

# PRI policy briefing: EU climate target for 2040

## Context, summary, and next steps

April 2024



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# Agenda

- Background: What are the EU climate targets?
- Political context and timeline
- PRI 2040 target brief: Four key recommendations
- Next steps for engagement

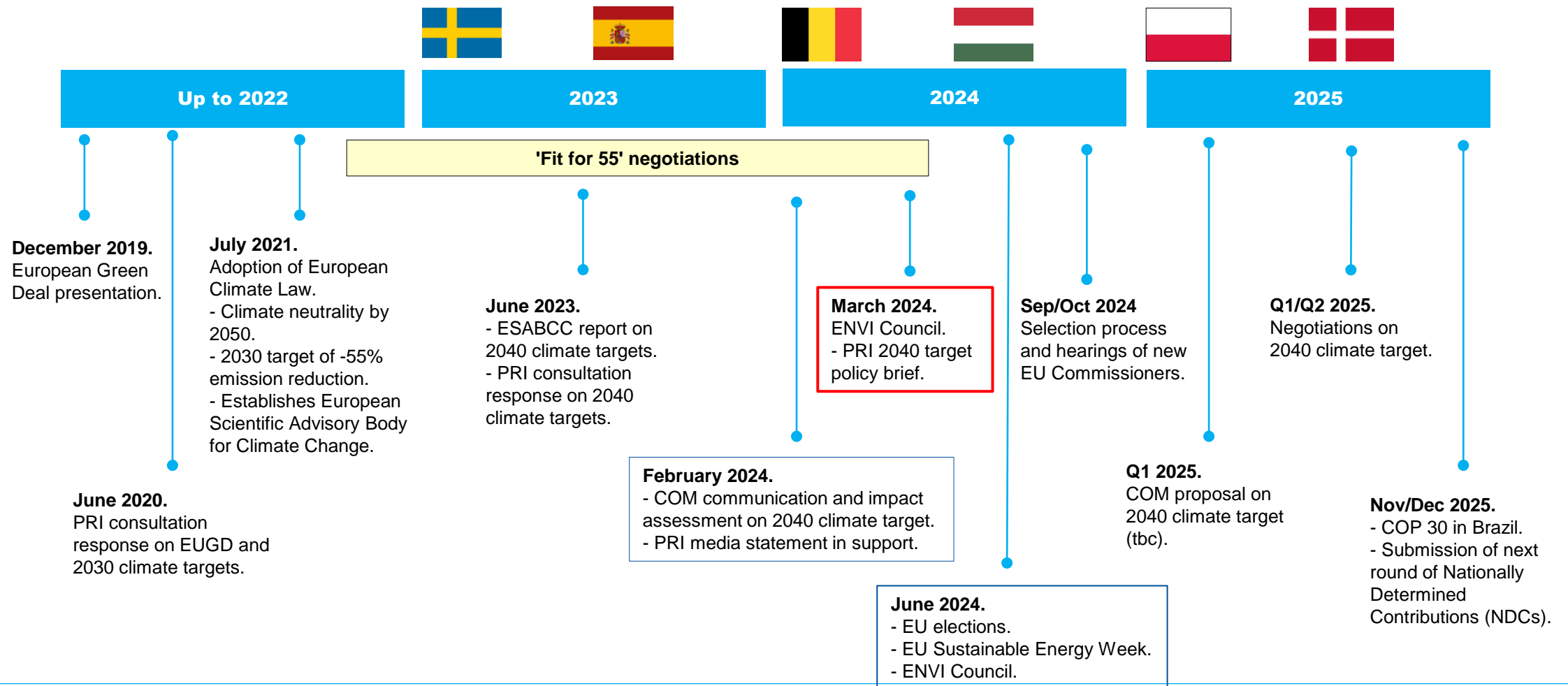
# What are the EU climate targets?

