

Summary

Agenda

This event was co-hosted by Stockholm Environment Institute and Permanent Representation of Estonia to the EU and it aimed to present insights from researchers, industry representatives and policymakers on how EU member countries can successfully achieve a just transition towards climate neutrality. Following presentations and discussions took place:

- From oil shale to zero emissions: How can Estonia achieve climate neutrality? by **Lauri Tammiste**, Center Director, SEI Tallinn
- Technology to the rescue: the decarbonization of Swedish industry by **Anders Wik**, R&D Manager Digitalization and Nuclear, Vattenfall
- Ensuring fairness: the principles of a just transition by **Claudia Strambo**, SEI
- The panel - **How EU member countries can successfully achieve a just transition towards climate neutrality** - was moderated by **Rob Watt**, Head of Communications and Policy Engagement, SEI and also included:
 - **Kristi Klaas**, Deputy Secretary-General of the Ministry of Environment for Estonia
 - **Kitti Nyitrai**, Member of the Cabinet of Energy Commissioner Ms. Kadri Simson
 - **Artur Runge-Metzger**, Director, DG Climate Action of the European Commission
 - **Erica Hope**, Director, European Climate Foundation

Presentations and discussions

Estonian ambassador for Coreper I **Marten Kokk** and European Commissioner for Energy **Kadri Simson** opened the event. Kadri Simson said that the question is not whether we need to change or not, but how we are going to change. She emphasized the importance of the transition in the energy sector as there is no future in burning fossil fuels and highlighted the role of each sector in reaching climate neutrality by 2050. Just Transition Fund is created to support the transition in the regions where the change is going to be most rapid.

Lauri Tammiste, Center Director at SEI Tallinn, introduced the case study conducted in Estonia, which aim was to find out a) whether going to net-zero emissions in Estonia by 2050 is doable? b) what are the additional measures and activities that should be taken to reach climate neutrality by 2050? c) what will be the costs and impacts of the transition?

Although Estonia is not currently on track in reaching climate neutrality by 2050, it is still achievable. Acting fast is crucial and during the current decade, three main focuses should be energy efficiency in all sectors, developing energy carriers/supply towards climate-neutral and carbon removal in LULUCF.

The study provided one possible scenario for Estonia to reach climate neutrality by 2050. According to this scenario, at least 85% of provided 60 measures in energy, buildings, transport, agriculture, industry, and LULUCF sectors need to be implemented in order to reach climate neutrality by 2050. These measures will cost approximately 17.3 billion euros, but the level of uncertainty regarding costs is high. 76% of the investments should be made by the private sector, but specific measures need to be taken to support these investments. The study also included particular measures in the climate neutrality by 2050 scenario in every sector and provided key policy implications.

Anders Wik, R&D Manager Digitalization and Nuclear at Vattenfall, started with stating the fact that the demand for the materials, goods, and services that stand for the largest share of CO₂ emissions today continues to rise: for example, global steel demand has increased 40% in just the last decade and will increase by 75% by 2050 compared to 2016. Electrification of transport, heating, and industry, along with a decarbonized electricity system, enables Vattenfall to solve the climate issue. Electrification of the industry can lead to fossil-free steel, green concrete and boost the production of non-fossil diesel. Vattenfall hopes to achieve fossil-free living within one generation. Mr. Wik also introduced some ongoing projects and partnerships such as Hybrit (steel), CamZero (cement), Preem (biofuels) to eliminate carbon. The Hybrit project is developed in cooperation with three companies and currently, pilot plants for 170 million euros are in the implementation process to provide fossil-free steel. He also pointed out that although the de-carbonization process will increase the product costs, clients are slowly starting to realize the need to consume climate-neutral products.

Claudia Strambo from SEI Stockholm said that just transition is needed because of moral imperative, political feasibility and rising inequalities and deindustrialization. Just transition should consider multiple impacts of economic shifts, find fairness in both the process and the outcomes and look for no one-size-fits-all solution. Ms. Strambo also highlighted the most important principles with some possible measures when reaching just transition. Firstly, de-carbonization should not be delayed and further carbon lock-in and carbon entanglement should be avoided. Secondly, support to affected workers, communities and regions should be provided, environmental impacts and previous or long-standing economic and social inequalities should be addressed. Lastly, process principles such as social dialogue, transparency and accountability, international cooperation and solidarity, locally designed and managed responses should be of high importance. In the Q&A session, it was asked how well the Just Transition Fund by the Commission is meeting the principles. Claudia Strambo is concerned about the principle of addressing inequalities: JTF focuses more on who will be affected rather than who already has been affected.

In the following panel discussion, **Artur Runge-Metzger** welcomed the analysis made in Estonia and expressed the hope that every other Member State will do similar research. Studies like this help us to give positive signals to the private sector and to get them on board. EU Commission plans to develop

policy measures that could make the transition simpler and faster. Some regulative and financial instruments could change in a way that they support more both our short-term and long-term goals. Mr. Runge-Metzger was asked about building the oil-shale refineries in Estonia and he stated that the Commission's position is that public money should not be invested in the fossil-fuel industry. **Erica Hope** said that the transition needs a comprehensive team effort and we need to create the conditions that make it possible. It is important to provide that different stakeholders are reinforcing each other and policies are supporting the transition. She introduced the study made by the European Climate Foundation and brought out that currently the long-term strategies are not included in the laws sufficiently, there is a need for a scientific body that measures the efficiency of EU-level policy measures and the access to justice for an individual should improve. **Kitti Nyitrai** highlighted that the transition to green energy sources is an opportunity for businesses as well as for economic growth. She listed some key factors that so far have been set aside but are important on the pathway to reach our goals: finding synergies between sectors, renovating buildings as 80% of the buildings will be present also in 2050, regional and Member State-level cooperation and cooperation between different stakeholders. Ms. Nyitrai was asked about the EU's position on CCS and she said that although this technology is expensive and there might be issues with public acceptance, it might be a solution in sectors where hydrogen or electrification is not considerable as alternative. **Kristi Klaas** was asked whether Estonia already has some tangible plans with the provided scenario and she pointed out that in Estonia the study has been crucial in creating mutual understanding, setting climate change at the top of the agenda, bringing different ministries around the table and getting to know the possible limits. Most of the key stakeholders have started to see climate change as an opportunity rather than an obstacle. The investment plan for the next ten years has been developed and the decision about the electrification of trains has already been made. The Ministry of the Environment has started cooperating with the private sector, financial institutions, and central bank to discuss possible financing solutions. There is a plan in Estonia to create a climate fund.

Mobilizing sustainable finances, more efficient regional cooperation, more efficient laws, capacity building in different levels and bottom-up initiatives were some other keywords mentioned by different panelists throughout the panel discussion.

Rob Watt concluded the event by saying that there are many opportunities available, we just need to identify them!