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THE RACE TO NET-ZERO IS GOOD FOR EUROPEAN BUSINESS

INVESTMENTS, INNOVATION & INTERNATIONAL COMPETITION

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Long thought of as critics of a rapid decarbonisation of the economy, the European business community is today embracing the race to net-zero as a means of stimulating new revenue growth while upholding their responsibility to the environment.

This briefing explores the benefits of the transition to net-zero, in terms of business performance, regional development and international competition, while examining how governments can support and accelerate this transition through progressive, cohesive policy measures.

Executive Summary

The EU has set the ambition for Europe to become the first climate-neutral continent by 2050. This will require a step-change in emissions reductions across the European economy. Such a transition poses an opportunity for the European businesses that embrace it, in terms of both **long-term profitability & competitiveness**.

Key Insights:

- When compared to polluting alternatives, green spending has been shown to not only provide a greater return on investment, but to create a range of co-benefits, such as offering job creation along the value chain, improved stock market performance and higher staff retention



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rates.

- European businesses, aware of the benefits of decarbonisation, are increasingly making strong commitments to climate neutrality by 2050, with multinationals such as Volkswagen & IKEA staking their future success on reaching net-zero and adopting clean technologies.
- With European investors recognising this trend, a green investment boom is underway, with €1.7bn flowing into green funds every day and almost half of global assets under management making net-zero commitments.
- Central & Eastern European (CEE) businesses are driving the clean transition in the region, recognising that rapid decarbonisation will reinforce the competitiveness of CEE vis-à-vis the rest of Europe and the world, while preserving its position in supply chains, as multinationals increasingly demand green production practices from their suppliers.
- With its dynamic innovation ecosystem & expanding cleantech sector, the EU is well placed to harness the ongoing clean technological revolution to enhance its international competitiveness, creating value for the European economy while encouraging an international ‘race to the top’ which will accelerate effective climate action globally.
- Business leaders & investors are calling on policymakers to support them as they decarbonise and embrace innovative clean technologies. Clear sectoral plans for decarbonisation, unambiguous and binding roadmaps for the phaseout of polluting technologies and adoption of cleantech, progressive taxation to encourage clean consumption, and ambitious support for innovation to spur on European competitive sustainability are urgently needed.

The Case for a Clean Transition

As public sentiment and policy action turns towards a transition to climate-neutrality, the economic advantages of a clean transition are becoming clearer. Past orthodoxy saw pollution and emissions as inevitable consequences of modern economic growth, with any pursuit of decarbonisation coming at the cost of said growth. However, the growing consensus emerging from establishment organisations such as the OECD and the IMF holds that **greening investments,**

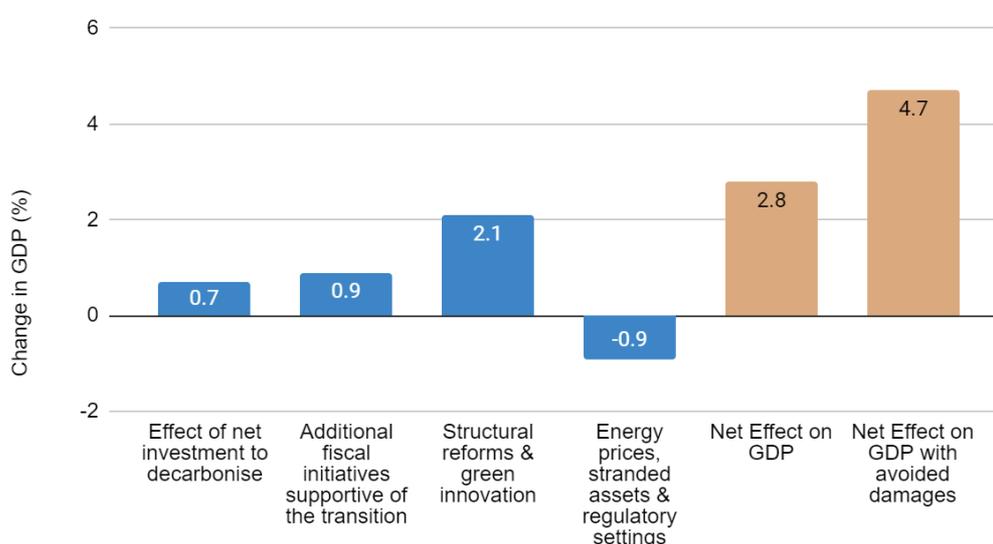


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projects and national fiscal policy will have positive knock-on effects for the wider economy and, crucially, that this impact is greater than that offered by traditional, 'brown' economic activity^{1 2}.

