Final additional questions to Commissioner-Designate Hoekstra

1. In your hearing, you committed to act according to the Advisory Board's advice, and defend a target of at least -90% net GHG emissions reduction by 2040. But you did not reply to the question whether scenarios that do not uphold the recommendation of the Board will also be included in the assessment. Could you precise exactly which scenarios will be included in the analysis in accordance with Article 4(5) of the Climate Law, and how will you take into account sufficiency and lifestyle changes? It is also clear from the Advisory Board's advice that early action is necessary to improve the fairness of the Union's contribution to the global effort to staying below 1,5°C. How do you intend to take this into account, in particular with regards to the 2035 target?

Response:

The EU has and must continue to lead by example, setting ambitious targets in line with the goals set out in the Paris Agreement and in line with best available science.

As mentioned, the work on the Impact Assessment for a 2040 Climate target is already well underway. We will work with Commission services to ensure that the Impact Assessment looks at the projected impacts of scenarios covering a full range of pathways from 2030 to 2050 and 2040 targets, including those in the recommendations of the European Scientific Advisory Board on Climate Change on the 2040 pathways and carbon budget. On this basis, we will defend a minimum target of at least 90% net reduction by 2040. The assessment will also look at a variant ('LIFE' case), exploring how lifestyle changes including dietary changes, changes in mobility and increased resource efficiency can support ambition. We will also look into relevant scenarios that were not identified as feasible by the Scientific Advisory Board.

Taking the 2030 target of at least -55% as the point of departure, the 2040 target and corresponding carbon budget will set a clear trajectory for the decade between 2030 and 2040, thereby providing clarity and predictability to economic actors as well as citizens. Such a trajectory will also show where the EU should be by 2035. This should also apply to our Nationally Determined Contributions (NDC) for 2035.

Once we have set our 2040 target, the NDC update for 2035 will be a milestone on the path between 2030 and 2040. Of course, the more we manage to reduce our emissions by 2030 the better our starting point for the next decade and the lower the overall emissions into the atmosphere. The Fit for 55 package is already expected to bring us to -57% by 2030 and we commit to seek every opportunity to work with Member States and stakeholders alike to overachieve the EU's NDC in 2035, in addition to overachieving the 55% NDC in 2030.

2. Can you commit to provide the list of clients and projects you were involved in or oversaw during your time at McKinsey in a timely manner?

Response:

Yes. I will liaise with McKinsey if and in what way the list of clients and projects I was involved in or oversaw during my time at McKinsey, can be disclosed in a timely matter. As I have stated yesterday, I have not worked for Shell or another oil company while at McKinsey.

Also, I have always been very clear to Business about my expectations while being a Minister, and will continue to apply the highest standards of transparency.

3. What is your vision of the best way to achieve technological neutrality and the need to foster a level playing field in the energy sector with regard to the need to preserve and improve the environment?

Response:

Technological neutrality has always been a core principle of the European Commission and has contributed to the success of our European policies.

Equally, Member States have the freedom to choose between different energy sources and the sovereign right to determine the general structure of their energy supply. This is a fundamental principle enshrined in Article 194, paragraph 2 of the Treaty on the Functioning of the European Union.

When choosing their national energy mix, Member States are bound by the climate goals we have all agreed upon, as well as by the environmental legislation we have adopted together. We have a range of regulations and agreements that set goals in terms of greenhouse gas emission reduction and environmental protection.

The current legal framework foresees targets for the share of renewables in the energy mix. The more renewables in our energy mix, the better we are protected against the high prices of imported fossil fuels because renewables are much cheaper and less volatile than fossil fuels. Therefore, we must stay the course, to make green and renewable energy available for Europe. That is what we intend to do, including by helping bringing forward the revision of the Electricity Market Design as well as the Hydrogen and Gas Decarbonisation Package in the coming months.

At the same time, to fulfil the climate neutrality ambition and to reduce emissions by at least 55% by 2030, all energy sources that reduce emissions substantially can be useful including nuclear and bioenergy depending on the situation in each Member State.

