EU SUSTAINABLE INVESTMENT SUMMIT

Delivering on the Green Transition

24 January 2024

High-level speakers from across the world gathered in Brussels on 24 January 2024 to take part in **the third edition of the EU Sustainable Investment Summit** to discuss the **delivery of the green transition** in the European Union and beyond. The Summit is the **flagship annual high-level event organised by the European Commission** promoting sustainable investments and efforts to tackle climate change at a global level, gathering policy makers, representatives of European and international institutions, private sector, industry, and civil society.

European Commission

Opening address - Valdis Dombrovskis

Valdis Dombrovskis, Executive Vice-President of the European Commission, stressed that the Summit is not only about Europe, but an opportunity to foster international cooperation, in account of the fact that **climate change is a global challenge that can ultimately only be tackled at the global level**. Beyond the global, also its social dimension is key, the green transition must be fair for everyone. He recalled that the green transition is at the core of EU policy, with legally binding targets, initiatives, instruments and tools mobilising and de-risking sustainable investment. Trade plays an increasingly important role in the fight against climate change, and the global community must continue to react through coordinated measures, initiatives and policies, as well as working with industry. View the full address on the EU Sustainable Investment Summit website.

> "We all know these are very uncertain times... but one thing is clear. Climate change is happening and we must act to stop it."
>
> Valdis Dombrovskis

Keynote speech - Axel van Trotsenburg

Axel van Trotsenburg, Senior Managing Director of the World Bank, stressed that the achievement of the Sustainable Development Goals (SDGs) and climate objectives is currently falling short. Climate justice is key, we must emphasise the interconnectedness of the climate crisis and poverty, and subsequently recognise the disproportionate burden on developing nations. He called for more **resources, better global cooperation and stronger involvement of the private sector**. View the full speech on the EU Sustainable Investment Summit website.

> "It's time to refocus, collaborate, and act decisively – our planet and future depend on it"
>
> Axel van Trotsenburg

Panel 1: "Making it happen: towards a net-zero economy"

The first panel looked at **the role of the public and private sectors in greening production in the EU and beyond**, with panellists giving insights on the state of play of the green transition, highlighting what is still needed to achieve the EU's climate objectives while staying competitive. View the full panel discussion on the EU Sustainable Investment Summit website.

*Moderator: **Jacki Davis**. Panel (from left to right): **Ditte Juul Jøergensen** – Director-General for Energy, European Commission, **Dario Scannapieco** – President, European Long-Term Investors Association, **Philip Christiani** – Partner, Copenhagen Infrastructure Partners, **Otto Gernandt** – CFO, H2 Green Steel, **Gauri Singh** – Deputy Director-General, IRENA.*

The EU is making progress on the green transition, and has established a stable regulatory framework, incorporating the EU Emission Trading System and the Carbon Border Adjustment Mechanism to encourage CO_2 reduction. Market developments have shown positive results, driven by well-directed subsidies and maturing markets, introduction of new de-risking incentives and innovative financial products to the market, while simplifying and cutting red tape. However, despite the progress made, challenges remain. **Work needs to continue on streamlining the regulatory processes, securing sufficient volumes of funding, and keeping the regulatory landscape predictable**. This includes greater resources available and more guidance for investors, a stronger level-playing field for access to green investments and bringing projects faster to fruition, also through faster permitting processes. Additional effort is also needed to deploy renewable energy, build physical infrastructure, in particular grids and storage, as well as boost energy efficiency. Furthermore, innovative technologies are needed to respond to increasing energy demands, as well as smart risk management strategies for a secure and sustainable energy supply.

The panel also highlighted the differences at global level in dealing with the green transition. While the transition is happening at a faster pace in developed nations, emerging economies are still in the early stages of transition and focused on bringing in more green energy to satisfy their growing energy needs. Developing countries, finally, are dealing with several other challenges, and do not see yet the energy transition as a key priority. Hence, they need support to make it happen.

In this multifaceted context, **the role of public money is vital and can facilitate investments in green technologies and energy efficiency**. The EU could do more to combine sources of funding, blending resources at EU level, national level and private sector. It is critically important that EU resources mitigate risks to facilitate such investments, for example by making long-term funding easier and promoting international cooperation.

