EUinNZ GREEN DEAL NEWSLETTER

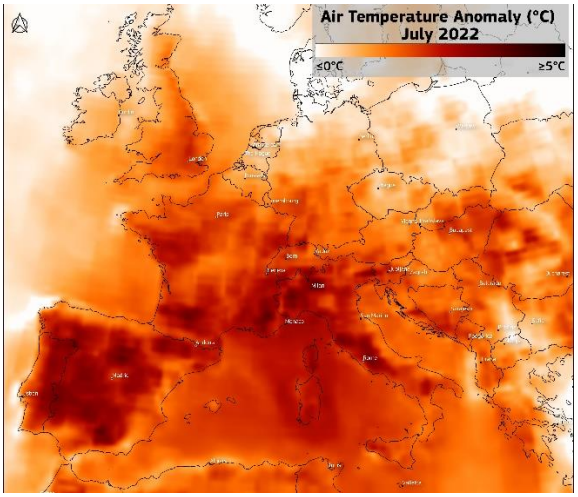
The Green Deal is a set of policy initiatives aiming to make the EU the first climate neutral continent by 2050. The interim legally-binding target, is to reduce our emissions by 55% by 2030 compared with 1990 levels. Implementation requires a sweeping reform of legislation covering energy, transport, buildings, circular economy, biodiversity, farming, innovation and more! This newsletter aims to point NZ stakeholders to some key EU Green Deal developments, many of which echo Aotearoa's on challenges on its transition journey.

KEY FIGURES

- **EU ETS ALLOWANCE PRICE (August 12)**: €87/140 NZ$
- **NATURAL GAS PRICE** (TTF gas futures August 12): €208 /MWh

EU COPERNICUS SATTELITE "IMAGE OF THE DAY"

9 August 2022 "Surface Air Temperature Anomaly summer 2022"



July 2022 was characterised by intense, and in some parts prolonged, heatwaves which affected Europe and the rest of the world, breaking several air temperature records. This image shows the Surface Air Temperature Anomaly for June 2022. Temperature anomalies reached peaks of +4ºC in Italy, France, and Spain. Subscribe to "Image of the day" here.

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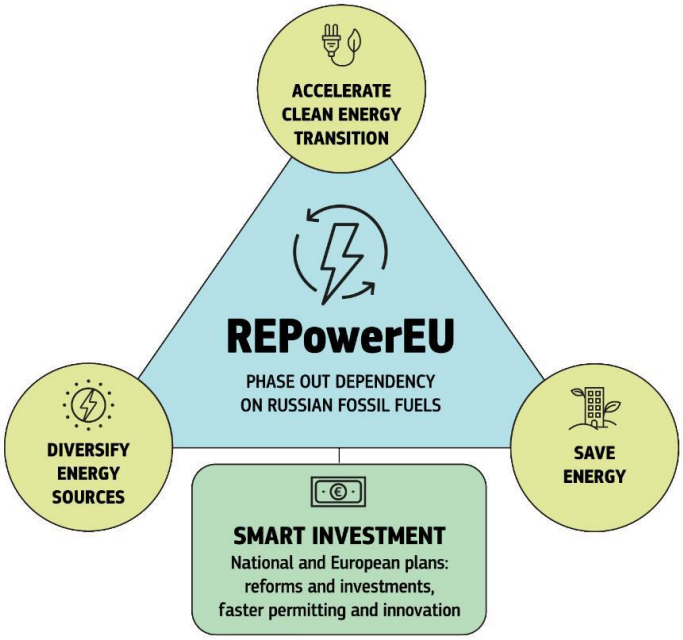
REPowerEU: how to wean the EU off Russian fossil fuels and accelerate the delivery of EU climate goals

In the early days of the Russian invasion of Ukraine, EU leaders agreed to phase out Europe's dependency on Russian energy imports as soon as possible and tasked the European Commission to table the necessary legislative changes. The European Commission tabled on 18 May measures able to reduce EU imports of Russian fuels by 2/3rd by the end of 2022 and completely by 2027. The strategy combines ***demand side action*** to reduce energy consumption and to transition industrial processes to renewable electricity and fossil-free hydrogen, with ***supply side action*** to create the capacity and framework to roll out renewables.

What is the impact on the EU's -55% emissions reduction goal? The EU's target is unchanged and the legislative measures tabled to reach those are even strengthened, so REPower EU will have a positive impact on EU's emission reduction over the decade. However, the fast phasing out of fossil fuel imports from Russia will affect the transition trajectory compared to previous assumptions. Emissions reductions may decelerate in the short term (possible fuel switching from gas back to coal) before decreasing faster than foreseen initially (increased energy savings and renewables targets).



