

## Business and Investor Sign on Letter Calling on the EU to Set a Greenhouse Gas Emissions Reduction Target of at least 90% by 2040

**Dear Environment and Climate Ministers,**

**CC: European Council, European Commission, Members of the European Parliament,**

We write to you as business leaders and investors, who have been long-term proponents of the EU setting robust climate targets. These targets provide us with a clear course to step up action and investments to transition towards more sustainable business models and rapidly lower our emissions. Ultimately, climate risk is an economic and financial risk.

The endorsement by the European Commission of a 90 per cent greenhouse gas emissions reduction in its Communication is a step in the right direction.<sup>1</sup> A robust target that is backed by a smart, ambitious and coherent package of supporting policies will decarbonise our economies, drive innovation and economic opportunity for companies in all sectors. It will enable the creation of quality jobs and cost savings that citizens rightly expect, while improving the health and well-being of its people. A well-designed target should also be consistent with the just transition where costs and benefits are equitably distributed and the most vulnerable are protected.

**We call on the EU to build on the recommendations of the European Scientific Advisory Board on Climate Change (ESABCC)<sup>2</sup> and the Commission's Communication, to set a target of at least 90 per cent net reduction in greenhouse gas emissions by 2040 compared to 1990 levels.** This science-based target reflects the urgency and benefits of near-term action, enabling steep emission reductions before 2040. 90% should be considered as the floor rather than the ceiling for ambition. Mitigation should be considered the absolute priority with actions to step up the decarbonisation of all economic sectors, accelerate the clean energy transition and increase energy efficiency. Coherently with the prioritisation of mitigation, the maximum share of emissions expected to be eliminated through nature-based carbon removals and technological removals should be assessed. Having clarity on the role these solutions are expected to play would improve transparency and accountability by making the assumed maximum carbon removal reliance explicit.

The debate on the target comes in a period of reflection on the EU's future strategic agenda. **A robust climate target and decarbonisation of our economies will improve the EU's resilience to shocks, energy security and competitiveness. The target, and climate more broadly, should be considered as a central element of the overall strategy to achieve these objectives.**

### Increasing the EU's Competitive Sustainability

The evidence shows that the global economic opportunity from the development of clean technologies alone is enormous.<sup>3</sup> **Integrating the target into a comprehensive industrial strategy, guided by a 'competitive sustainability' approach, will allow the EU to lead the global race of development of sustainable industrial ecosystems and industries.**<sup>4</sup> This should first be done with a focus on the most cost- and energy-efficient options and an integrated approach, bringing together innovation, infrastructure, interconnected value chains and initial deployment of climate neutral technologies on the single market. Such an approach will also enable the EU to unlock the wall of private capital needed

to meet its investment needs. At the same time, policies should support an increased supply and demand for low carbon materials.

### Enhancing Energy Security with the Clean Energy Transition

**The target will support the EU's overall strategy to deeply enhance energy security for citizens and businesses by accelerating the clean energy transition and energy efficiency.** The Commission's Communication demonstrates that a target of 90% would correspond to a full decarbonisation of electricity in the second half of the 2031-2040 decade. We call for the EU to set a policy environment that will phase out fossil fuels, accelerate electrification and the decarbonisation of the power sector with renewables and low-carbon electricity, ensure access to flexible energy infrastructure, and large scale roll out of energy efficiency measures in industry and buildings. In this context, robust carbon pricing should continue to incentivise investments in decarbonised energy and solutions. Fossil fuels subsidies should be eliminated, freeing up finance to be reallocated for the development of clean technologies.

### Stepping up Implementation

As we enter two decisive decades to achieve climate neutrality by 2050, the **EU needs to build on the legacy of the Green Deal and an effective implementation of the Fit for 55 Package.** Businesses are ready to play a key role in translating climate targets into concrete action with the support of enabling measures and policies. They are taking action to decarbonise their operations and value chains by increasing efficient use of energy, switching to low-carbon energy, transitioning to electric vehicles and developing low-carbon materials. Meanwhile, many investors are setting net zero strategies and working to integrate climate risks and opportunities into their individual investment decisions and processes *(Please refer to the Annex below for more information)*