Keynote speech - Mairead McGuinness

Mairead McGuinness, Commissioner for financial services, financial stability and Capital Markets Union reflected on her vision for 2050, highlighting the pivotal role of **innovation, new technologies and investments in achieving the green and digital transition**. Completing the Capital Markets Union and increasing the uptake of green loans will help unlock transition finance for companies, support start-ups and scale-ups, and attract private finance to support climate objectives. **The EU has already established robust foundations for sustainable finance**, including the EU Taxonomy, comprehensive disclosures, an EU green bond standard, and climate benchmarks, which **companies are encouraged to use**. View the full speech on the EU Sustainable Investment Summit website.

> "If we do want investments in deep-tech and clean tech, we do need thriving capital markets."
>
> Mairead McGuinness

Panel 2: "Making it new: innovation as a driver of the transition"

The second panel looked at **the role of innovation in boosting the green transition**, discussing to what extent innovation can be a driver of the green transition from different perspectives, looking at challenges and opportunities in the European Union and global markets. View the full panel discussion on the EU Sustainable Investment Summit website.

Moderator: ***Jacki Davis****. Panel (from left to right):* ***Joanna Drake*** *– Deputy Director General for Research and Innovation, European Commission,* ***Marjut Falkstedt*** *– Chief Executive, European Investment Fund,* ***Martin Kröner*** *– Partner, Green European Tech Fund,* ***Gilles Moreau*** *– Co-Founder & Chief Sustainability Officer, Verkor,* ***Roxanne Varza*** *– Director, Station F.*

The EU stands at the forefront of green innovation and directs funds into innovation, *inter alia* via programmes such as **Horizon Europe and InvestEU**, the latter bringing patient capital and innovation to the market. Notably, there is a surge in venture capital flowing into innovative companies and diverse funding options for various developmental stages are available at EU level. The market sees a growing array of technologies, with the deployment of clean tech on the rise.

Europe has strong innovation potential. However, to capitalise on it and foster innovation, several points must be addressed: We need to ensure that Europe can **attract talent, expertise, and equipment providers**. This is interconnected with the **need for streamlined processes, reduced bureaucracy, and effective regulations**, that should also translate into clearer guidance on the complex funding landscape. **More capital** is needed, particularly for deep-tech climate solutions, and an increased mobilisation of **institutional investors**, such as pensions funds, in the venture capital sector would be important. Linked to this is the **need for financial support and diverse financing models**, alongside sustainable finance directed at scaling up innovation and transforming sectors. Europe needs to balance technical progress with industrialisation, making it easier to translate **lab discoveries into industrial products**. Within industry, there is also a need for sectoral partnerships, like those in clean energy and steel.

While developing new technologies is important, there is a strong need to **scale up existing ones, and accelerating the deployment of innovative green technologies requires sufficient public support**. At the same time, crucial support must also be balanced with a private investment environment that benefits from streamlined sectoral regulations and minimal obstacles.

Overall, to accelerate the green transition, EU Member States need to work together. This includes addressing disparities between Member States on innovation efforts and participation in the Horizon Europe programme, but also expanding funding lines at EU level. Innovation, indeed, should be seen as a joint challenge which can be tackled with joint resources. Member States should also use the EU legislative environment and tools to identify skill and technology needs for the transition.

Green technology deployment also relies on clear communication that focuses not only on the urgency of climate action, but also on the business opportunities which the transition might offer.

Oxford-style debate: "Private investment is more important than public investment for a successful green transition"

In a thought-provoking discussion, **Francesco Saraceno** (Deputy Department Director at OFCE, Sciences Po) and Daniel Gros (Director of the Institute for European Policymaking at Bocconi University), debated on the motion **"Private investment is more important than public investment for a successful green transition"**. They tried to sway the opinion of the audience, arguing respectively in favour (Gros) or against (Saraceno) of the motion. View the debate on the EU Sustainable Investment Summit website.