As the world faces an at least 10% drop in GDP by 2050 due to climate change³, such investment offers a way to both reduce the damage done by limiting warming, while offsetting any inevitable contraction by stimulating economic activity. According to the OECD, investment in a 'decisive transition' would result in a net positive impact on GDP of 2.8%, rising to 4.7% when the benefit of limiting environmental destruction is considered⁴.

Change in GDP (%) in 'Decisive Transition' Scenario



Source: OECD

Concerning green investments in infrastructure, the IMF found that **each Euro of green spending can generate more than a Euro's worth of economic activity**, due to a 'green multiplier effect' of between 1.1 and 1.5, greater than that of fossil-fuel based investments (0.5-0.6)⁵. Meanwhile, researchers from both the University of Oxford⁶ and Cambridge Econometrics⁷ have demonstrated that green investments and projects not only deliver more bang per buck than their

¹ OECD (2017), *Investing in Climate, Investing in Growth*.

² IMF (2021), *Building Back Better: How Big Are Green Spending Multipliers?*

³ World Economic Forum (2021), *This is how climate change could impact the global economy*.

⁴ OECD (2017), *Investing in Climate, Investing in Growth*.

⁵ IMF (2021), *Building Back Better: How Big Are Green Spending Multipliers?*

⁶ University of Oxford (2020), *Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?*

⁷ Cambridge Econometrics (2020), *Assessment of Green Recovery Plans after COVID-19*.

polluting predecessors, but also **create more jobs and deliver savings in the long-term.**

These positive impacts are already becoming apparent across the European economy. For instance, an analysis of the German offshore wind industry published by the Federal Ministry for Economic Affairs and Energy (BMWi) identified a spending multiplier effect as high as 3.1. In terms of jobs, the employment boost is not only limited to green industries themselves, but the wider economy, with the same study making clear that “a job in the... sector leads to an average of 2.4 additional jobs along the value chain”⁸.

Beyond job creation and multiplier effects, the greening of business practices offers opportunities for those businesses themselves. As argued by a recent KPMG report, the foregrounding of sustainability practices in business strategy can help organisations escape from the restrictions of the short-term investment-return paradigm and embrace a long-term outlook, which has **considerable benefits in terms of both revenue and earnings over the years**, as well as contributing to **overperformance in the stock market**⁹.

The Benefits of a Long-Term Outlook



Source: KPMG

⁸ German Federal Ministry for Economic Affairs and Energy (BMWi) (2021), **Maritime added value and employment in Germany.**

⁹ KPMG Ireland (2020), **The Business Case for Climate Action.**



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The pivot towards sustainability also offers businesses another advantage in an under-discussed sphere: recruitment. Long-term success depends on attracting, hiring and developing top talent, and both Millennials and Generation Z are increasingly holding up sustainability performance and environmental mission as key factors affecting job choice, tenure length and employee satisfaction. With LSE research already correlating these factors with improved firm performance, **the benefits to employees of embracing the clean transition will magnify the success of progressive businesses in the years to come**¹⁰.

As the data rolls in, it is becoming clear that green spending represents both a smart investment decision and a wise policy for the long-term health of the economy and the planet.

European Business is Embracing the Clean Transition

European businesses, aware of the societal imperative and sensing a lucrative opportunity, are increasingly embracing the clean transition, often at a faster rate than their national governments (indeed, some CEOs are urging member states to show more ambition¹¹). Globally, an increasing proportion of companies are making explicit commitments to net-zero emissions, with at least a fifth of the world's 2000 largest companies having made such promises publicly, representing annual sales of almost €12trn¹². **Europe is a leader in terms of these commitments**, with companies signing up to the Science-Based Targets Initiative¹³, the gold standard for such corporate commitments¹⁴, at an exponential rate.

“Transitioning to net zero is not just an imperative for climate change but a sound strategy for the longevity of any business”

Tony Prestedge, Deputy CEO, Santander UK¹⁵

These corporate targets have been questioned, with civil society often labelling them greenwashing¹⁶ (a label which the companies of the Science-Based Targets

¹⁰ London School of Economics (2019), **Happy employees and their impact on firm performance**.