- 2019: The **European Green Deal**.
  - Europe to be first climate-neutral continent by 2050.
  - Transition to a prosperous, competitive and just net zero economy.
- 2021: The **EU Climate Law**.
  - Sets a legally binding climate target for 2030 to cut emissions by at least 55%.
  - Requires a proposal for a climate target by 2040 by end of year (or next).
  - Establishes an independent European Scientific Advisory Board on Climate Change (ESABCC).
- 2023-24: The **Fit for 55 package**.
  - 13 policy files for 2030 target – on energy, buildings, industry, transport, land use, etc.
- Now: **Science-based climate target for 2040**.
  - Follows public consultation – PRI responded in June 2023.

## Political context and status quo

- EU Commission has provided Communication and impact assessment (6 February).
  - **Emissions reduction of 90% by 2040.** Builds on ESABCC recommendations.
  - Requires quick and effective Fit for 55 implementation by Member States; may already provide ~88% by 2040 (but challenging).
- Addressing public and private sector **investment needs**.
  - Estimated private/public finance ratio between 2:1 and 5:1. Lion share from private investors.
  - Additional investments of EUR 620 billion per year needed until 2030 for EUGD.
  - EUR 1.5 trillion needed annually 2031-2050 for energy and transport sector alone.
- **EU elections** in June 2024.
  - Election preparation of EU parties, manifestos etc. – politicization of EUGD and FF55.
  - Potential pushback on ambitious policies (e.g. agriculture, pesticides, Nature Restoration Law)
  - Support for “higher ambition” ( $\geq 90\%$ ) from Member States
    - Joint letter from MS (AT, BG, DE, DK, ES, FI, FR, IE, LU, NL, PT)

# EU climate policy and 2040 targets timeline.



## Four key priorities for the EU climate target for 2040



**1. Set a science-based climate target and EU transition pathways for 2040**



**2. Swiftly implement the Fit for 55 package and make it ready for 2040**



**3. Create an enabling environment for transition finance**



**4. Empower stakeholders to co-create a just transition**

# 1. Set a science-based climate target and EU transition pathways for 2040

Provide policy certainty and a reliable planning horizon for long-term investments.

- Set a legally binding climate target of **at least -90% GHG emissions** reductions by 2040.
- Provide EU-wide **sectoral roadmaps** to clarify transition needs and priorities.
- Include **investment needs, plans and related data** in national climate and energy plans.
  - More clarity on technology roadmaps, investment needs and gaps, allocated public funding, and private sector financing plans.



## 2. Swiftly implement the Fit for 55 package and make it ready for 2040

Make sure market incentives, targets and regulations reward sustainable investments and shift away from fossil fuels.

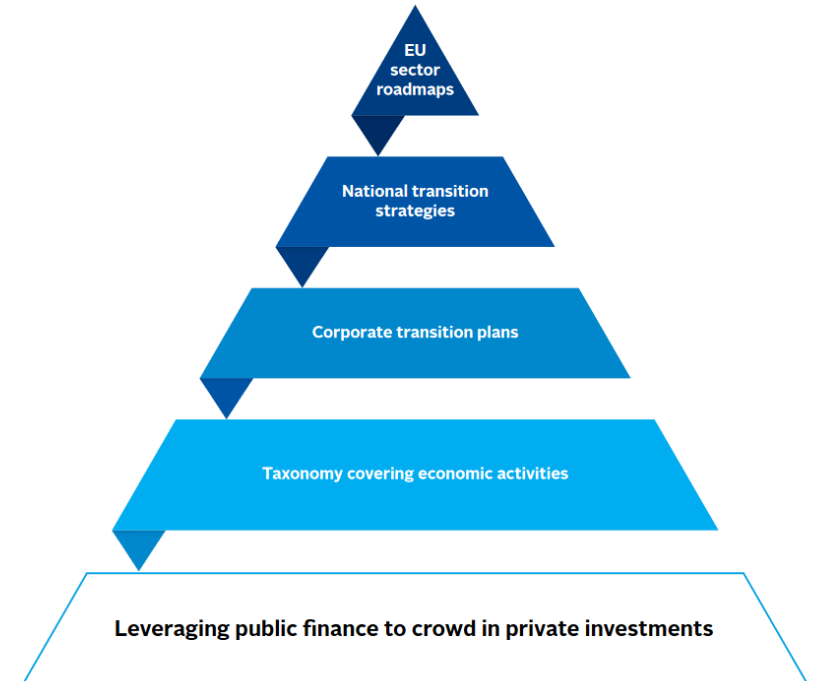
- **Strengthen carbon pricing** to boost innovation and a just transition.
- Implement policies that **reduce demand** for energy and raw materials.
- **Accelerate electrification** by increasing deployment of renewable energies and expanding transmission infrastructure.
- Enhance **nature-based solutions** for mitigation and biodiversity co-benefits.
  - Policies to achieve -55% by 2030 will create the baseline to achieve at least 90% by 2040.