*Moderator: **Jacki Davis**. Debate (from left to right): **Daniel Gros** – Professor of Practice at Bocconi University and Director of the Institute for European Policymaking, **Francesco Saraceno** – Deputy Department Director, OFCE-Sciences Po.*

A first poll projected on screen before the debate showed that 57% of the audience was in favour of the motion. However, after the debate the poll was repeated, showing a 50% - 50% result, meaning that Saraceno managed to shift the opinion of a higher number of people compared to Gros. In the course of the debate:

- **Daniel Gros** asserted that the investment needs to achieve climate neutrality are huge and the private sector should lead in financing and implementing green projects, also considering that the vast majority of current investments are private. According to Gros, the public sector risks crowding out the private sector and should mainly provide price signals, so that the private sector can deliver, since numerous companies are ready to invest if the environment is right. Although he recognised the public sector's role in providing initial support for R&D, he stressed that this represents a small fraction of the overall investment needed. Gros also explained that, actually, most of the energy sector would have to be renewed in any case, so the important is to direct this effort towards green solutions. Finally, Gros stressed that, while the state has in theory a long-term horizon, governments in reality might be very short sighted due to political interests.

- **Francesco Saraceno**, on the other hand, emphasised the pivotal role of public investment in driving the green transition, while also recognising the need for private investment. He highlighted the state's patience in supporting long-term investments, which allow for better risk management and longer time horizon compared to private investors. This applies in particular to green infrastructure projects. According to Saraceno, public investment can better deal with externalities and non-pecuniary objectives, and the social return of green investment is higher than the private return. Saraceno also explained that public investment does not crowd out private investment. On the contrary it can crowds it in, since it stabilises the business cycle, hence reducing uncertainty. Finally, Saraceno argued in favour of a central fiscal capacity at EU level with a view to having long-term safe bonds and a low cost of financing.

Overall, the debate highlighted contrasting perspectives on the role of public and private investment in driving the green transition, underscoring the importance of both sectors in achieving sustainable outcomes.

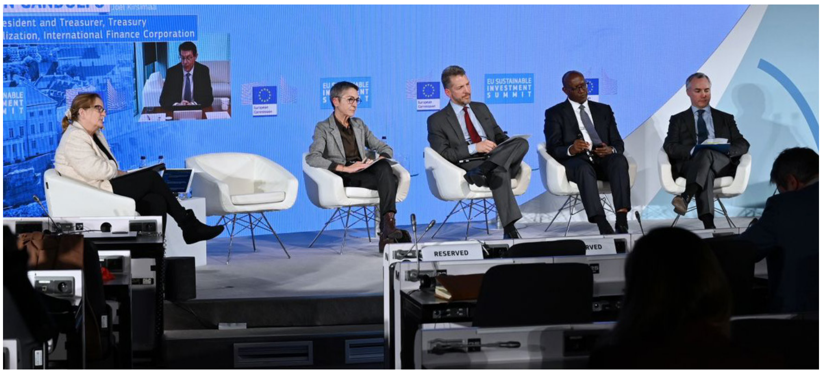
Keynote speech – Jim Skea

Jim Skea, Chair of the Intergovernmental Panel on Climate Change (IPCC), underlined the investment gaps in both mitigation and adaptation, particularly for developing countries. There is enough money to close the gaps, but there are numerous barriers. Accelerated financial support for developing countries is critical, scaled-up public grants for mitigation and adaptation funding for vulnerable regions would be cost-effective and would have high social returns. On the adaptation side, capacity building and improving access to finance is fundamental. Adaptation will be the dominant topic for the next IPCC cycle with investment and finance playing a major role. Skea voiced his hopes that progress on adaptation indicators and metrics can help make adaptation investments more bankable. View the full speech on the EU Sustainable Investment Summit website.

> "Accelerating financial support for developing countries from developed countries and other sources is critical."
>
> Jim Skea

Panel 3: "Making it global: sharing the transition effort in a fair way"

The third panel explored the challenges and opportunities in achieving a fair and equitable global transition to address climate change, with a focus on international cooperation, finance and institutional reforms. View the full panel discussion on the EU Sustainable Investment Summit website.