How much does the plan cost? REPower EU requires an additional investment of close to €300 billion between now and 2030 **around 5% more** than planned already as part of our climate and energy targets. The European Commission's proposal is to repurpose funds from the existing extraordinary Recovery and Resilience Facility, from regional and from agricultural funds and top them up by 20 bn grants from the sale of EU ETS allowances currently held in the market stability reserve. As part of the overall financial package, around €10 billion additional gas infrastructure investments would be made avoiding fossil fuels lock-in or stranded assets creation in as much as possible through coordinated planning and decarbonated liquid fuels readiness. The package also includes a maximum of € 2 billion for oil infrastructure to support the halt of Russian oil shipments to the EU. The rest of the financing will go into speeding and scaling up the clean energy transition. The REPowerEU plan will save the EU EUR 80 billion in gas import expenditures, EUR 12 bn in oil import expenditures and EUR 1.7 bn in coal import expenditures per year by 2030. During the transition, the fast decoupling from Russian energy imports leads to higher and more volatile energy prices and targeted measures are deployed to protect vulnerable households and small businesses. Obviously the plan also prepares the EU for severe-sudden supply disruption: contingency measures are set out and a coordinated EU demand reduction plan with customers prioritisation is designed. More in the next pages.

More information: Press release and Q&A; fact-sheet general, fact-sheet financing
Main strategy document, Economic analysis annex, Investment needs, hydrogen and biomethane annex.

A strong focus on energy and gas consumption savings

The first priority of REPower EU is **to reduce energy consumption** as the cheapest, safest, fairer and cleanest way to increase energy security and decrease emissions at the same time. The legislation already tabled for the EU to reach is -55% emissions reduction target by 2030 already lowers EU gas consumption by 30% by 2030 through the upgrades of Energy Efficiency Directive, the Energy Performance of Buildings Directive, the Ecodesign and Energy Labelling legislation, CO2 standards for cars and the EU ETS. However, new tabled measures go further:

- **Save Gas for a Safe Winter**. Early August 2022, on a proposal made just three weeks before, new legislation was passed providing for a *voluntary* gas consumption reduction of 15% by 31 March 2023. Member States can *mandate* the reduction if they wish by triggering a 'Union alert'. The purpose of the gas demand reduction is to make savings for this winter to prepare for possible disruptions of gas supplies from Russia. The legislative proposal is accompanied with a "European Gas Demand Reduction Plan" which outlines policy recommendations for fuel switching for **industry** (which may include temporary switch to coal), consumption reduction (auction-based incentives to reduce consumption, interruptible or swap contracts for reduced use) and heating and cooling reduction (in public, commercial buildings, new temperature or hourly thresholds);
- **Energy savings through personal choices.** A separate policy paper **"EU Save Energy"** details short-term behavioral changes to cut gas and oil demand by 5% - designed with the International Energy Agency -. These changes (turning down heating, keeping condensing boiler temperatures below 60 degrees, servicing boilers, using thermostatic radiators valves, reducing motorway speeds, encouraging active transport and train over planes) are sought through incitement actions: a communication campaign, a new interface for energy using products and appliances, a recommendation to lower VAT/GST on high efficiency systems and heat pumps etc ;
- **Increasing the binding EU energy savings target** tabled last year as part of the EU's climate policy target from 9% to 13% (less energy used in 2030 overall compared to 2020);
- **Strengthening provisions in already tabled legislation:** phasing out national subsidies for fossil fuel boilers by 2025, tightening heating system requirements in existing buildings, national bans for fossil boilers in new and existing buildings, modernization of air traffic management etc;
- **Launching pre-legislative work** to mandate a share of zero emissions vehicles in public and corporate car fleets above a certain size and for a legislative package on greening freight transport;
- **Increasing private financing for energy efficiency** by creating a high-level European Energy Efficiency Financing Coalition and measures to trigger further private investments, e.g. through mortgage portfolio standards or pay-for-performance schemes.