¹¹ CLG Europe (2020), **Over 170 business and investor CEOs urge the EU to raise EU 2030 GHG emissions targets to at least 55 per cent**.

¹² Energy & Climate Intelligence Unit (2021), **Taking stock: A global assessment of net zero targets**.

¹³ Science-Based Targets Initiative (2021), **Companies taking action**.

¹⁴ The Financial Times (2021), **Science Based Targets climate campaign starts to bear fruit**.

¹⁵ CBI (2021), **Financing the green transition**.

¹⁶ Euronews (2020), **What is greenwashing and why is it a problem?**



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Initiative seek to avoid, through compliance with rigorous standards¹⁷). However, it is undeniable that European businesses and investors are increasingly pivoting towards sustainability. **Europe is at the forefront of a global wave of investors embracing green criteria^{18,19}**, with green bonds booming²⁰ and €1.7bn flowing into green funds every day²¹. Almost half of global assets under management have made net-zero commitments²² and institutional investors are reorienting their portfolios towards climate transition and pushing national governments to take urgent action on emissions reduction²³. Big players such as J.P Morgan have dedicated hundreds of billions of euros towards green projects and the cleantech venture capital sphere is experiencing unprecedented growth^{24,25}. As for European business, some of the continent's most established corporations, from LEGO²⁶ to IKEA²⁷, are embracing sustainability and emissions-reduction in their business models.

Case Study: European car giants betting big on net-zero

In a bid to compete with the success of new market players such as Tesla²⁸, appeal to a younger generation less enamoured with their product²⁹, and react to new EU restrictions on emissions and a 2035 phase-out date for internal combustion engines, **the European automotive industry is embracing fossil-free cars as their path to strengthening their bottom line and enhancing global competitiveness.** Volkswagen³⁰ and Renault³¹ both expect to sell 1m electric vehicles (EVs) this year alone, with BMW³² projecting 50% of sales to be electric by 2030 and Daimler³³ to exclusively release EV platforms as of 2025. Such an expansion demands a proportionate increase in charging infrastructure, something which the industry has not only

¹⁷ Science-Based Targets Initiative (2021), **Companies taking action.**

¹⁸ Pensions & Investments (2019), **Europe leads institutional investors' embrace of ESG.**

¹⁹ Euractiv (2021), **EU spells out criteria for green investment in new 'taxonomy' rules.**

²⁰ Energy Watch (2021), **Green bonds booming, headed for another record year.**

²¹ The Financial Times (2021), **ESG: we're all environmentally conscious now.**

²² The Financial Times (2021), **Investment industry at 'tipping point' as \$43tn in funds commit to net zero.**

²³ IIGCC (2021), **Global Investor Statement to Governments on the Climate Crisis – 2021.**

²⁴ Invested in Europe (2021), **Financing the green transition.**

²⁵ Climate Tech VC (2021), **Climate tech \$16b mid-year investment action report.**

²⁶ The Financial Times (2021), **Lego makes breakthrough in quest for greener bricks.**

²⁷ Retail Detail (2021), **Ikea pumps an additional 5 billion euros into sustainability.**

²⁸ Politico (2021), **How Volkswagen aims to beat Tesla at its own game.**

²⁹ Forbes (2019), **The Reasons Why Millennials Aren't As Car Crazy As Baby Boomers, And How Self-Driving Cars Fit In.**

³⁰ The Financial Times (2021), **VW aims to sell 1m electric or hybrid cars this year.**

³¹ The Financial Times (2021), **Renault and Nissan step up race with Tesla over powering electric cars.**

³² Electrive (2021), **BMW expects sales to be 50% electric by 2030.**

³³ Electrive (2021), **Daimler to exclusively introduce EV platforms from 2025.**



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called for³⁴, but has also started taking proactive steps to support installation themselves^{35 36}.

This pivot has already begun to pay off. In March 2021, following its ‘EV Power Day’ in which it unveiled the extent of its embrace of fossil-free technology, Volkswagen saw its share price boom 21% to a 13-year high.³⁷ Moreover, in spite of the impact of the coronavirus pandemic and a global semiconductor shortage^{38 39}, July’s first-half earnings report saw VW’s earnings hit record levels⁴⁰.

