



## Staying the Course in Turbulent Times: A Dialogue with the Ariadne Project on Future EU Energy and Climate Policy

Date: 9-11 December 2024

Venue: Martins Hotel EU Brussels, Boulevard Charlemagne 80, 1000 Brussels, Belgium

### Day 1: Carbon Markets and Industrial Policy

Monday, 9 December 2024

Time	Topic	Organised by
08:45 – 09:00	Registration	
09:00 – 10:30	The pros and cons of options for restricted integration of CDR into the ETS	Potsdam Institute for Climate Impact Research
10:30 – 11:00	Coffee break	
11:00 – 13:00	A need to mend the bend? Industry decarbonization and market stability in the years ahead (I) <i>Invite-Only, in-person only</i>	Potsdam Institute for Climate Impact Research
13:00 – 14:00	Light lunch	
14:00 – 15:30	A need to mend the bend? Industry decarbonization and market stability in the years ahead (II) <i>Invite-Only, in-person only</i>	Potsdam Institute for Climate Impact Research
15:00 – 16:30	Coffee break	
16:30 – 18:00	What to expect from the Clean Industrial Deal: Saviour for the EU Green Deal, or a slippery slope to national protectionism? <i>Invite-Only, in-person only, different venue</i>	Potsdam Institute for Climate Impact Research & Bruegel

### Day 2: Just Transition Aspects and Sectoral Considerations

Tuesday, 10 December 2024

Time	Topic	Organised by
09:00 – 09:30	Registration	
09:30 – 11:00	Closing the transfer and support gap in the ETS2 - is targeting regions better than targeting households?	Potsdam Institute for Climate Impact Research & RWI – Leibniz Institute for Economic Research



11:00 – 11:30	Coffee break	
11:30 – 13:00	Climate policy when “the hit gets real” - is “leaving no one behind” a paradigm to uphold?	Potsdam Institute for Climate Impact Research & RWI – Leibniz Institute for Economic Research
13:00 – 14:00	Light lunch	
14:00 – 15:30	Decarbonization of buildings -between energy efficiency, renewables and ETS 2	Stiftung Umweltenergierecht
15:30 – 16:00	Coffee break	
16:00 – 17:30	Renewable and Low Carbon Hydrogen in the EU Regulatory Framework: Challenges and Conditions for Developing a Renewable Hydrogen Economy	Stiftung Umweltenergierecht & TU Darmstadt

## Day 3: The Architecture of EU Climate and Energy Policy: Which Targets and how to get there?

Thursday, 11 December 2024

Time	Topic	Organised by
09:00 – 09:30	Registration	
09:30 – 11:00	Achieving the EU’s energy and climate targets until 2030 – a discussion of the different approaches, their potentials and limitations	Stiftung Umweltenergierecht <i>Speakers: Guus van de Schouw (DG ENER, tbc), Julius Langendorff (DG CLIMA, tbc), Dirk Hendricks (EREF, tbc)</i>
11:00 – 11:30	Coffee break	
11:30 – 13:00	Transition tipping points: achieving the sectoral transformations needed for 90% emissions reductions by 2040	Potsdam Institute for Climate Impact Research & Bruegel
13:00 – 14:00	Light lunch	
14:00 – 15:30	Between climate action and competitiveness: lead markets as a tool of EU green industrial policy	Ecologic Institute & Potsdam Institute for Climate Impact Research

## Detailed information on the workshops

Day 1

Monday 9 December 2024

9:00 - 10:30

### ***The pros and cons of options for restricted integration of CDR into the ETS***

In 2026 the EU Commission will make a proposal for how to integrate permanent CDR into the ETS. A likely outcome of the decision-making process is that integration will initially be restricted, by limiting volumes, setting exchange rates, or other such options. In this workshop, the pros and cons of the various options for restricting access are discussed. A special focus will be on their interaction with other dedicated support policies for CDR. More specifically, if such policies generate CDR certificates in larger volumes before integration starts, the question arises as to how “integration rights” are allocated to the existing pool of CDR certificates. This is relevant since current model-based analysis suggests that it would be most cost-effective to only integrate bioenergy CDR options (BECCS or biochar), which could endanger the business case for DACCS and other novel permanent CDR technologies.