At the European level, we have strived for decades to create the most comprehensive conditions for nuclear safety in the framework of Euratom. Moreover, the Commission supports research and innovation to further improve nuclear technologies for example to address the challenge of nuclear waste.

4. The Commission has already been tasked in 2021 through Article 10 of the Climate Law to engage with sectors of the economy to prepare roadmaps towards climate neutrality. What concrete steps do you intend to make to finally implement this?

Response:

Article 10 of the European Climate Law asks the Commission to "engage with sectors of the economy within the Union that choose to prepare indicative voluntary roadmaps towards achieving the climate-neutrality objective". The Commission's role is to facilitate dialogue at Union level, and the sharing of best practices among relevant stakeholders. The President underlined the importance of the dialogue with the different sectors in her State of the Union speech and it will be a crucial task for the whole Green Deal team in the Commission for the upcoming months.

But we are not starting from zero: Starting from the Updated EU Industrial Strategy in 2021, the Commission has engaged with several European industrial ecosystem to prepare sectorial "transition pathways" (EU Transition Pathways (europa.eu)). To this effect, the Commission and the EU's Industrial Forum have developed a blueprint for the transition pathways of industrial ecosystems, which includes also an addendum to address the need for an accelerated green transition to ensure energy efficiency and autonomy as well as more control over strategic value chains, following the Russian invasion of Ukraine.

Currently, the transition pathways have been prepared for the following ecosystems: tourism, chemicals, construction, proximity and social economy and textiles. Such pathways, covered under other industrial strategies exist also for energy intensive industries, renewables, health, creative and cultural industries, digital and electronics. As you can see, some sectors that are key for the transition like construction or chemicals are already covered and the work will be intensified in the upcoming months.

One example of a well-developed and tuned towards green transition pathway is the Transition Pathway for the Chemical Industry, the implementation of which started in spring 2023. Already at its early stage of implementation the Pathway is supporting the industry transition towards climate neutrality by:

- Providing regular updates on the regulatory and research initiatives at the EU level that directly impact the chemical industry;
- Providing an overview of EU funding programmes relevant to the chemical industry for the implementation of the Transition Pathway's actions;

- Creating dedicated Task Forces involving the Commission and stakeholders to investigate in detail e.g. initiatives to implement different types of circular feedstocks, and future needs for energy and alternative feedstock for chemical industry.

At the moment, transition pathways on mobility, agri-food and retail ecosystems are under preparation.

As announced by the President in the State of the Union 2023, we are now engaging in Clean Transition Dialogues with a number of sectors, covering their entire supply chains. The rules and legislation for 2030 have been agreed, as well as our common goal for Europe to be climate neutral in 2050, but in addition to discussing with them the challenges and opportunities of the transition and see how Europe can step up its pace, we want to discuss any issues arising during this implementation phase to see how best to address them. We will also pay particular attention to SMEs in the transition.

We will work for these dialogues to be regular and to lead over time to sectoral roadmaps or transition pathways in line with Article 10 of the European Climate Law.

5. During the hearing, you mentioned the need to mobilise more resources for international climate finance, in particular for Loss & Damage. Could you elaborate how your proposal for additional own resources could be realised in the short term, and how such resources could contribute to solving some of the controversial issues of the international climate finance agenda, such as the Loss and Damage Fund and the demands of the Bridgetown Initiative?

Response:

Based on the latest science and economics from the IPCC, the International Energy Agency and other expert sources, the Foreign Affairs Council agreed that the EU will systematically promote and call for a global move towards energy systems free of unabated fossil fuels well ahead of 2050. This call was reinforced by Commission President Ursula von der Leyen at the Climate Summit in New York last month.

For such phase out to happen fast, it is essential to put a price on carbon emissions through carbon pricing mechanisms , the revenues of which could be used for climate finance, including for Loss and Damage. Taxes as foreseen under the Energy Taxation directive may also contribute to raising revenue. During my time as finance minister, the Netherlands was pushing for a European aviation tax. Today I want to do everything I can to rally support in Europe – and around the world – for a global aviation tax.