An Opportunity for Central & Eastern Europe

This growing momentum towards decarbonising European business is not only a western European phenomenon - **the business community in central and eastern Europe (CEE) recognises the opportunities that embracing fossil-free technologies offers.** E3G’s research into business attitudes in the Visegrad 4 member states (Czechia, Hungary, Poland and Slovakia) shows the strong commitment of the business community in the region to climate neutrality, with a large majority of businesses surveyed targeting net-zero by 2030 or 2050 at the latest⁴¹.

³⁴ ACEA (2021), **Car makers open to higher CO2 targets, if there is matching infrastructure ramp-up across the EU.**

³⁵ The Financial Times (2021), **Volvo, Daimler and Traton plan European electric charging network.**

³⁶ Electrive (2021), **BMW installed 4,350 charging points to date.**

³⁷ Forbes (2021), **Volkswagen Shares Boom 21% After EV Power Day, 12% Margin Revealed**

³⁸ BCG (2020), **COVID-19’s Impact on the Automotive Industry.**

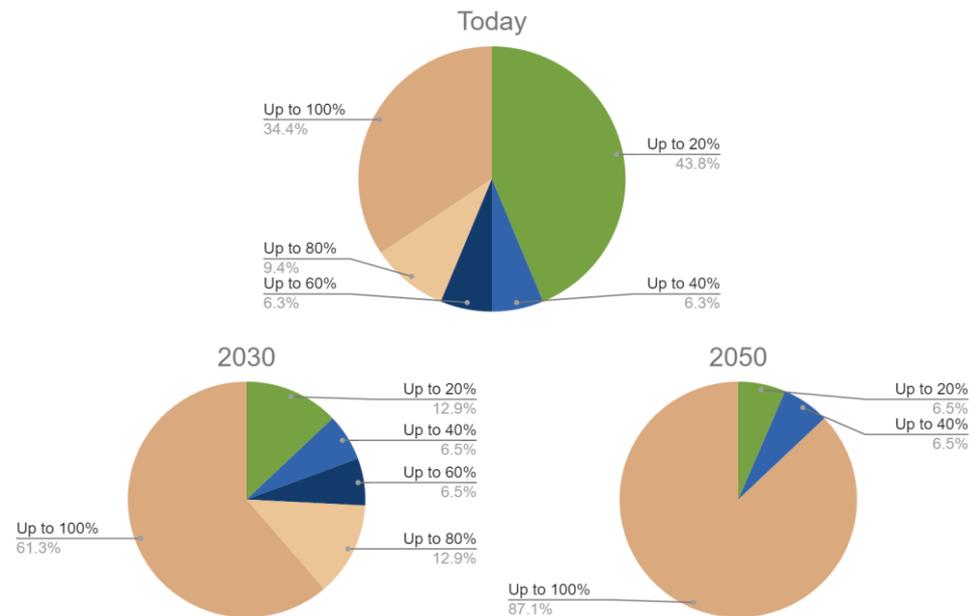
³⁹ BBC (2021), **Why is there a chip shortage?**

⁴⁰ CNBC (2021), **Volkswagen posts record first-half earnings and raises profit margin target.**

⁴¹ E3G (2021), **Boosting renewable energy in the Visegrad region.**



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V4 business projections for renewable share in their energy mixes. Source: E3G

Much of this decarbonisation will come from businesses moving away from coal and gas power towards renewables. Although until recently less advanced in terms of renewable energy adoption, the CEE region, with its excellent natural capacity for wind and solar production⁴² and increasingly supportive regulatory framework⁴³, is making concrete steps towards a comprehensive transition in the next decades.

Yet again, **businesses are driving this adoption**, financing and managing their own energy transitions in cases where government policy is behind the pace of change. Poland, for example, is one of the European leaders in new Power Purchase Agreements for renewables⁴⁴, with national firms independently securing their own renewable energy supply in order to meet the greener expectations of the global market.

