

Briefing · June 2024

# Four ways climate policy continuity can contribute to a competitive and resilient EU

## Key points:

- Climate action remains a priority for EU citizens, showing the need for future EU decision makers to continue to take this area forward. A focus on energy security, cost, competitiveness, and social concerns can provide a winning approach.
- Policies that reduce emissions have been found to increase energy security, with the RePowerEU Plan illustrating how the EU can take decisive action to lower energy dependence and emissions at the same time.
- Investing in green technology now can increase competitiveness in the long term and provide cost savings for citizens. Investments in wind and solar have saved EU consumers around EUR 100 billion between 2021 and 2023.
- Social policy, including retraining programmes and social safety nets, will help ensure people benefit from the development of green industry and technology.

While the [June 2024 European Parliament election has moved the ideological needle to the right](#), this does not erase [the pride that citizens have in the EU being a frontrunner in climate action](#). The most recent Eurobarometer public opinion survey on climate change shows that [77% of people in the EU think climate change is a very serious problem](#), and a pre-election survey [showed 68.5% of people listing climate action among their top priorities](#) when voting, highlighting continued public support for action. This briefing lays out how the EU can continue to act on this strong climate sentiment while accounting for energy security, cost, competitiveness, and social concerns.

## Climate policies enhance energy security

In today's complicated geopolitical context, [energy security has become a key political priority](#), which is being supported by renewable energy development.

In the immediate aftermath of Russia's invasion of Ukraine, the EU worked to cut dependence on Russian gas and oil while also limiting the extent of energy price increases. The RePowerEU Plan was designed to reduce dependence on Russian fuels by [increasing the speed of energy system transition](#). It did this by reducing energy demand, diversifying energy supply and promoting the production of clean energy, particularly through expanding renewable energy capacity.

The impact of RePowerEU has been dramatic. In 2023, the [EU imported just 15%](#) of its gas from Russia, compared with 45% in 2021. Fossil fuels now make up only a third of EU electricity generation, while [renewables accounted for 44% in 2023](#). More electricity was generated [from wind alone than from gas last year](#).

The International Monetary Fund (IMF) examined [whether Europe's climate policies can improve energy security for the region](#) both by their contribution to supply security and resilience to economic shocks.<sup>1</sup> It found that policies to reduce greenhouse gas emissions limit Europe's reliance on imported energy, diversify sources of energy imports and reduce vulnerability to energy shocks. The IMF report finds that a package of climate measures intended to lower emissions in line with the [EU's Fit for 55 package](#) – which aims to reduce emissions by at least 55% by 2030, compared with 1990 levels – would improve energy security nearly 8% over the same period.<sup>2</sup> The same measures would also reduce the energy expenditure of firms and households by improving energy efficiency and increasing renewable capacity, thus expanding available energy supply.

## Climate action cuts costs for citizens

Climate action has been shown to cut costs for citizens in a number of cases, meaning it can help tackle the cost of living crisis. Going forward, environmental and climate policy can focus on areas with clear cost savings for citizens to build political support.

The cost of renewable energy has fallen dramatically over the last ten years – renewable energy technologies were [out-competing fossil fuels](#) globally even before the Russian invasion of Ukraine and the resulting energy crisis. The most dramatic cost declines between 2010 and 2022 were seen in [solar PV \(89% cost decrease\)](#), [onshore wind \(69%\)](#) and [offshore wind \(59%\)](#).<sup>3</sup> In 2022, for example, the average cost of power from new onshore wind projects [was 52% lower than the cheapest fossil fuel-fired option](#).

At times of peak generation for wind and solar PV, [electricity prices have been driven down in wholesale markets](#), and have sometimes turned negative. The International Energy Agency (IEA) estimates that electricity consumers in the [EU saved around EUR 100 billion between 2021 and 2023](#) as a result of wind and solar power replacing fossil fuel generation. This could have been [15% higher](#) if renewable generation had increased more quickly.

The benefits of increasing levels of renewable generation are expected to continue into the future. The IEA projects that electricity prices for EU households will be [22% lower in 2030 compared with 2022](#) if countries achieve the low-carbon measures in its most ambitious Net Zero Emissions scenario. Electricity prices for EU industry would fall by around 14% in the same period.

As both the [IEA](#) and the [IMF](#) argue, taking early action to transition to a more sustainable energy system would be cheaper for countries than delaying action until the last minute. Early action allows planning and incremental steps while delay means that policies will need to be much more stringent and costly in order to succeed, and as a result [energy prices will be higher](#). For example, [a study in the UK](#) compared lost savings from delayed green policies on energy, food, housing and cars, and found that delaying their implementation had cost households as much as GBP 4,350 over the span of two years.

Electromobility is another example where cost savings are there for the taking, as [running and maintaining electric vehicles \(EV\) is cheaper than internal combustion engine \(ICE\) vehicles](#). The IEA estimates that [electric cars will reach price parity by 2030](#), and as early as [2026 for](#)

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<sup>1</sup> Europe here means the European Union (EU), the UK and European Free Trade Association (EFTA) countries.

The full definition of energy security that the IMF uses is the following: “security of supply, which improves as dependence on energy imports falls and/or imports become more diversified, and economic resilience to energy shocks, which is enhanced when the overall weight of energy spending in GDP declines.”

<sup>2</sup> The paper considers the following policy measures: increased carbon prices in the EU and UK emissions trading schemes, increased emissions and performance standards for road transport and buildings, improved permitting processes for renewables, public investment in heat pumps in buildings, and removing fossil fuel subsidies.

<sup>3</sup> These are presented here as the global-weighted average levelised cost of electricity (LCOE).

