



SUBMISSION BY SWEDEN AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

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Subject: views on opportunities, best practices, actionable solutions,
challenges and barriers relevant to accelerating just energy transition

Introduction

The MWP's objective is to urgently scale up mitigation ambition and implementation in this critical decade in a manner that complements the global stocktake. Keeping the 1,5°C within reach demands accelerating the global mitigation effort through immediate, rapid, deep, and sustained reduction in global greenhouse gas emissions. The decisions and actions we take over this decade will strongly impact our global pathway towards net zero CO₂ emissions around 2050 and have impacts on generations to come.

Accelerating mitigation action also provides significant socioeconomic opportunities on a national, regional and global scale. Contrary to this, delayed mitigation action would lock-in high-emissions infrastructure, raise risks of stranded assets and cost-escalation including additional pressure on fiscal budgets, reduce feasibility of keeping 1,5°C within reach, and increase loss and damage.

Energy supply, distribution, and use contributes around 75% of total global GHG emissions, principally carbon dioxide and methane, including the energy used in buildings, transport, and industry. This is due to the current dependence on fossil fuel energy sources.

Therefore, the EU welcomes the decision on the topics of the 2023 MWP dialogues and the opportunity to share views on opportunities, best practices, actionable solutions, challenges and barriers relevant to accelerating just energy transition, including by:

- Implementing policies and measures with global overview and country-specific experience;

- Addressing financial, technological and capacity-building needs in this area, such as through international cooperation, including with non-Party stakeholders, and provision of support to developing countries;
- Promoting sustainable development and understanding socioeconomic effects

Realising a just energy transition has a high mitigation potential and is at the same time a challenge in terms of both ambition and implementation during this critical decade.

The EU is of the view that we need a focus on progressing a phase out of all unabated fossil fuels, and a rapid expansion of renewables. This effort should build on the COP 26 and COP 27 commitments to phase down unabated coal power, phase out of fossil fuel subsidies, reduce non-CO₂ emissions and increase the use of low-emission and renewable energy. It could include setting clear global goals, e.g. on renewable energy and energy efficiency. International cooperation, such as through just energy transition partnerships and other cooperative actions and alliances, is key to achieve these goals.

Implementing policies and measures with global overview and country-specific experience

Designing and adopting comprehensive legislative frameworks, consisting of policies and regulation, is a central driver to accelerate climate ambition and implementation towards a just energy transition in this critical decade and beyond. These frameworks should provide strategic incentives for a just energy transition by reflecting on currently existing barriers and opportunities to the just energy transition and incentivise both public and private actors to accelerate their mitigation action in the energy sector.

The MWP can create significant momentum and have an added value with respect to policies and regulation in three ways, namely by 1) providing a sectorial policy pathway towards the just energy transition, 2) enabling an exchange on policy implementation experience and learnings and 3) contributing to the establishment of benchmarks for the just energy transition. The MWP can realise this effort based on input from Parties and non-party stakeholders (NPS) as well as building upon the already existing literature from the IPCC, energy focused organisations such as the IEA and IRENA, and multilateral organisations such as the OECD, the World Bank or regional development banks, amongst others.

First, it can contribute to creating a mitigation pathway for accelerating the energy transition by linking existing literature on efficient and effective policies and regulation with the economic, social, and political realities of Parties and in line with mitigation pathway modelling keeping 1.5 degrees alive. As an initial step, we suggest to look into the energy

supply chain, including generation, and at a later stage in the MWP focus on transmission up to electrification in energy consuming sectors, especially transport, buildings, and industry.

The EU is of the view that, in line with recent literature from the IPCC AR6 SYR on opportunities for scaling up mitigation until 2030¹ and the IEA², both the biggest challenge and biggest opportunity lies in the rapid phase in of renewable electricity, the parallel phase out of unabated fossil fuels and related upgrades of auxiliary infrastructure, such as transmission lines and storage capacity. Increased deployment of renewable electricity generation, primarily wind and solar, can save more than 6 GtCO₂eq/y already by 2030 for net-lifetime costs of less than USD 20 per tCO₂eq, most of it for even negative net-lifetime costs³. To keep the 1.5-degree within reach, the renewables share of total energy supply needs to be tripled to around 30% in 2030 compared to 2021 levels⁴. Additionally, accelerating renewable generation comes with various benefits, such as the creation of new jobs and businesses in the renewable generation ecosystem and health improvement due to less air pollution. Therefore, the MWP should primarily focus on the aspect of electricity generation within the just energy transition.