Case Study: Slovakia's InoBat brings the battery revolution to Bratislava

Founded in 2019, Slovakian EV start-up InoBat Auto is already making impressive progress in establishing the CEE country as a leader in the

⁴² CLG Europe (2019), **The energy transition in Central and Eastern Europe: The business case for higher ambition.**

⁴³ Wind Europe (2021), **Poland adopts historic Offshore Wind Act.**

⁴⁴ Renewables Now (2021), **Spain, Poland drive European PPAs in May.**



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European battery market. Funded in part by the Slovakian government and the Czech ČEZ energy company, the company has leveraged a world-class R&D infrastructure and expanding battery-production capacity to create customised and high-margin EV batteries, with 10x faster development time than the industry norm⁴⁵. With such an impressive development trajectory, the firm has recently signed important deals with Czech public transport manufacturer Sor⁴⁶ as well American Group14⁴⁷, the world's largest manufacturer of lithium-silicon battery materials.

Aside from these important recent successes, **InoBat has ambitions to establish itself as a hub for European battery production in the EU (and CEE in particular)**, an ambition which is set to be realised in 2022, with the construction of a first-of-its-kind integrated R&D centre and pilot line outside of Bratislava, which will create 150 skilled jobs and include a training centre to develop the next generation of European battery engineers⁴⁸. The company is also preparing to build a 1GWh Gigafactory in Voderady, Slovakia before scaling up to a 32GWh Gigafactory to increase their impact on the international market.

“This ambitious new InoBat Auto project represents another significant stepping-stone towards building a competitive, innovative and sustainable battery value chain here in Europe. This will help bolster our strategic autonomy and protect millions of jobs in the face of increasing global competition – particularly important in Central Europe.”

Maroš Šefčovič, European Commission Vice-President

The start-up is also looking beyond its own production line and final product, through a strategic partnership with German giant Siemens, which will work to digitalise the battery value chain both in CEE and throughout the wider EU⁴⁹.

Indeed, the need for such a step-change is clear: **as the wider business environment embraces decarbonisation, the demand for fully decarbonised**

⁴⁵ Ino Bat Auto (2021)

⁴⁶ Advanced Batteries Research (2021), **InoBat Signs First Commercial Vehicle Partnership with SOR.**

⁴⁷ Electrive (2021), **InoBat scores lithium-silicon battery deal with Group14.**

⁴⁸ Automotive World (2021), **InoBat: Construction begins on first-of-its-kind electric vehicle battery technology centre and pilot line.**

⁴⁹ Siemens (2021), **InoBat and Siemens to cooperate for premium customized battery cell development.**



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supply chains is increasing. As multinationals foreground sustainability concerns and pitch themselves towards net-zero, they are increasingly making demands of their suppliers to share the same values and will go so far as to reroute supply chains if it supports them in decarbonising their products⁵⁰. With many of the world's largest firms basing part of their operations in the region (IKEA in Poland, for example⁵¹), **regional manufacturers and logistical businesses are increasingly under pressure to decarbonise or risk losing valuable contracts.** Reaching net-zero has become an imperative for CEE businesses looking to preserve their role in the global supply chain, while the savings offered by renewables *vis-à-vis* fossil fuels (as companies in the region can reduce their dependence on imported fuels by increasing domestic renewables output) offers a route forward towards enhanced competitiveness for the region, both within the EU and beyond⁵².

International 'Competitive Sustainability'

Competitiveness concerns hold not only for the fast-developing CEE region, but for the European business environment as a whole. Increased investment in and support for clean technologies represent not only a means for European businesses to continue to grow but for Europe to establish and concretise a competitive advantage relative to the other major economies of Asia and America.

Similarly to the previously discussed past narratives of trade-offs between sustainable business practices and maximising growth, the orthodox view of international competitiveness has held that the pursuit of decarbonisation will come at the cost of effective economic competition. Yet with 75% of the global economy now having made net-zero commitments⁵³ and the green tech industry booming⁵⁴, such a dilemma is fast becoming immaterial: developing, investing in and scaling-up fossil-free technologies is instead a key axis of international competition, giving rise to the concept of **competitive sustainability**.