More information: "EU Save Energy" policy paper; fact-sheet (summary, glossy), Safe Gas for a Safe Winter press release, fact-sheet "A European Gas Demand Reduction Plan"

An acceleration of renewables deployment

- **An increased binding EU's renewable target: 45% of the EU energy mix by 2030** (from 40%). An amendment of the Renewables Energy Directive is tabled;
- **The speeding up and facilitation of permitting for renewables projects.** Already proposed legislation is upgraded, notably to: 1) recognize that renewable energy, their connection to the grid, the grid itself and energy storage assets are presumed to be of overriding public interest; 2) require the designation of dedicated 'go-to' areas for renewables with shortened and simplified permitting processes (digital mapping of environmentally sensitive areas made available).
- **The doubling of solar photovoltaic capacity by 2025** and the installation of 600GW by 2030 (from circa 160 GW today) through a mix of legislation and facilitative measures:
    - **Mandatory solar panels on buildings.** A new upgrade of the Draft Energy Performance in Building Directive is tabled to phase-in a legal obligation for: 1) all new buildings to be

designed to optimize solar generation potential and to be solar-ready; 2) deployment of solar energy installations: on all new public and commercial buildings larger than 250 square meters by end 2026, on all existing public and commercial buildings by end 2027 and on all new residential buildings by end 2029; 3) allowing consumers in multi-apartment buildings to exercise their right to collective self-consumption at no undue costs;

- A dedicated **EU Solar Strategy** with three initiatives:
  - A **European Solar Rooftops Initiative** to promote quick and massive PV deployment by setting up at least one renewables-based energy community in every town with a population higher than 10 000 by 2025; for financial support for rooftop systems with payback times shorter than 10 years; the promotion of multiple use of space such as agri-PV, floating-PV and transport infrastructure PV (highway sound barriers for example), vehicle integrated-PV; building-integrated PV; the promotion of the existing free, simple, information system for citizens to evaluate their roof's pv potential, **PVGIS**, developed by the EU's Joint Research Center);
  - A specific **Pact for Skills** to ensure the availability of an abundant skilled workforce to face up the challenge of producing and deploying solar energy all across the EU;
  - The launch of a **European Solar PV Industry Alliance** to facilitate the expansion of a resilient industrial solar value chain in the EU. The EU currently imports most of the solar energy products it installs: EUR 8 billion of PV panels in 2020, 75% of which from a single country.

- **The doubling of the rate of deployment of heat pumps**, resulting in a cumulative 10 million units over the next 5 years.
- **Ensuring solar, wind and heat pump technologies are greener and that related raw material supply chains are resilient.** The Commission will 1) table early 2023 new ecodesign and energy labelling requirements for solar PVs, and will also upgrade existing requirements for heat pumps; 2) prepare a legislative proposal on the supply of critical raw materials, 3) step-up ongoing actions (e.g. implementation and negotiation of Free Trade Agreements, cooperation with like-minded partners, etc.) and reinforce the EU's monitoring capacity through the identification of mineral resources and of critical raw materials projects in the European strategic interest.

More information: EU Solar Strategy; Legislative amendments, fact-sheet on clean energy. Recommendation and Guidance on permitting procedures and power purchase agreements.

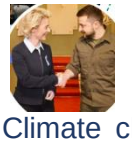
Industry: speedier electrification, green hydrogen and biomethane

- **A new target of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of related imports by 2030**, to replace fossil fuels in hard-to-decarbonise industries and transport sectors. This includes: 1) a legislative definition of *renewable hydrogen*; 2) additional funding of €200 million set aside for research to double the number of Hydrogen Valleys; 3) accelerated efforts to deploy hydrogen infrastructure for producing, importing and transporting 20 million tonnes of hydrogen by 2030. and 4) the rolling out of carbon contracts for difference for green hydrogen uptake by industry.

- **A new Biomethane Action Plan** sets out tools to increase production to 35bcm by 2030, including through the Common Agricultural Policy. The estimated investment needs amount to EUR 37 billion euro. The focus is on sustainable production, ensuring that biomethane is produced from organic waste and forest and agricultural residues. Measures include: 1) the creation of an industrial biogas and bio-methane partnership; 2) measures to encourage biogas producers to create energy communities; 3) incentives for biogas upgrading into bio-methane and adaptation the transport of bio-methane through the EU gas grid and 4) addressing gaps in research, development and innovation and facilitating access to finance.

- **A plan to reduce fossil fuel consumption in hard-to-abate industrial and transport sectors**. Fuel switching in non-metallic minerals, cement, glass and ceramics, production of chemicals and refineries could reduce fossil gas demand – almost 22 bcm. The Commission: 1) will roll out carbon contracts for difference to support a full switch of the existing hydrogen production from natural gas to renewables and the transition to hydrogen-based production processes in new industrial sectors and 2) published guidance on power purchase agreements and will, in cooperation with the European Investment Bank, develop a technical advisory facility.
- **To unlock industrial investment**, the Commission will work with industry to scale up electrolyser manufacturing capacities and will double the funding available for the 2022 Large Scale Call of the Innovation Fund this autumn to EUR 3 billion.