The MWP should encourage the design of policies and regulation based on the common understanding that mitigation actions in the energy sector, for instance through deploying of solar and wind generation, are technically available and economically competitive over the project lifespan⁵, and therefore should be the first choice when adding new generation capacity and to replace fossil fuel-based capacity. They should aim at catalysing "positive tipping points" and breakthroughs by building critical mass and accelerate the economies of scale.

To fast-track the phase in of renewable electricity generation, policies and regulation should therefore aim to increase the technical and logistical feasibility of generation projects and provide, where necessary, economic support to lower the initial investment costs. This includes, for instance, the establishment of preferred zones for renewable generation deployment, the reduction of barriers in existing regulations, such as construction permits, the overall reduction of time from project planning to operationalisation, the establishment of tariff systems incentivising the deployment of renewable electricity generation and the

¹ IPCC AR6 SYR, pg. 28

² [Energy System Overview – Analysis - IEA](#)

³ IPCC AR6 SYR, pg. 28

⁴ [Energy System Overview – Analysis - IEA](#)

⁵ From 2010 2019 there have been sustained decreases in the unit costs of solar energy (85%), wind energy (55%), and lithium ion batteries (85%), and large increases in their deployment, e.g., >10x for solar. (IPCC AR6 SYR)

provision of incentives through fiscal regulation, investment subsidies or tax codes preferential towards renewable electricity generation.

To accelerate the phase out of unabated fossil fuels, policies and regulation should be based on a commitment to a managed phase out of the production of fossil fuels (e.g. by setting production end-dates)⁶ and focus on providing a clear schedule towards the phase out of unabated fossil fuels in electricity generation. Additionally, fossil fuel subsidies should be addressed and gradually eliminated, shifting resources towards the just energy transition. Managing this shift in electricity supply and a higher electricity demand due to the electrification of energy demand, policies and regulation should also aim at enhancing energy efficiency and providing a strategic approach to upgrading transmission lines and distribution grids, including incentives for electricity storage.

Second, the MWP can provide a space to gather and provide examples of best practice policy and regulation implementation. Parties can benefit from sharing examples of policy and regulation design and implementation, for instance by illustrating innovative solutions to accelerate the just energy transition, showcasing policy design approaches including inputs from non-party stakeholders and the civil society, or elaborating on economic analysis accompanying the design of policies. These examples and best practices should provide country-specific insights into both successful and not successful policy and regulation action, drawing conclusions on errors to avoid and promising steps to take. They should be presented and discussed so that they ultimately contribute to the implementation of the pathway towards a just energy transition.

The EU is standing ready to actively contribute with lessons learnt of policy and regulation implementation on an EU and EU member state level, for instance drawing insights from the establishment of the EU ETS, the energy related elements of the Fit for 55 package or the recent action taken through the RePowerEU package in light of the war in Ukraine.

Third, the MWP can contribute to establishing global benchmarks, linking policies and regulation to specific goals within the energy sector. Establishing benchmarks for the just energy transition is an important element to accelerate action as they provide a clear path for the short- to middle term and therefore provide a signalling effect for both public decision makers as well as private investors. Drawing upon recently established targets, such as the G7 targets to deploy 150GW of offshore wind and 1TW of solar PV by 2030, the MWP can further elaborate on global targets for renewable electricity generation, for instance by providing a target number for the share of renewables in total energy supply or establishing a

⁶[Net Zero by 2050 – Analysis - IEA](#)

guiding framework on the phase-out of unabated fossil fuel-based generation. The IPCC, the IEA, IRENA as well as the Joint Research Council (JRC), amongst others, can be consulted in this pursuit to develop benchmarks in line with mitigation trajectories that keep 1.5 degrees alive. The MWP should also follow-up how Parties are contributing to achieving these benchmarks and on how initiatives such as the Glasgow breakthroughs, the Methane pledge, the Energy Transition Council, the Powering Past Coal Alliance, the Beyond Oil and Gas Alliance, and the Just Energy Transition Partnerships are pursuing their objectives.