Competitive sustainability puts decarbonisation at the heart of international competition, in which an economy's ability to excel in its transition to sustainable development is the key factor through which its success on the world economic

⁵⁰ KPMG Ireland (2020), **The Business Case for Climate Action.**

⁵¹ IKEA (2020), **Made in Poland.**

⁵² IRENA (2021), **Majority of New Renewables Undercut Cheapest Fossil Fuel on Cost.**

⁵³ Jacques Delors Institute (2020), **5 Years after the Paris Agreement, the largest global economies are engaging in the race towards climate neutrality.**

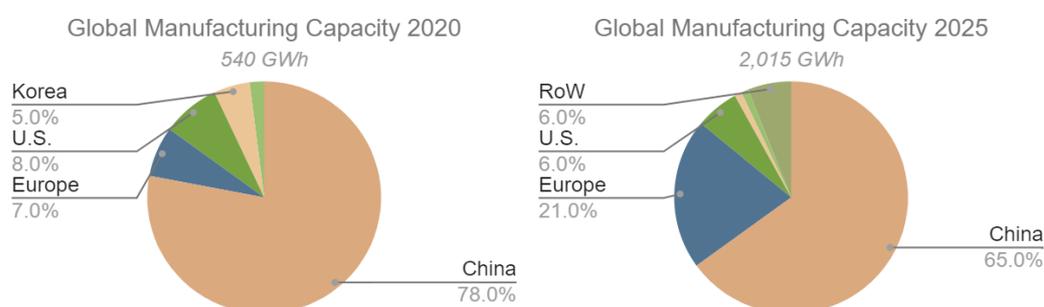
⁵⁴ Roland Berger (2021), **Green tech industry remains on course for growth.**



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stage is measured. Maximising European success in this new paradigm⁵⁵ will, when fully embraced, not only establish European firms as leaders in this new growth market, but enhance cross-sectoral productivity at home, create high-quality employment opportunities, support European strategic autonomy⁵⁶ and, perhaps most importantly, accelerate a global ‘race to the top’, a virtuous cycle in which countries compete to reach climate neutrality first, with a view to securing all the economic benefits which that entails.

Although much of the global cleantech market is currently dominated by the U.S. and China, Europe is well-positioned to seize competitive advantages, with European firms trailblazers in wind turbines⁵⁷, Germany taking steps towards hydrogen leadership⁵⁸ and domestic car giants setting their sights firmly on capturing the global EV market⁵⁹. Meanwhile, the bloc is on track to increase its battery production market share in the coming years, from 7% in 2020 to 21% in 2025 (according to Bloomberg analysis⁶⁰), thanks in part to the policy support worth billions of Euros in the form of the EU Battery Alliance⁶¹ (among other policy mechanisms, see the box below for more details), with plans for multiple European ‘gigafactories’, representing almost €40bn in investment, already in advanced stages^{62 63 64}. Europe is already on the path to reaping the rewards of competitive sustainability.



Europe’s share of the global battery market, 2020 versus 2025 Source: Bloomberg NEF

⁵⁵ CISL (2020), *Developing the EU’s ‘competitive sustainability’*.

⁵⁶ European Commission (2020), *Making Europe’s businesses future-ready: A new Industrial Strategy for a globally competitive, green and digital Europe*.

⁵⁷ Wind Power Monthly (2020), *Vestas leads the pack with squeezed market share*.

⁵⁸ Federal Ministry for Economic Affairs & Energy (2020), *Securing a global leadership role on hydrogen technologies: Federal Government adopts National Hydrogen Strategy and establishes National Hydrogen Council*.

⁵⁹ Politico (2021), *How Volkswagen aims to beat Tesla at its own game*.

⁶⁰ Bloomberg NEF (2021), *Electric Vehicle Outlook 2021*.

⁶¹ New Europe (2021), *Sefcovic hails milestone for EU Battery Alliance*.

⁶² Reuters (2021), *Volkswagen takes aim at Tesla with own European gigafactories*.

⁶³ The Financial Times (2021), *Volvo and Northvolt to team up on new battery gigafactory*.

⁶⁴ Transport & Environment (2021), *Weak climate rules put Europe’s battery boom at risk*.



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Opportunities, Risks, and the Role of Policymakers

As outlined above, European investors and businesses are already enthusiastically embracing the transition to a clean economy, motivated by the clear benefit to their own bottom lines while accelerating European decarbonisation, stimulating job creation and GDP growth, and giving the bloc a competitive edge against the major economies of the world. However, much of the current green wave has been led by trajectory-setting policies from governments, whose clear targets at the supranational level⁶⁵ and greening of spending and infrastructure planning⁶⁶ have created space for businesses to embrace a clean transition.⁶⁷

Case Study: How policy support re-energised the European battery industry

In 2015, Europe's lithium-ion battery manufacturing capacity sat at 3.5% of the global total. It has currently doubled to 7% and looks set to reach 21% by 2025.