### Harnessing the Decarbonisation Potential of the Circular Economy

The EU should **harness the opportunities presented by the circular economy and eco-design to tackle emissions stemming from the production of materials.** Developing and rapidly scaling up circular economy solutions through systemic circular designs, repair, reuse and recycling can reduce the demand for raw material extraction and emissions from energy-intensive production processes. The European Commission's report on critical raw materials and the circular economy highlights the important role that circularity can play in ensuring security of supply, whilst also greatly reducing energy use.<sup>5</sup>

### Building Synergies between Climate and Nature

Businesses recognise that nature restoration and sustainable land use will play a key role in increasing the EU's ability to mitigate and adapt to climate change. We cannot reach our climate targets without nature or indeed our nature targets without tackling climate. **The 2040 climate target should create a clear signal to businesses and national governments of the importance in investing in nature-based solutions and the transition to a nature positive economy.**

## Strengthening the EU's International Leadership

Agreements from the first Global Stocktake concluded at COP28 have underlined the importance of accelerating emissions reductions. **A strong target will allow the EU to maintain its climate commitments and play a leading role to phase out fossil fuels, triple the rate of deployment of renewables and double energy efficiency rates globally.**<sup>6</sup>The EU should also deploy trade policies in line with climate objectives to create larger markets for more sustainable products and materials.

As business leaders, we are ready to continue the dialogue on the target with policymakers. By working hand in hand, we believe that the EU can set and achieve a robust 2040 target for the benefit of climate, people and the economy.

Yours sincerely,



## ANNEX: Businesses and Investors are Taking Action

Over 400 companies globally have committed to reach net-zero emissions by 2040 under the Climate Pledge;<sup>7</sup> likewise, over 300 investors have supported have committed to transitioning their investments to achieve net zero portfolio emissions by 2050 or sooner under the Paris Aligned Asset Owners and Net Zero Asset Managers initiatives.<sup>8</sup> In the EU, RE100 member companies reported 67 TWh of electricity consumption in the 2022-2023 reporting cycle, 84% of which was recognised as renewable electricity consumption. More than 130 companies are part of the EV100 and EV100+ initiatives, with companies acting towards transitioning their fleets to electric vehicles by 2030 for light commercial vehicles and by 2040 for heavy duty vehicles.<sup>9</sup> These are just some of the many examples of how the private sector is ready to continue working towards a transition to a sustainable and resilient economy.

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<sup>1</sup> European Commission, February, 2024. "2040 climate target". [https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2040-climate-target\\_en](https://climate.ec.europa.eu/eu-action/climate-strategies-targets/2040-climate-target_en)

<sup>2</sup> European Scientific Advisory Board on Climate Change, July 15, 2023. "Scientific Advice for the Determination of an EU-Wide 2040 Climate Target and a Greenhouse Gas Budget for 2030–2050." <https://climate-advisory-board.europa.eu/reports-and-publications/scientific-advice-for-the-determination-of-an-eu-wide-2040>.

<sup>3</sup> IEA, January 12, 2023. "The World Is Entering a New Age of Clean Technology Manufacturing, and Countries' Industrial Strategies Will Be Key to Success - News." <https://www.iea.org/news/the-world-is-entering-a-new-age-of-clean-technology-manufacturing-and-countries-industrial-strategies-will-be-key-to-success>.

<sup>4</sup> University of Cambridge Institute for Sustainability Leadership (CISL). (2022). *The Competitive Sustainability Index: New Metrics for EU Competitiveness for an Economy in Transition*. Cambridge, UK: Cambridge Institute for Sustainability Leadership. Retrieved from: <https://www.cisl.cam.ac.uk/competitive-sustainability-index>

<sup>5</sup> European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Bobba, S., Claudiu, P., Huygens, D. et al. (2018), *Report on critical raw materials and the circular economy*, Publications Office, <https://data.europa.eu/doi/10.2873/167813>

<sup>6</sup> We Mean Business Coalition, January 16, 2024. "Fossil to Clean: Scaling Clean Energy Solutions." <https://www.wemeanbusinesscoalition.org/fossil-to-clean/>.

<sup>7</sup> The Climate Pledge "Be the Planet's Turning Point." <https://www.theclimatepledge.com/>

<sup>8</sup> The Net Zero Asset Managers Initiative. <https://www.netzeroassetmanagers.org/>

<sup>9</sup> Climate Group. "About EV100." <https://www.theclimategroup.org/about-ev100>