*Moderator: **Jacki Davis**. Panel (from left to right): **John Gandolfo** – Vice President and Treasurer Treasury and Mobilization, International Finance Corporation, **Elena Flores** – Deputy-Director General, Directorate General for Economic and Financial Affairs, European Commission, **Pedro Miguel da Costa e Silva** – Ambassador of Brazil to the European Union, **Kevin K. Kariuki** – Vice-President Power, Energy Climate Change & Green Growth at the African Development Bank Group, **James John** – Director, Offices in Europe, International Monetary Fund.*

Addressing climate change is a global public good that necessitates collective action. **Every nation must contribute to net-zero goals.** However, it is key to consider that countries have different starting points and that some economies are disproportionately affected by climate change compared to how much they have contributed to the problem. In this perspective, a fair approach is needed for those **emerging economies that need to balance their development objectives with climate action**. Climate actions do not happen in a vacuum and their design must consider different geographical perspectives, needs, interconnection with issues like poverty and hunger, but also competitiveness concerns.

Overall, **economies need to be re-wired for a sustainable future**, through actions like reducing fossil fuel subsidies, implementing carbon pricing, targeted green subsidies and fostering public-private partnerships to address investment shortfalls. **Climate finance can help address the regional mismatch between the available capital and investment needs. Climate finance should be able** to create replicable and scalable interventions pairing public and private sector solutions. In particular, concessional financing and de-risking financial instrument are key to mobilise private investment. Furthermore, flexible and tailored support for different types of projects is crucial, including providing **technical assistance** and capacity building, especially to develop projects in the most countries and regions where it is most needed.

In this context, effective international cooperation can help to develop **long-term transition strategies**, reduce bureaucracy and build enabling legal, regulatory, institutional, and fiscal frameworks to attract more green investments into developing countries. It can also support domestic resource mobilisation and create joint carbon pricing systems.

The G20's leadership is crucial in tackling climate change through several pathways. It should continue addressing macroeconomic impacts, use its position to advance climate and sustainable finance and promote multilateral access to funds. G20 countries can also facilitate information exchange, harmonizing taxonomies, and integrating the climate challenge into financial frameworks. There is also an opportunity for G20 countries to promote trade and innovation, and develop a carbon floor, considering their significant emissions. Similarly, G20 countries can facilitate trade agreements that could help accelerate climate progress. The G20 should also utilise its leadership to increase funding, including concessional finance and enable private capital flow into emerging markets. However, on several aspects G20 countries still need to find compromises and develop joint responses. This is a challenge for the future.

Closing remarks

Pierre-Yves Dermagne, Belgium's Deputy Prime Minister and Minister of the Economy and Employment, highlighted that while the EU is a pioneer in sustainability, more is needed to be done to reduce energy consumption, boost renewables, re-localize supply chains and make them more circular, invest in research and development. The single market is a lever for tackling these challenges. At the same time, the social dimension is key to ensure a sustainable future. Hence, the most precarious citizens and the middle classes must also benefit from the "green" transition, with social cohesion and competitiveness going hand in hand. View the closing remarks on the EU Sustainable Investment Summit website.

"The single market and economic progress will only be sustainable if they integrate the climate challenge and are accompanied by upward social convergence."

Pierre-Yves Dermagne

Paolo Gentiloni, European Commissioner for Economy, highlighted that despite the unprecedented crises, Europe has kept on delivering on the Green Deal. New instruments such as the Recovery and Resilience Facility and InvestEU as well as the economic governance reform drive reforms and investments across the EU and help Member States prioritise sustainable investments. Likewise, the pioneer Carbon Border Adjustment Mechanism is yielding global inspiration. The Commissioner emphasised the crucial role of public and private investment in closing the investment gap, highlighting the need for the EU to be mindful of the potential distributional effects of its green policies. At the global scale, the Commissioner called for more international cooperation to mobilise investments for mitigation and adaptation. View the closing remarks on the EU Sustainable Investment Summit website.

"We must ensure that the transition is really a just one."

Paolo Gentiloni

European Commission