This is in large part due to an effective domestic policy mix, which sent strong demand and supply signals to create and nurture the European battery market. The 2017 launch of the European Battery Alliance made explicit the bloc's commitment to expanding production to create a €250bn battery market by 2025, while the 2018 Strategic Action Plan on Batteries established a cohesive framework for regulatory and financial support for all elements of the supply chain.

Consumers were, simultaneously, encouraged to ditch their polluting vehicles through the introduction of stricter CO2 emissions performance standards in 2019 and the proposal of an EU-wide phaseout of the internal combustion engine as part of the 2021 Fit for 55 Package.

The demand and supply signals created by this ambitious and cohesive EU policymaking have already proved a boon both for European climate ambition, industry and international competitiveness: by 2019, the European battery industry was attracting €60 billion a year, three times larger, for example, than the investment seen in the Chinese industry⁶⁸ (even if some

⁶⁵ European Commission (2018), **2050 long-term strategy**.

⁶⁶ CLG Europe (2020), **Maximising the benefits: Economic, employment and emissions impacts of a Green Recovery Plan in Europe**.

⁶⁷ Euractiv (2021), **EU signals end of internal combustion engine by 2035**.

⁶⁸ European Commission (2021), **Speech by Vice-President Šefčovič at the European Conference on Batteries**.

key barriers to growth, such as reliable access to raw materials, still need to be overcome⁶⁹).

Europe, therefore, can model its future efforts at the decarbonisation of business on its success with the lithium-ion battery: the combination of an innovative domestic industry, forward-thinking consumers and ambitious, targeted policy has the potential to accelerate the European clean transition.

Despite this progress, **the current Member State policy response often continues to prop up fossil-based incumbents, while not demonstrating sufficient clarity or ambition to truly empower European business to seize the myriad opportunities of the green transition.** Businesses in CEE, for example, are both enthusiastic about adopting clean energy and see the necessity of decarbonising to both preserve their position in global supply chains and enhance their standing in the single market. The successful decarbonisation of businesses in the region will offer their economies sustainable jobs, energy independence and promote integration with the rest of the bloc. However, progress towards this destination is stymied by the outdated domestic policy architecture, where a lack of clear decarbonisation pathways and an institutional bias towards increasingly costly fossil-fuels leaves progressive, dynamic businesses uncertain and therefore less likely to make future investments⁷⁰. This issue is not only limited to the CEE region - in a survey of CEOs, 63% identified political uncertainty as a key barrier to pursuing sustainability goals⁷¹, while businesses across Europe are reportedly bracing themselves for a bumpy transition to climate neutrality, made worse by a lack of preparedness and clarity at government level⁷².

Under-ambitious regulation and policy also risks wasting the potential created by the business pivot towards net-zero, by not stimulating the demand for clean products. Without sufficient levels of taxation on polluting products, coupled with tax incentives for consumers to buy clean alternatives (much like President Biden's EV tax credit⁷³) and for cleantech investors, as well as regulation which accelerates the phaseout of 'brown' incumbents, Europe risks falling short on creating demand and market space for green technologies⁷⁴. **There is a danger that, without such ambitious policy, Europe's transition could run out of momentum.**

⁶⁹ Fast Markets (2021), [The emerging European battery supply chain](#).

⁷⁰ E3G (2021), [Boosting renewable energy in the Visegrad region](#).

⁷¹ Accenture (2019), [UNGC – Accenture Strategy CEO Study on Sustainability](#).

⁷² The Guardian (2021), [Prepare for disorderly shift to low-carbon era, firms and investors told](#).

