reporting standards, aligning different ESG rating methodologies can be a good opportunity for incentivizing the high ESG performance of companies from outside the EU. A harmonized reporting and validation mechanism, which will be developed under EU leadership, will enable transparency and standardization in this area.