Lastly, the MWP should establish linkages between its work on policies and regulation to accelerate a just energy transition with national climate strategies, national mitigation plans, NDCs or LT-LEDs and the expected results on sectorial pathways from the GST. This could for instance include recommendations on how to use policy and regulation tools to design effective and efficient climate strategies or guidance on what elements of the energy sector should be considered when updating or drafting policy documents, such as the next round of NDCs. Therefore, it is crucial that both the NDC and the LTS synthesis reports inform the work under the MWP.

Addressing financial, technological and capacity-building needs such as through international cooperation, including with non-Party stakeholders, and provision of support to developing countries;

The IPCC AR6 Report clearly points to some least cost and high mitigation potential solutions for the energy sector: renewable solar and wind, energy efficiency, and reduction of methane emissions. At the same time, it points at some important challenges, in particular mobilising the significant upfront investment needed. It also states that there is sufficient global capital to close the global investment gaps but there are barriers to redirect capital to climate action. It notes, for instance, that public and private finance flows for fossil fuels are still greater than those for climate adaptation and mitigation. It also highlights that “reducing financing barriers for scaling up financial flows would require clear signalling and support by governments, including a stronger alignment of public finances in order to lower real and perceived regulatory, cost and market barriers and risks and improving the risk-return profile of investments”⁷. At the same time, depending on national contexts, financial actors, including investors, financial intermediaries, central banks and financial regulators can shift

⁷ IPCC WR6 SYR pg. 35

the systemic under-pricing of climate-related risks, and reduce sectoral and regional mismatches between available capital and investment needs.

Currently, the investment in renewables is increasing, but investments in fossil fuels are still almost twice as high as investments in renewables. The IPCC AR6 points out that estimates of future CO₂ emissions from existing fossil fuel infrastructures already exceed remaining cumulative net CO₂ emissions in pathways limiting warming to 1.5°C with no or limited overshoot. Renewables are cost competitive with fossil energy in many cases, and the cost of renewables is going down. IPCC AR6 SYR pointed out that near-term actions (before 2030), in particular solar and wind, are feasible and have many benefits.

Hence, the importance of redirecting these investments in fossil energy towards investments in renewable energy, in the broader context of making all finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development (Paris Agreement article 2.1.C). Therefore, it is important to include a broad range of partners in this dialogue process, in particular the private sector, e.g. the Glasgow Financial Alliance for Net Zero (GFANZ) and other relevant actors, eg. Coalition of Finance Ministers for Climate Action (CFMCA). As pointed out in the Sharm-el-Sheikh decision, the High Level Climate Champions are, in the context of their broader role in the Global Climate Action Agenda, a key partner in bringing the actors of the private sector to this exchange.

This includes domestic resources, as well as the support provided to developing countries through several channels. In that context, a group of donors signed the COP 26 statement on the International Support for the Clean Energy Transition, and the International Finance Institutions discussed during the Spring Meeting how the MDBs could better contribute to the goals of the Paris Agreement. Inviting these actors to present some experiences in the context of the MWP Dialogue or the Investment Focused Event could be useful.

In the context of the UNFCCC, the EU is of the view that it is important to build upon and to enhance synergies with, as well as to avoid overlaps with other ongoing work under the UNFCCC and in the broader multilateral climate institutional landscape. Therefore, we think it would be useful to invite relevant actors such as the Green Climate Fund, the CTCN, the PCCB to learn from them about their activities and plans that are related to the objective of the MWP.

International cooperation both at the global level and at the regional level, is key to accelerate the just energy transition in specific areas. At the global level, the EU welcomes the Just Energy Transition Partnerships with South Africa, Indonesia and Vietnam, and is committed to their operationalization, and supports ongoing work under other JETPs. At the regional level, cooperation activities between neighbouring countries can be critical to buffer for the

intermittency of wind and solar renewable energy production by improving the interconnectivity. European examples are a better interconnectivity of the Iberian peninsula (Portugal and Spain) to the rest of European mainland, as well as connecting off shore wind parks in the North sea with a view to harness the full energy potential of the North Sea, involving countries with a North Sea coast.

