

UNPACKING 2030 LOW CARBON ECONOMY PATHWAYS

OUTCOME REPORT

INTRODUCTION:

This side event is part of GLOBSEC's Slovakia Low Carbon Economy Pathways project which is exploring more ambitious decarbonisation pathways than those stated in the national energy and climate plan (NECP) and 5-year Energy Manifesto that also contribute to recovery and growth over the next decade. The final report will provide recommendations based on a macroeconomic modelling overview and granular bottom-up sectoral analysis.

'Unpacking 2030 Low Carbon Economy Pathways' aimed to bring experts and public sector representatives to discuss implications of the Commission's recent 55% 2030 emission reduction proposal on V4 countries. The timing of the event ended up being premature for a public sector response, so the messaging is drawn from established V4 research institutes with an EU perspective provided by the Renewable Grid Initiative and DG CLIMA.

SUMMARY POINTS:

SLOVAKIA

- ▶ An EU wide 2030 target of 50% emission reduction target would translate to about 47% in Slovakia, which was modelled in the January 2019 Low Carbon Study (Institute for Environmental Policy is in the process of updating this with 55% by December EU CO₂) and remains useful to revisit those takeaways:
 - ▶ Without climate policies (i.e. business as usual) there would be little to no progress in Slovakia's emission reductions and adapting to a higher 2030 target will be challenging for Slovakia
 - ▶ Slovakia's nuclear base limits grid flexibility leading to low 2030 RES share and energy savings targets
 - ▶ Gradual introduction of more advanced technologies applies to industry and transport post-2030
 - ▶ Buildings renovation and eco-design represent greatest potential for emissions reductions to 2030
 - ▶ Increasing ETS price will push big emitters to invest in cleaner technologies
 - ▶ No negative impact on employment
- ▶ More ambitious target at EU level includes funding (e.g. Modernisation Fund, RRF) for biggest district heating plants switching from coal
 - ▶ Will transport and buildings be included in ETS?
 - ▶ Slovakia needs to increase flexibility in electricity network
 - ▶ Estimated average cost .3-.7% GDP up to 2030 and increasing thereafter
 - ▶ Issue of competitiveness tied to carbon border adjustment
- ▶ Ministries need more information before making decision, not only costs but socioeconomic impact
 - ▶ Steel sector in Slovakia is not only largest emitter but largest employer
 - ▶ Decision not only for the Ministry of Environmental but others with economic and industrial competencies
- ▶ All sectors have to contribute, especially agriculture and forestry which tend to be conservative
- ▶ Cautious approach to expanding ETS to transport and buildings – ETS was a delicate process and is working well now, transport decarbonisation functions differently than industry/energy sectors and risks disrupting current equilibrium

POLAND

- ▶ Inconsistent policies have jeopardized Poland's 2020 targets and traditional approach of the government was not in line with EU 2050 until recently following lead of EU and setting more ambitious strategies
 - ▶ Recent 2040 strategy aims for 80% reductions by 2050

- ▶ Good news that most assets in the power sector are old build from the 1980s and need to be replaced anyway
- ▶ Poland will transform with offshore wind, the question is how much coal will remain in the system in 2050 and whether nuclear will be pursued
- ▶ Most buildings especially in the countryside use coal for heat and this phase out will be a major issue over the next 10 years
 - ▶ Policy instrument has not been implemented and renovation rate is very low
- ▶ Poland is not a typical heavy industry emitter because it is not specialized in a single industry like Austria or Slovakia.
 - ▶ Challenge is to reduce emissions across spectrum of industry not focusing on one
- ▶ With broad trend of electrification Poland will focus on security of supply, for example importing green hydrogen or ammonia, prefer producing as much as possible domestically

HUNGARY

- ▶ Share of RES in Hungary's gross electricity production steadily increased in 2020, reaching nearly 20% in June from under 10% in January
 - ▶ This was a result of successful recent PV auctions adding capacity and competitive advantage of the technology over fossil based production as consumption declined

CZECHIA

- ▶ Several independent studies show it is possible for Czechia to achieve more ambitious 2030 55% GHG reduction target but government position remains conservative
- ▶ Biggest potential in change of energy mix, i.e. switching from coal, but must go beyond current NECP
- ▶ Coal Commission will determine a phase out date by the end of the year but economics should dictate earlier exit
- ▶ First look at the national recovery plan reveals small levels of RES support
- ▶ Coal to gas switching in heating is occurring but not long-term solution

RENEWABLE GRID INITIATIVE

- ▶ Focusing on the grid that will enable the energy transition from an EU perspective and keen to work more with CEE
- ▶ Easiest to achieve emissions reductions with EU rather than strictly national approach
- ▶ EU GHG emissions reduction will be predominately achieved by higher RES, though countries like Czechia, Hungary and Slovakia face common challenge of integrating RES into nuclear based system and providing necessary grid flexibility
- ▶ Some still believe it is not possible to operate grids with high share of variable sources but in reality several countries do so for entire days and managed by connectivity and well-functioning market systems

DG CLIMA

- ▶ 2021-2030 business as usual investments will be high regardless and going further to 55% GHG is an incremental step, mostly directed to energy efficiency in residential and tertiary
- ▶ The order of magnitude is unchanged in the COVID scenario
- ▶ Transformational societal implications must be carefully considered especially coming out of COVID pandemic, reskilling and upskilling to support digital skills
- ▶ Now national governments have to mainstream into policies to push required modernization in context of climate neutrality
- ▶ Massive investment challenge not only in scope but pace in coming years, policymaking must be sound and swift