

## POSITION PAPER

# 2040 climate target, net zero and the role of CCU/S technologies

Brussels, 25/03/2024

### Key messages

**We welcome the opening of the debate on a 2040 climate target, in line with the European Climate Law, but caution against being too ambitious.**

- Recent climate risk assessment reports and scientific studies have shown that the EU must pursue its emissions reduction policy with determination.
- A -90% reduction in greenhouse gas (GHG) emissions in 2040, however, seems overly ambitious from today's perspective for many different reasons, mostly socio-economic.
- The housing shortage is a particularly pressing issue, which has also taken its toll on employment in the construction sector. That is why the construction of new homes and investment in this segment must remain at the top of the agenda.

**Net zero in construction will not be possible without carbon capture and storage.**

- Achieving carbon neutrality by 2050 will not be possible without scaling up carbon capture and storage technologies and developing CO<sub>2</sub> transport infrastructure and storage sites. Effective carbon management is essential to decarbonise the carbon-intensive construction value chain. Recent efforts by the European Commission to support CCU/S should be encouraged.

**For 2024-2029, we recommend focusing on the full implementation of the 'pre-2023 framework' and on industrial competitiveness, cutting back on reporting requirements, and on strengthening climate adaptation/resilience.**

- In the coming years, the focus should shift from presenting a new "avalanche" of legislative proposals to properly implementing what has been agreed during the 2019-2024 term and to industrial competitiveness. In this context, we welcome and support the plans for a European Industrial Deal.

- Reducing or simplifying reporting requirements is also of paramount importance, particularly for SMEs in the construction sector.
- Adaptation and resilience to climate change and disasters must remain high on the agenda. Europe's built environment is particularly vulnerable to extreme weather events and more incentives are needed from Europe to make it 'climate resilient'.
- There is also a need to step up action on endangered raw materials and resources, such as sand and water. This is why we support not only the call for an Industrial Deal, but also for a European Blue Deal.

## We welcome the opening of the debate on a 2040 target but caution against being too ambitious.

FIEC welcomes the opening of the debate on an interim emission reduction target for 2040 compared to 1990 levels. Given that we have already reached 1.48°C above pre-industrial levels and that the 'real costs' of climate change are dangerously accelerating, the EU must continue its emission reduction efforts with determination and it is clear that the European construction sector, by virtue of its size, its share of EU GDP and its industrial employment, must play its part in this enormous effort.

However, we caution against an overly ambitious target for 2040. A **-90% emissions reduction compared to 1990 levels seems overly ambitious from today's perspective** for many different reasons, **mostly socio-economic**. Protests at the end of the 2019-2024 legislative period, but also long before the Green Deal was launched ('yellow vests'), have shown us that a generational project like the Green Deal will always walk a fine line between the necessary high climate protection ambitions and high burdens on society and businesses, potentially leading to a loss of competitiveness in the short and medium term and fears of loss of prosperity.

In the light of new EU legislation that will have a particular impact on households and smaller businesses, FIEC believes that **the EU must step up its efforts to provide financial (and technical) support** to these businesses and households ('just transition'). If the post-2030 framework is not affordable, there is a risk that it will not be implemented. A lesson learned from the adoption of the "pre-2030 framework" is that the "post-2030 framework" must be based on economic realism and acceptance in order to unite industry and civil society behind an ambitious GHG reduction policy. While we believe that a net-zero economy and industry is also a competitive economy and that a clear interim target can give our businesses long-term planning certainty, the **high up-front costs** of the sustainable transition must not be overlooked.

In addition to energy and material prices, which have weighed heavily on construction companies in recent years, **affordable housing** is a particularly pressing issue that has



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been neglected for decades, resulting in a major housing crisis in many EU Member States. The poor state of the housing market also has a dramatic impact on employment in our sector, which could offset the job-creating effect of the Green Deal and the 'renovation wave'<sup>1</sup>. Against this background, **FIEC is concerned** that the European Commission **may be giving too much preference to the renovation of existing buildings over the construction of new affordable housing**, as alluded to in the impact assessment for the 2040 climate target<sup>2</sup>. While we are already seeing and expect increased renovation activity as a result of new energy efficiency legislation in the EU, we emphasise that large-scale investment in new construction, especially new housing, and controlled 'land take' must remain important and be compatible with environmental and climate protection.

With EU and national budgets under pressure, the European Commission has stressed that the bulk of new investment in the transition to net zero must come from private sources, mobilised through novel instruments such as the EU Green Bond Standard or the EU Taxonomy for sustainable activities. This is why FIEC has shown great interest in the Taxonomy from day one and believes that it must play a greater role in mobilising sustainable investment in buildings and infrastructure.

## **Net zero in 2050 will not be possible without CCU/S technologies.**

CCU/S is a key technology in the fight against climate change and this is now widely recognised at European level. With the Net Zero Industry Act (NZIA) and the Industrial Carbon Management Strategy, the Commission aims to facilitate and enable carbon capture, transport and storage projects, develop the necessary CO<sub>2</sub> transport infrastructure, increase the availability of CO<sub>2</sub> storage sites, and identify gaps to deploy CCU/S systems at scale<sup>3</sup>. Several companies represented by FIEC and its member associations are active in the construction of CO<sub>2</sub> capture, utilisation and storage facilities and transport infrastructure.