[medium-sized cars](#) in Europe, a timely change as the EU's [2035 phase out goal for new ICE vehicles](#) approaches.<sup>4</sup> [European car manufacturers have stepped up to lower costs](#), and policy support through [initiatives like social leasing can help lower-income consumers](#) get access to EVs.

## Investing in green technology increases competitiveness

While technological solutions [cannot solve every environmental challenge on their own](#), there are a number of green technology investments that can have big returns and have been receiving [political support](#).

Europe aims to nearly double renewable energy capacity by 2030, [reaching 20% of total global capacity](#). Almost all of the European total comes from within the EU, making the bloc a key global player in decarbonisation, second only to China in its capacity ambitions.

The global market for key net zero technologies is projected to triple from 2023 levels to around [USD 650 billion per year by 2030](#). The IEA highlights the [unprecedented investment that is currently taking place in renewable energy](#): for example, almost twice as much was invested in clean energy than in fossil fuels globally in 2023.<sup>5</sup> This trend is expected to continue as countries decarbonise their energy systems. In electricity, [solar power investment exceeded investment in all other generating technologies combined in 2023](#).

In response, the leading economies in the net zero transition – China, the US and the EU – have all [set out industrial strategies](#) to encourage the growth of renewable energy technology manufacture, as well as targets for deploying the technologies. This reflects a '[race to the top](#)' as countries compete to build, export and deploy renewables, electric vehicles and heat pumps. The EU's [Net Zero Industry Act](#) is designed to reduce reliance on imports and promote net zero technology manufacture, with the aim that green technologies produced in the EU provide at least 40% of EU deployment by 2030,<sup>6</sup> thereby increasing the EU's competitiveness and energy independence.

The current EU Green Deal and [larger policy framework helps the EU compete on green technology, although more investment is needed](#) to consolidate its green tech industries. [Cap and trade policies can also further spur investment in sustainable technologies](#), as they create an expectation that emissions will need to be reduced. The [EU Emissions Trading System \(ETS\)](#) already covers emissions from the manufacturing and energy industries, maritime transport and aviation, while [ETS2](#) will phase in emissions from buildings and road transport over the next three years.

## Putting climate and social action together

The shift to new, clean industries brings with it opportunities to create new jobs. Employment in the [clean energy sector increased by more than 5% globally in 2022](#), largely driven by the solar PV and electric vehicle sectors. In comparison, fossil fuel-related jobs fell by 4% in 2022. Clean energy jobs now outnumber those in fossil fuels globally.

The IEA expects high-skilled energy positions to increase by [6.6% per year in the EU between 2022 and 2030](#), and medium-skilled jobs to increase by 7.8% per year. Up to [1 million new jobs](#) could be created in green transition industries in the EU by 2030.

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<sup>4</sup> In [Germany, for example](#), EVs already have lower net costs than ICE vehicles.

<sup>5</sup> The IEA defines clean energy as renewables, grids and storage, hydrogen, large-scale heat pumps and energy efficiency. It also includes relatively small investments in nuclear power and fossil fuels with carbon capture, utilisation and storage (CCUS).

<sup>6</sup> The technologies covered are solar PV and thermal, electrolysers and fuel cells, on- and off-shore wind, sustainable biomass and biomethane, batteries and storage, heat pumps, geothermal, electricity grid technologies, and carbon capture and storage.

One of the critiques leveled at the European Green Deal by trade union groups and researchers was that it was leaving people behind, [particularly already-vulnerable groups](#) like women and those on low incomes due to distributive effects or [workers in sectors that need to shift course dramatically](#).

Support for retraining will [ensure that people have the skills to take up new green jobs](#). The EU's [Green Deal Industrial Plan puts forward a course of action](#) and the 2020 [European Skills Agenda](#) set [ambitious goals](#) to ensure that the region has enough skilled workers to meet the increasing demand in the clean energy sector. This includes reskilling and upskilling workers from fossil fuel sectors to transfer their expertise to new technologies.

In terms of policy to support this, [OECD analysts suggest a number of tools](#) including targeted social protection, housing allowances, and compensatory transfers to offset any economic effects on the poorest citizens. [Incentives can be put in place to rebuild green employment opportunities in areas where polluting industry jobs are lost, where possible](#). Other researchers have pointed towards [the need for a new social contract](#) that takes into account the reality of the changes to be wrought by climate change – and the effects of those that may occur in mitigating them.

## Building the consensus to get it done

This approach to climate policy at the nexus of technology, competitiveness, security and social sustainability creates the opportunity to build up a new, broad coalition in favour of European climate action in the post-election context.

Decision-makers have spoken up in support of this new approach to climate. Current heads of state and government, as assembled in the European Council, agree, writing “[We will anticipate potential challenges and seize the opportunities for our Union in the green and digital transitions, in order to ensure the sustainability of our economic model, leaving no one behind](#).” Platforms of all parties except ECR largely include references to [renewables for security and boosting greentech investment](#). French President Emmanuel Macron (Renew) and German Chancellor Olaf Scholz (Socialists & Democrats) wrote that to take on global geopolitical issues, there is a need to “[\[strengthen\] our global competitiveness and \[enhance\] our resilience while making the Green Deal and the digital transition a success](#).”

In the business community, BusinessEurope and the German Chamber for Industry and Commerce have [remained firm that they want the climate targets to remain](#), but stated that there needs to be a bigger emphasis on competitiveness. Furthermore, green businesses have called for a [continuation of the Green Deal to maintain regulatory stability and support competitiveness](#).

EU cities, regions, worker and civil society groups are on board. The European Committee of the Regions, which represents cities and regions in EU policy making, created [29 recommendations, including continuing the Green Deal while reinforcing its competitiveness, inclusivity and social elements](#). EU civil society, employers, and workers, as represented by the European Economic and Social Committee, have proposed a [social deal to go along with the Green Deal 2.0](#) to make sure that no one gets left behind.