

# **SMEUnited's position paper on the Commission's Communication "A clean planet for all: a European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy - COM(2018) 773 final"**

## **Executive summary:**

Achieving the ambitious targets set by the Paris Agreement by around mid-century is essential. It should be done through a combination of viable options and measures. Such measures should be cost effective and technology neutral in order to guarantee competitiveness, a high level of employment and ensure that the EU remains an attractive place for investors.

- SMEs can be drivers for change provided the right framework conditions are set.
- An SME impact test should take place before the adoption of every key measure.
- No new intermediate reduction targets are necessary if the strategy is plannable and allows SMEs to adapt.
- The path to decarbonisation should include international cooperation, increased (policy) coordination and public-private partnerships inside the EU, massive investments in innovation and R&D as well as specific measures to support SMEs.

### **Considerations on the scenarios proposed by the European Commission:**

SMEUnited welcomes the Commission's Communication and its timely publication just before the 2018 COP 24 conference in Katowice. This confirms once more that the European Union considers climate change as a major challenge and continues its leading role worldwide in the mitigation and adaptation processes.

More precisely, SMEUnited appreciates that the Commission carried out and presented a thorough analysis of technological options with different scenarios on which stakeholders are invited to react. So far the Commission's plan consists in a modelling exercise. As a next step, the modelling needs to be underpinned with possible strategies for technical implementation. Only then will the impact of the different scenarios become assessable. For SMEUnited it is also important that the Communication is consistent with other objectives of the EU, such as the new framework of the energy policy, based on the three pillars of sustainability, security of supply and competitiveness.

SMEUnited supports the ambitious targets of the Paris Agreement to be reached by around mid-century.

Although each of the proposed scenarios has some merits, SMEUnited is convinced that these targets can only be achieved with a combination of options and measures. Generally, actions should respect the principle of technology neutrality.

This objective should be pursued in a cost effective way, which guarantees growth, competitiveness, high level of employment and ensures the EU keeps fostering the entrepreneurial spirit and remains an attractive place for investors.

With this in mind, on the basis of the "Think Small First" principle, SMEUnited proposes that an SME impact test should take place before the adoption of every key measure in order to assess whether it is really implementable by SMEs.

The route to a CO<sub>2</sub>-neutral economy around 2050 is a marathon, not a sprint to the climate objective of 2030, followed by another short term objective. It is therefore crucial that existing policies are implemented successfully first. Subsequently, additional planning for around 2050 requires thorough preparation. A CO<sub>2</sub>-neutral economy cannot be realised by only incremental improvements, but through systemic changes. This means that a plannable and reliable strategy is needed, which allows SMEs to adapt, to see the results of the investments made and, consequently, rules out new, formal intermediate targets.

### **Considerations on the general framework:**

Considering the amount of GHG currently emitted by the EU and the fact that this is going to be well below 10% at world level in 2030, global cooperation is vital to tackle climate change. The EU can benefit from the first mover's and frontrunner's advantage in this area, but the battle against climate change will be won only if all the major emitting states are gathered behind the same objective.

A united Europe with strong and efficient (policy) coordination is necessary to achieve a cost-effective CO<sub>2</sub>-reduction across the EU. This includes renewable energy generation, coordinating the application of new technologies and developing corresponding infrastructures, enhancing the use of sector coupling as well as further substantial efforts in increasing energy efficiency. In this perspective, the EU should act as much as possible as 'one nation'. This entails a common legal framework and regular progress monitoring.

An important role on the path to a carbon neutral society can be fulfilled by the golden triangle of business – governments – science. Such public private partnerships result in necessary innovative eco-systems in which breakthrough technologies can be developed, which are crucial in supporting the decarbonisation of value chains in the EU. Horizon Europe, the expected new EU framework programme, is one instrument which can facilitate these partnerships.

Complying with the commitments of the Paris Agreement and stepping up the fight against climate change requires massive investments at EU and Member State level in R&D, renewables, energy efficiency (especially in buildings and transport), green infrastructure as well as in all forms of new clean technologies without concentrating exclusively on electrification.

In this context, energy decentralisation, particularly small-scale and locally-owned renewable and high-efficiency co-generation solutions, are key to lowering the EU's GHG emissions as well as to reducing the EU's energy dependency and to creating new local jobs. Therefore, SMEunited invites the EU Institutions to include them in the long-term strategy.

### **Considerations on SMEs and their role in the strategy:**

The outlined strategy illustrates the complexity of a systemic transition which impacts all sectors and areas of our society. On top of that, it will entail a deep change of mindset, of old and consolidated habits, and requires a collective engagement by both companies, public institutions and society in general. This said, the strategy also offers growth and development

opportunities for SMEs in many sectors, both inside the EU and on foreign markets, if the right framework conditions are set.

SMEs represent 99,8% of all businesses in the EU. They are the main source of economic growth, prosperity, employment and social cohesion for the Member States. Since decarbonising the EU is a societal process, it is clear that without the full involvement of SMEs this objective will not be achieved. The climate strategy should therefore strengthen the focus on SMEs as driving force of climate adaption.

A lot of SMEs are already active in areas which are accountable for cutting emissions, such as manufacturing and providing eco-friendly products and services, installation, repair and maintenance as well as sustainable renovation of the existing building stock. However, in view of the scale of the economic transformation necessary to reach the climate goals it is clear that a big bulk of SMEs will need measures such as information, technical assistance, easier access to finance for the upfront investments, reskilling and upskilling of their work force as well as enhanced capacity building of their SME organisations at different levels to successfully adapt to any of the scenarios or combination thereof.

Additional innovation tracks are therefore necessary where the EU (including the EIB and InvestEU) directly supports SMEs to invest in climate change mitigation and adaptation measures. These tracks should assist SMEs to overcome persisting difficulties in access to finance and let them launch and boost innovative projects (e.g. the application of green hydrogen, CCS, CCU, BECCS, and PV). Such projects should focus on R&D in the development of sustainable energy, smart infrastructure, changing mobility, buildings, and digitalisation. After all, the current state of our technology doesn't allow to decarbonise now in a cost-effective manner, but with the right incentives and innovations this will be possible in the middle and long term.

A pivotal role in this process could be played by the new EU industrial strategy, which should facilitate the investments required for the transition. A crucial factor will be access to resources (such as raw materials, skilled staff, etc.) and energy at affordable cost.

Brussels, June 2019

**For further information on this paper, please contact:**

Guido Lena  
Sustainable Development Director - E-mail: [g.lena@smeunited.eu](mailto:g.lena@smeunited.eu)