### 3. Create an enabling environment for transition finance

- Provide transparency for post-2026 **climate-related EU funding**.
  - MFF, RFF, Green Deal Industrial Plan.
- Mobilise **private sector investments** through de-risking instruments, financial incentives, and increasing availability of bankable green projects.
  - EU Taxonomy, corporate transition plans, regulatory support for climate targets.
- Leverage **public funding instruments** to simplify access to pooled resources and tailored financial instruments for transition.
  - InvestEU, EIB Group Climate Bank Roadmap, technical guidance, green public procurement.



[PRI EU 2030 Policy Roadmap.](#)

## 4. Empower stakeholders to co-create a just transition

Ensure public support and cross-sectoral collaboration for a Green Deal that provides opportunities for citizens.

- Foster **public support** and engagement for a just and fair transition.
- Strengthen **stakeholder collaboration** for climate and social policies.
  - Ensure safeguards for vulnerable households and build capacities and necessary technical skills for the transition.
  - More work needed for a whole-of-society approach to the transition.



## Next steps

### Objectives

1. Encourage the Council to support an ambitious 2040 climate target in upcoming negotiations.
2. Encourage the Commission to provide a climate target proposal of at least -90% reductions by end-2024.
3. Push for political agreement and setting the new target into law in mid-2025 (before COP).

### Engagement

- PRI's EU climate policy engagement by March 2024:
  - ✓ Launch of [PRI EU 2030 Policy roadmap](#) in Brussels.
  - ✓ [PRI 2040 climate target brief](#) published and shared with partners and policy makers in the EU.
  - ✓ [Joint business and investor association letter](#) on EU 2040 target – led by Corporate Leaders Group Europe (CLG), co-signed by Eurosif, IIGCC and PRI.
- Ongoing: **Continued engagement** a) before EU elections and b) before/during selection process and hearings of new Commissioners in September/October.
- Upcoming in October 2024:
  - **PRI policy report** on EU transition policy for the European
  - **EU report on transition planning** by Platform for Sustainable Finance coordinated by PRI and OECD.

## How to get involved

- To stay in the loop on EU climate policy developments and upcoming engagement opportunities, join our respective EU climate policy group on PRI's collaboration platform [here](#).
- You can find an overview on PRI's policy approach and additional resources, and sign up for the monthly PRI policy newsletter [here](#).
- At any time, feel free to send us any questions, feedback and/or potential gaps in our EU climate policy priorities to [martin.stavenhagen@unpri.org](mailto:martin.stavenhagen@unpri.org).

*We are looking forward to collaborate and support a competitive and prosperous EU Green Deal.*

# The PRI

Investor-led, supported by the United Nations since 2006

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice.

Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.



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**UN PARTNERS:**  
UNEP FINANCE INITIATIVE  
UN GLOBAL COMPACT



**5000+**

**SIGNATORIES:**  
ASSET OWNERS  
INVESTMENT MANAGERS  
SERVICE PROVIDERS



**120+**

**US\$ trn**  
**ASSETS UNDER**  
**MANAGEMENT**