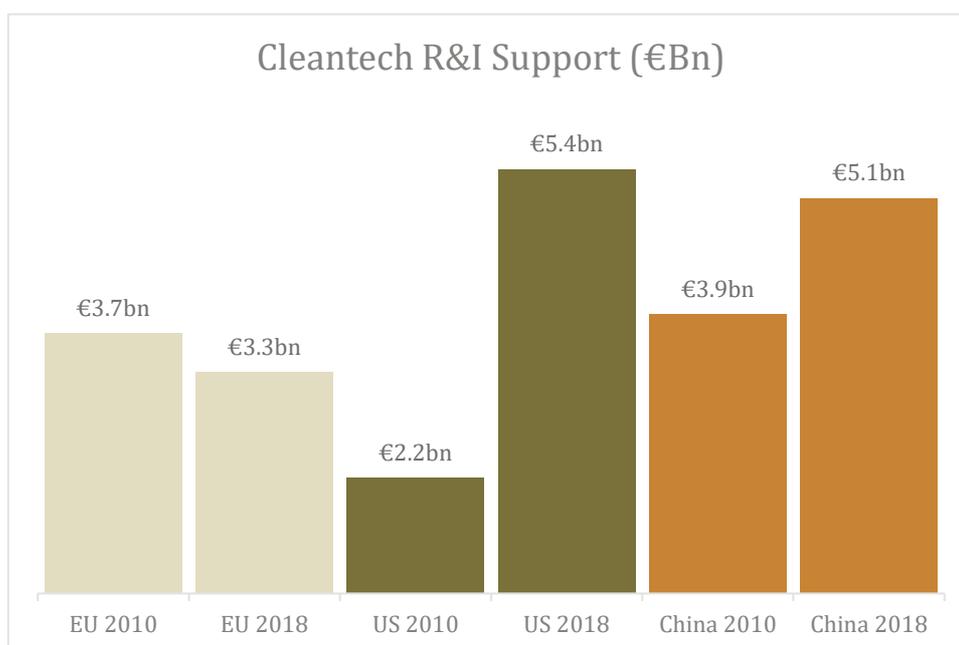
⁷³ Forbes (2021), [A Bigger Tax Credit For Going Electric: What It Could Mean For Consumers](#).

⁷⁴ Transport & Environment (2021), [Weak climate rules put Europe's battery boom at risk](#).



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The same holds true in the sphere of European competitive sustainability. Although Europe sits in an advantageous position, with yet greater advantages to come (in the field of batteries, for example), European policymakers have as of yet failed to incorporate competitive sustainability into their wider economic planning⁷⁵. Without identifying where Europe's current and future advantages lie (and, importantly, prioritising fields where there is legitimate scope for European leadership) and doubling down on them through policy and regulatory support, the bloc risks letting any potential lead slip through its fingers, as a Biden-led US⁷⁶ and imposing China⁷⁷ (which already dominates the battery market and looks set to overtake Europe in wind) continue to vie for dominance. Europe also faces a cleantech innovation deficit relative to the other big global players, due in part to the EU failing to adequately fund R&I⁷⁸.



Source: Jacques Delors Institute

Without a supportive regulatory architecture to promote such innovation (which is currently lacking), the risk is that any potential for European cleantech innovators to push Europe towards both global competitiveness and net-zero is squandered⁷⁹.

⁷⁵ CISL (2020), **Developing the EU's 'competitive sustainability'**.

⁷⁶ Crunchbase News (2020), **What A Biden Presidency Means For Cleantech And Energy Startup Funding**.

⁷⁷ ECFR (2020), **Climate superpowers: How the EU and China can compete and cooperate for a green future**.

⁷⁸ Jacques Delors Institute (2021), **Let's innovate to achieve climate neutrality**.

⁷⁹ Jacques Delors Institute (2021), **Make regulation fit for innovation**.



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“As a forward-looking company that focuses on innovation, we are committed to work for a climate neutral future for the next generations... We call on European leaders to keep their climate ambitions high and deliver good policies for the businesses and citizens of Europe.”

Roland Rutten, CEO, 2R Enterprises

So what role, then, for policymakers, as European businesses face the risks and embrace the rewards of the decarbonisation of the economy? While businesses are making important steps forward in evolving their practices and supply chains⁸⁰, they will not be able to achieve the rapid decarbonisation necessary to reap the full benefit of this green industrial revolution without comprehensive, clear and ambitious policy and regulatory support.

Clear sectoral plans and timelines for decarbonisation, unambiguous and binding roadmaps for the phaseout of polluting technologies and adoption of cleantech, progressive taxation to encourage clean consumption, and ambitious support for innovation to spur on European competitive sustainability are all urgently needed if the private sector is to fulfil its potential as a driver of European prosperity, integration and sustainability in the decades to come.

About E3G

E3G is an independent climate change think tank accelerating the transition to a climate-safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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⁸⁰ RE100 (2021)