Concerning dedicating a share of MS ETS revenues to international climate finance, we can build on the revised ETS directive which already calls on Member States to *“take into account the need to continue scaling-up international climate finance in vulnerable third countries when determining the use of revenues generated from the auctioning of the allowances”*.

I will engage with Member States to agree a progressive scaling up of such revenues to support most vulnerable countries to fight climate change, including the incurred loss and damages. However I don't think the EU should be the only one to further enhance its contribution, especially considering we are already a large contributor. We should call on all other large emitters that have the capacity to do so [from US, to the UAE, to China] to contribute more of a fair share of climate finance, including by putting a price on carbon and sharing a part of these revenues. For this reasons I very much value the Call to Action for Paris Aligned Carbon Markets promoted by the EU since the Paris Summit in June, that calls on all big emitters to accelerate the development of effective carbon market instruments with the aim to cover at least 60% of global emissions (in line with the Global Carbon Pricing Challenge initiated by Canada) and to consider allocating a proportion of the revenues generated through their carbon markets to international climate finance.

The Bridgetown initiative also calls for other sources of funding such as a levy on fossil fuel production applying globally to contribute to cover the cost of loss and damage, especially for the most vulnerable countries. While I am aware that reaching an international agreement on new taxes or levies may take time I believe the time is ripe now to continue and advance the discussions at the global level, building on the Summit on a Global Finance Pact – but also on the Africa Climate Summit. In doing so we should better connect new sources of funding with the origins of GHG emissions globally [polluters pay principle].

The discussions that took place at the recent meeting of the IMO on including a levy on emission from shipping in the basket of measures to be implemented to decarbonise the shipping sector are encouraging. I am glad the EU strongly supported this initiative and I believe we should take it as an example and replicate the same reasoning in more sectors. I am also happy to envisage other sources of funding, connected or not with GHG emissions, provided these new levies or contributions would apply globally.

6. When will you set a deadline for the phasing out of fossil fuel subsidies consistent with the ambition of limiting global warming to 1.5 °C, in line with Article 3 of the 8th Environmental Action Programme? Can you commit to use all means at your disposal to ensure that Member States include clear science-based targets for the phase-out of fossil fuels subsidies, in their national energy and climate plans, as well as concrete measures to meet those targets, including if necessary taking additional EU action? Can you commit to push for an ambitious Union's position for COP28 to phase out all fossil fuels?

Response:

We will push for action to accelerate the phase out fossil fuel subsidies. Taking into account the "do no significant harm" principle, we will ask the Commission services to analyse the amount of subsidies allocated through the EU budget and we will strongly recommend and encourage Member States to also apply this principle and work towards a "green budgeting" approach.

This year, for the first time Member States reported on the phasing out of energy subsidies under the Governance Regulation on the basis of a common methodology. The Commission is compiling this information in a dedicated report on Energy Subsidies scheduled for adoption end of October together with the State of the Energy Union Report which will show the scope of the challenge. We commit to pay particular attention to this aspect and the policies and measures proposed to phase out fossil fuel subsidies in Member States' draft updated National Energy and Climate Plans (NECPs) and to make recommendations as part of the Commission's assessment by the end of the year.

The Commission has also started an evaluation of the Governance Regulation itself and will report on that evaluation by second quarter of 2024. We will prepare for the inclusion of specific provisions and a date for the phase out of fossil fuel subsidies as foreseen in the 8th Environmental Action Programme.

As I said during the hearing, I look forward to working with Commissioner Gentiloni to try to speed up the discussions on the Energy Taxation Directive, which is a very important building block of the Fit for 55 package. In parallel, together with Executive Vice-President Šefčovič and Dombrovskis as well as Commissioners Gentiloni, we will propose a discussion on the phase out of fossil fuel subsidies at a forthcoming ECOFIN Council.

As President Ursula von der Leyen said at the New York UN climate summit, the EU will phase out unabated fossil fuels well ahead of 2050. At the Environment Council on 16 October which will adopt conclusions on the EU's position for COP28, the Commission will argue for dropping or limiting the reference to unabated fossil fuels. In any case, we strongly believe that carbon capture and storage should be prioritised for hard to abate sectors in Europe that really need it as part of their decarbonisation pathway.