More information: Fact-sheet clean industry; Investment needs, hydrogen and biomethane annex, Delegated Acts definition and the production of hydrogen;



A new international energy engagement strategy

Climate change, geopolitical rift, technological shift, increased global demand and now Russia's invasion of Ukraine cre ate a fast-changing environment and unprecedented price volatility underlining the need for trusted partnerships. The EU's own accelerated transition should help build with international partners a new energy system that is more sustainable, more equal and collaborative. The European Commission published on 18 May a strategy to reach that goal with three main strands:

- **Energy imports diversification.** The REPowerEU plan aims to substitute the EU's current gas supply with renewables, low carbon energy sources, energy efficiency and savings. The remaining need for gas will be covered by diversifying suppliers, through:
    - **The set-up of the EU Energy Platform for the voluntary common purchase of gas, LNG and hydrogen.** The Platform will pool demand, optimise infrastructure use and coordinate outreach to suppliers. The Platform will provide EU partners with long-term perspectives for cooperation onto hydrogen and renewable development and trade.
    - **The coupling of methane emissions reduction with the EU's gas purchase.** At least 46 bcm of natural gas is lost a year to venting and flaring in the countries that could be supplying this to the EU. The technology exists to capture most of this methane in a sustainable and economical way. The EU will provide technical assistance to partners to set up mutually beneficial "You collect/we buy" schemes.
- **Preparing the EU for renewable hydrogen trade.** The EU aims to conclude hydrogen partnerships with reliable partner countries. It envisages three major hydrogen import corridors from the North Sea region (Norway and UK), the Southern Mediterranean and Ukraine, as soon as conditions allow. The EU will 1) promote a global rules-based and transparent hydrogen market based on EU's experience; 2) initiate the first trading hubs for renewable hydrogen in Europe; 3) develop a Global European Hydrogen Facility.
- **Lead and accelerate the Global Energy Transition**. The EU will reach out, listen to and work with the entire world to regularly monitor the geopolitical impact of the green transition. This will notably include: 1) a review of the EU's engagement in key international energy fora for the energy transition; 2) a stepped-up energy diplomacy and 3) the promotion of broad bilateral Energy Partnerships with third countries.
- **Deliver the Global Gateway**, a new European strategy to boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world. The Global Gateway will be delivered through a Team Europe approach, bringing together the EU and its Member States with their financial and development institutions, including the EIB and the EBRD in order to leverage up to EUR 300 billion of investment in 2021-2027.

- Develop an **EU strategy for export credits** benefitting green tech companies to improve the level playing field for the EU businesses in non-EU country markets. The Commission is also seeking to amend related OECD rules.
- Establish mutually beneficial **raw material value chain partnerships** and reinforce the use of EU economic and trade policy tools to ensure undistorted access to international markets: promote global resource efficiency and circularity, notably through product design measures and work with international organisations on supply chains for critical raw materials used in the energy transition.

More information: External Energy Strategy fact-sheet (summary, glossy) EU External Energy Strategy

Legally binding 50% pesticide use reduction legislation tabled

At the end of June, the European Commission unveiled its plan to slash the use of pesticides in the European Union as foreseen in its Farm to Fork strategy. The rules proposed include:

- **Legally binding targets:** binding EU-level targets to reduce by 50% the use and risk of chemical pesticides and the use of the more hazardous pesticides by 2030. Member States will have to set their own reduction targets within clearly defined parameters (at least 35%, looking at historical progress and average application).
- **Strict new rules to enforce environmentally friendly pest control:** a comprehensive new enforcement framework to ensure that all farmers practice Integrated Pest Management 'IPM', in which all alternative methods of pest control are considered first, before chemical pesticides can be used as a last resort measure.
- **A ban on the use of all pesticides in sensitive areas:** the use of all pesticides is prohibited in and within 3 metres of public parks or gardens, playgrounds, recreation or sports grounds, public paths, as well as ecologically sensitive areas.
- **Exceptional EU support:** for 5 years, Member States can use the Common Agricultural Policy funds to cover the costs of the new requirements for farmers. The EU will also work to increase the range of biological and low risk alternatives on the market and use to the full Research and Development under EU's Horizon programme in support of new technologies and techniques.
- **Delivering globally:** The European Commission also announced concomitantly its intention to **lower maximum residue levels to zero** for two active substances, **clothianidin and thiamethoxam**. These substances are banned in the EU as they kill pollinators. However, food products treated with these substances can currently still be imported into the EU. For the first time ever, the EU will take into account environmental impacts of global nature, such as the decline of pollinators, also for imported products, while fully respecting WTO standards and obligations. A consultation with Member States and third countries will be launched soon.