Organised by: Potsdam Institute for Climate Impact Research

11:00 - 15:30 *Invite Only, in-person only*

### ***A need to mend the bend? Industry decarbonization and market stability in the years ahead***

Earlier this year the Financial Times pointedly diagnosed that the EU’s “carbon price crash looks like serious market myopia”. It is widely expected though that in the near future ETS prices will move upwards (again) from their current level of around 60-70 EUR/t. However, it is unclear when exactly the market will become structurally bullish again, and how strong the upward bend will be in consequence. At the workshop last year, demand by industry – mainly determined by industrial output, decarbonization activities and related hedging pressure, and transition to CBAM – was identified as a main driver for future price evolution. Yet many of these factors are highly uncertain even in the short term. What is more, the prospect of the cap going down to zero soon after 2040 and a potential proposal to even tighten cap in the context of the EU’s Commission proposal for a 2040 target brings to the forefront a number of “elephants in the room”. If not properly addressed these elephants may raise the question of the credibility of the cap among stakeholders – and if seen as low, this may depress prices and could lead to a vicious circle.

Organised by: Potsdam Institute for Climate Impact Research

16:30 - 18:00 *Invite Only, in-person only*

Different Venue: Bruegel Brussels

### ***What to expect from the Clean Industrial Deal: Saviour for the EU Green Deal, or a slippery slope to national protectionism?***

To deliver its green transition and keep its edge in international competition, the EU needs substantial investment and innovation in green technologies. The Clean Industrial Deal is expected to outline the Commission’s strategy for achieving this goal and will likely incorporate several elements characteristic of traditional industrial policy. While some economists are confident that “new” industry policy can be



successful if properly implemented, others are warier about the risks, in particular the ability to let losers fail and specify a clear and assessable objective. Likewise, while some member states openly endorse industrial policy, others are concerned about it, fearing this will distort a level playing field towards member states with deep pockets and powerful incumbents. Against this background, this event will discuss the opportunities and perils of going forward with a “full-fledged green industrial policy” on EU level. Starting point is the Draghi Report, which makes a number of recommendations for the energy intensive industries (EII). Thereby, the steel sector characterised by global overcapacities, strategic importance, expensive transformation needs and possibly shifting comparative advantages serves as a focal point of the debate. We will discuss how European instruments, such as the Innovation Fund, CCFDs, CBAM and state-aid policy can be calibrated to establish a competitive clean industry in Europe.

Organised by: Potsdam Institute for Climate Impact Research & Bruegel

Day 2

**Tuesday 10 December 2024**

09:30 - 11:00

***Closing the transfer and support gap in the ETS2 - is targeting regions better than targeting households?***

This session will explore strategies to address the gaps in public support and financial transfers crucial for the success of climate policies, with a focus on the ETS II and the Just Transition Mechanisms. So far, the discussion about related social measures has focused mostly on the (individual) household level. However, a number of reasons suggests that a regional scope like used in the JTF might be preferable: (1) Due to a lack of fine-grained data actual financial burden is hard to assess with high accuracy on the household level, and may require aggregation on a higher level. (2) Structural decarbonization measures like expanding district heating typically require action on a regional or municipality level. (3) In general, public support varies considerably on a regional level (e.g. between rural and urban areas), which suggests focusing action on regions where support is particularly low. In light of this, this session will assess the pros and cons of targeting households and targeting regions (or countries). A central question to be discussed is whether aligning various funds (e.g., Cohesion, Modernization, Just Transition) could be an effective tool to address the transfer and support gap through addressing the heterogeneous vulnerabilities to climate policy and shifting the focus on growth, competitiveness, and industrial policy.

Organised by: Potsdam Institute for Climate Impact Research & RWI – Leibniz Institute for Economic Research

11:30 - 13:00

***Climate policy when “the hit gets real” - is “leaving no one behind” a paradigm to uphold?***

This session takes a step back from the concrete challenges related to the ETS2 and asks the bigger question of how climate policy can deal with the ramification of “the hit getting real”, i.e. costs rising to a level that is significant in income terms. Recent public pushback against climate policies—most notably exemplified by the “yellow vests” movement in France—highlights the tensions that can arise when social aspects are overlooked. As the situation becomes more urgent and the hit gets real (with rising direct costs for consumers and climate policy dominating the political discourse) the narrative has shifted toward a more negative perception, induced by unfulfilled expectations (from fanfare to

fault lines). This has placed significant pressure on the implementation of proposed climate measures. In this session, we will examine potential pressure points within climate policy and discuss strategies to address these pressure points. The focus will be on innovative approaches that support the transition by alleviating tensions throughout the system. We will discuss, inter alia, a whole-of-society strategy that integrates economic, social, and political perspectives to foster a more effective and inclusive climate policy landscape. A very specific question to elaborate is if the promise of “leaving no one behind” can still be upheld, or if a new paradigm must be found that puts more emphasis on acceptability and “honesty” that there will be losers.