For the transformation towards zero-carbon technologies development of standards and uniform reporting to track the state of transition, are important. Such reporting can include the reporting on the deployment of low and near-zero emission technologies in key sectors, i.e. steel and cement, and the level of deployment of zero-emission heating technologies and zero-emission vehicles⁸.

Promoting sustainable development and understanding socioeconomic effects

The energy transition needs to be embedded in a just, sustainable and climate resilient development pathway. This means an inclusive approach to integrating adaptation, mitigation and development so as to advance sustainable development in the long term. Strategic and inclusive policy planning that includes both managing climate risks (adaptation) and low to zero emission development is important and has benefits for socio-economic and overall sustainable development.

The IPCC AR6 report clearly states that there are numerous synergies between mitigation actions and sustainable development, specifically in the energy transition, e.g. in energy efficiency and renewable energy measures.⁹ In addition, electrification can enhance public health and employment (by providing green jobs), and can elicit energy security as well as deliver equity.¹⁰

Future energy related emissions can be avoided by leapfrogging or transitioning to renewable energy sources. This has co-benefits for sustainable development and avoids lock-in of GHG emissions caused by a new or continued reliance on fossil fuel infrastructure.

On the understanding of socioeconomic effects; it is important to enhance understanding of the costs and benefits associated with the energy transition and how to improve these social

⁸Footnote with relevant links

⁹IPCC AR6 SYR page 22; IPCC AR6 WGIII SPM page 40

¹⁰IPCC AR6 WGIII SPM page 40

and economic effects. The EU recognises the urgent need to deliver on eradicating energy poverty. According to IPCC¹¹, this can be achieved without significant global emissions growth. Furthermore, it is clear that the costs of climate inaction are far higher, not only financially, but also related to human health and security.

Some socioeconomic effects of mitigation and adaptation action, such as the impact of the implementation of response measures, are being discussed under a specific agenda item. There is also the future Just Transition Work Program. The EU is of the view that duplication of work, should be avoided.

The process

It is important that we make sure to avoid overlaps with other processes, but rather enhance the synergies.

The MWP topics should also apply to the investment focused events, as investments are an important enabler of the implementation in all sectors. Having investment focused events on the same topic as the dialogues can serve as input and strengthen the dialogues (as well as to stimulate concrete specific actions in sub-sectors that can attract the interest of different NPS, in particular the private sector) and the key recommendations in the annual report.

A technical information note with underpinning facts and data and clear questions before the dialogue would be very useful. This can be supported by case studies of scalable solutions, exportable projects, sectoral standards and benchmarks, and policy frameworks. It should enable participants to prepare for a focused and informed interactive dialogue and avoid a sequence of unrelated prepared statements.

The dialogues should commence with some focused and tailor-made introductory presentations and/or panel exchanges, by IPCC members and the IEA, for example. The overall point is for all participants to have the same starting point scientifically, going into the dialogue. The dialogues should further be held in a participatory spirit, including high accessibility by providing hybrid participation options at acceptable hours for all parties. Regional dialogues and investment focused events would allow going deeper into regional specificities.

¹¹IPCC AR6 SYR page 32

When it comes to the annual report, findings and recommendations of the dialogues, including on the investment focused events, should be captured for political consideration and individual Parties' domestic action. It should include a compilation of policies and measures and best practices as well as barriers, enablers and, finally, key recommendations. It needs to be made available well in advance of its political consideration in the High Level Ministerial Roundtable, GST and CMA decision. This means, in turn, that the timing of the second annual dialogue has to be planned well in advance of COP28 so that the report from that dialogue can be included in the annual report of 2023.

As the MWP will result in annual CMA decisions and the report is to be presented annually, the MWP needs to have a formal space in the SBs agenda where Parties can consider progress and exchange views on the content of the annual CMA decision, which ultimately will take into account the report. So, in order to support the objectives of the MWP and robust annual decisions at the CMA, it is necessary to include an agenda item at the SBs in June, in addition to the SB's sessions at every COP.