More information: press release, Q&A, fact-sheet on reducing the risk and use of pesticides, fact-sheet on more sustainable use of pesticides, fact-sheet on supporting farmers

First ever binding nature restoration law

Investment into nature restoration adds €8 to €38 in economic value for every €1 spent, thanks to the ecosystem services that support food security, ecosystem and climate resilience and mitigation, and human health. At the end of June, the European Commission tabled its first-ever legislation on the restoration of Europe's nature. An EU first and a world's first. The aim is to repair the 80% of European habitats that are in poor condition. Under this proposal for a Nature Restoration Law, legally binding targets for nature restoration in different ecosystems will apply to every Member State, complementing existing laws. The goal is to cover at least 20% of the EU's land and sea areas by 2030 with nature restoration measures, and eventually extend these to all ecosystems in need of restoration by 2050. The law will scale up existing experiences of nature restoration measures such as rewilding, returning trees, greening cities and infrastructure, or removing pollution to allow nature to recover. Ecosystems

with the greatest potential for removing and storing carbon and preventing or reducing the impact of natural disasters such as floods will be the top priorities. Extracts from binding targets:

- Reversing the decline of pollinator populations by 2030 and increasing it from there on;
- No net loss of green urban spaces by 2030, a 5% increase by 2050, a minimum of 10% tree canopy cover in every city and net gain of green space integrated to buildings and infrastructure;
- In agricultural ecosystems, overall increase of biodiversity, and a positive trend for grassland butterflies, farmland birds, organic carbon in cropland mineral soils and high-diversity landscape features on agricultural land;
- Restoration and rewetting of drained peatlands under agricultural use and in peat extraction sites;
- In forest ecosystems, overall increase of biodiversity and a positive trend for forest connectivity, deadwood, share of uneven-aged forests, forest birds and stock of organic carbon;
- Restoring marine habitats such as seagrasses or sediment bottoms, and restoring the habitats of iconic marine species such as dolphins and porpoises, sharks and seabirds;
- Removing river barriers so that at least 25 000 km of rivers are free-flowing rivers by 2030.

More information: press release, Q&A, fact-sheet on the law, fact-sheet on biodiversity and resilience

Other policy documents of interest

- **TRADE. Report on the application of EU health and environmental standards to imported agricultural and agri-food products.** The early June report identifies actions that the EU is taking to address global environmental concerns or citizen expectations with regard to imported agricultural or agri-food products, with a focus on the application of health and environmental standards to imported products and challenges linked to the application of such standards.
- **TRADE. New EU approach to trade agreements to promote green and just growth.** In its end of June Communication on *"The power of trade partnerships: together for green and just economic growth",* the Commission is putting forward how to further strengthen the implementation and enforcement of Trade and Sustainable Development chapters of the EU's trade agreements. The EU/NZ FTA will be the first to include this new approach.
- **FORESIGHT. Twinning the Green and Digital Transitions in the new geopolitical context.** The end of June 2022 Strategic Foresight Report identifies ten key areas where action will be needed, which include 1) Strengthening resilience and open strategic autonomy via the work of the EU Observatory of Critical Technologies; 2) Stepping up green and digital diplomacy; 3) Strategically managing supply of critical materials and commodities, by adopting a long-term systemic approach to avoid a new dependency trap; 4) Stepping up a global approach to standard-setting; 5) Promoting robust cybersecurity and secure data sharing framework.
- **OCEAN. EU renewed agenda on International Ocean Governance**: With its updated agenda, the EU wishes to contribute to better ocean governance, based on a cross-sectoral and rules-based international approach. The new agenda agreed at the end of June 2022 has an important role in delivering on the blue part of the EU Green Deal and reaffirms the EU's commitment to Sustainable Development Goal 14. Read here.

Register to ….the EU Joint Research Center's **Global Food and Nutrition Security Newsletter** here. The related Knowledge Center offers a one-stop source of curated information and builds a shared understanding of the facts by creating new knowledge according to policy needs and promoting networking between experts and policy makers.