Organised by: Potsdam Institute for Climate Impact Research & RWI – Leibniz Institute for Economic Research

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14:00 - 15:30

***Decarbonization of buildings -between energy efficiency, renewables and ETS 2***

The decarbonization of the buildings sector will play a key role in the EU policies to achieve not only the energy and climate targets for 2030, but also the longer-term target of climate neutrality until 2050. Hence, with the goal of making it “fit” for the new GHG emissions reduction target of at least 55% to 2030 and the time beyond, the EU legislator revised – again – the relevant legislation. The resulting legal framework – the revised Energy Performance of Buildings, Energy Efficiency and Renewable Energy Directives, accompanied by the new EU Emissions Trading System for buildings – will build on a complex interplay between measures contained in various legal acts and pursuing different approaches towards decarbonization. This workshop aims to provide an overview of the new rules, explaining their key aspects and respective interactions. The panel discussion invites further critical reflection and comments by a group of experts, and it allows for questions from the audience.

Organised by: Stiftung Umweltenergierecht

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16:00 - 17:30

***Renewable and Low Carbon Hydrogen in the EU Regulatory Framework: Challenges and Conditions for Developing a Renewable Hydrogen Economy in the EU***

The EU has set out to develop a fully renewable hydrogen market. This will require significant improvements in both availability and competitiveness of renewable hydrogen. Hence, the use of non-renewable low carbon hydrogen is discussed among researchers, policymakers and industry as an interim solution which could accelerate the market ramp-up of renewable hydrogen. This workshop will address the challenges in the EU regulatory framework to achieve this objective, the implications of the inclusion of renewable and low carbon hydrogen in the EU ETS, and opportunities to drive innovation and emissions reductions in the hydrogen sector. A panel of experts will present and discuss their views. In addition, time is scheduled for questions from the audience.

Organised by: Stiftung Umweltenergierecht & TU Darmstadt



Day 3

**Wednesday 11 December 2024**

09:30 - 11:00

***Achieving the EU's energy and climate targets until 2030 – a discussion of the different approaches, their potentials and limitations***

The negotiations on the Fit for 55 package have just been concluded. The Member states are now in the process of implementing the framework in order to deliver on their contributions to the EU energy and climate targets for 2030. At the same time, the discussions on a 2040 climate target have already commenced. Understanding how the EU legal framework is built and how it is supposed to function seems essential not only for the achievement of the EU energy and climate targets for 2030, but also for the discussions of targets and approaches beyond. Hence, this workshop provides insights into the design of the regulatory framework, its potentials and challenges, and allows for (critical) discussion of the approaches in the EU's quest towards a sustainable energy supply of the future. The workshop format includes a panel discussion with selected experts and allows for time for questions from the audience.

Organised by: Stiftung Umweltenergierecht

Speakers: Guus van de Schouw (DG ENER, tbc), Julius Langendorff (DG CLIMA, tbc), Dirk Hendricks (EREF, tbc)

11:30 - 13:00

***Transition tipping points: achieving the sectoral transformations needed for 90% emissions reductions by 2040***

The European Commission has recommended an ambitious climate target of 90% emissions reduction by 2040. Achieving this level of decarbonization within the next two decades will require a profound transformation across all economic sectors. However, these changes are progressing at different rates, creating opportunities for cross-sectoral policy learning. The decarbonization of Europe's power sector is well underway, with emissions now approximately half of 1990 levels. The next phase of decarbonization, spanning into the 2030s, will focus on structural changes in transport, heating, and industry. This phase will require both the adoption of clean technologies—such as electric vehicles and heat pumps—and the phase-out of fossil fuel-based options. In each of these sectors, potential "tipping points" could enable clean tech deployment to become a self-sustaining process. Achieving these tipping points should be a primary goal of energy and climate policy. During the session, researchers will share modelling insights identifying key factors that could trigger tipping points in the transport and buildings sectors. Panelists, including policymakers focused on clean mobility and buildings' heating initiatives, will discuss how sector-specific lessons might be adapted for other areas and where unique policy adjustments may be necessary.

Organised by: Potsdam Institute for Climate Impact

14:00 - 15:30

***Between climate action and competitiveness: lead markets as a tool of EU green industrial policy***

Following the announcement of the Clean Industrial Deal as a signature element of the 2nd von der Leyen Commission, Industrial Policy will be one area where new EU initiatives are expected - and needed to keep the EU in the race for the rapidly emerging markets for clean tech and climate neutral solutions. This session will discuss the outlook for the Clean Industrial Deal, with particular focus on the



issue of green lead markets at EU level: how and for which products could these work, how do they relate to existing instruments, and what role could public procurement play as a launch customer for lead markets? How to ensure that existing initiatives for green lead market at Member State level are integrated into a common EU solution, rather than a patchwork of national solutions?

Organised by: Ecologic Institute