CCU/S has **large potential for the decarbonisation of the manufacturing process of widely used construction products** such as cement/concrete and steel. The extraction of raw materials and the manufacture of construction and building materials

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<sup>1</sup> According to the "Renovation Wave" strategy, 160,000 new jobs could be created in the construction sector by 2030 through a 'renovation wave'.

<sup>2</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024SC0063>

<sup>3</sup> The Commission estimates that the EU could need to capture up to 280 million tonnes of CO<sub>2</sub> per year by 2040 and 550 million tonnes by 2050 to reach the net zero target and the NZIA sets a target of 50 million tonnes of annual CO<sub>2</sub> storage capacity by 2030.



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account for a large proportion of the embodied carbon of construction projects compared to the actual construction process on site and therefore FIEC supports the vision that CCU/S should be an integral part of the EU's economic system after 2040.

There are still several barriers to the development of CCU/S technology, in particular the development of (cross-border) CO2 transport infrastructure, permitting for the construction of storage sites, and costs. In particular, the mode of CO2 transport, the distances to be covered to the nearest available storage site, the availability of high amounts of 'green electricity' at affordable prices and adequate instruments to temporarily protect manufacturers from high electricity costs will have a key impact on the economic viability and successful uptake of CCU/S. We **support the development of a dense CO2 transport and storage infrastructure across Europe** - including offshore – connecting even remote plants to storage sites and welcome the Commission's announcement to prepare a regulatory package on CO2 transport and storage infrastructure and accelerated permitting.

However, we emphasise that **CCU/S must be developed in parallel with the continued reduction of greenhouse gas emissions** and must not lead to the wrong incentives and reduced decarbonisation efforts in the construction and other sectors ("mitigation deterrence").

## **Our recommendations for 2024-2029: focus on industrial competitiveness, reduce reporting requirements, strengthen innovation and climate resilience.**

In recent months, there have been increasing calls for more "regulatory breathing space" and a greater focus on strengthening business competitiveness, and we share these views. For 2024-2029, the EU should focus

- on **fully and properly implementing** what has been agreed in the European Green Deal,
- **reducing red tape and reporting obligations** wherever possible.

We have welcomed the European Commission's announcement of a 25% reduction in reporting requirements<sup>4</sup> and the discussions on an 'EU Industrial Competitiveness Deal'<sup>5</sup>. In the area of non-financial sustainability reporting, the financial sector's interest in ESG-related information is expected to increase as a result of the adoption of the

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<sup>4</sup> Communication from the Commission, "SME Relief Package", 12 September 2023.

<sup>5</sup> Antwerp Declaration for a European Industrial Deal, see <https://antwerp-declaration.eu/>



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CSRD and the European Sustainability Reporting Standards, which will have a **significant impact on medium-sized and smaller construction companies** through the trickle-down effect. It is therefore important to ensure that SMEs can make good use of the forthcoming Voluntary Simplified Reporting Standards for SMEs (VSME) and are **not unduly burdened by other reporting standards**.

In addition to competitiveness, a **strong framework for innovation and research** is needed. Developing low-carbon and industrial carbon management solutions and making them available on a larger scale at an affordable cost requires an enabling framework that the EU must maintain<sup>6</sup>. More innovative solutions, also those based on artificial intelligence, will be needed to reduce greenhouse gas emissions in construction projects. This supportive framework for innovation also relies heavily on a well-functioning European standardisation system.

**Adaptation to climate change and the development of resilience to disasters will also become increasingly important** and are particularly relevant for the construction sector and its long value chain. Adapting to and managing the risks of climate change is crucial for the built environment, be it buildings or infrastructure, especially in urban areas, as the Commission has recognised in several communications<sup>7</sup>. The revised EPBD, new EU nature legislation and other measures will make the built environment more resilient to climate change, but further efforts are needed<sup>8</sup>. European infrastructure standards also need to be strengthened by integrating climate resilience considerations. Adaptation and resilience also require **more decisive and long-term EU action on critical and vulnerable raw materials and resources** on which the construction industry relies, such as sand. A first step has been taken with the adoption of the Critical Raw Materials Act, but more needs to be done to make the EU and its industry “raw material” and “resource secure”.

Finally, we have started and will continue to push for more proactive and decisive action on water to build climate resilience and manage climate risks related to water challenges, such as water stress and flooding. Water has become a vulnerable resource in large parts of Europe and EU water legislation is not sufficiently implemented at the national level. FIEC therefore calls for a **long-term strategy to address Europe 's many water challenges** and to make water resilience a political priority for the coming years, alongside industrial competitiveness and emissions reduction (see FIEC position on an “EU Blue Deal”).

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<sup>6</sup> Innovation Fund, Connecting Europe Facility, Horizon Europe, etc.

<sup>7</sup> Climate Adaptation Strategy, February 2021, and Communication on managing climate risks in Europe, March 2024.

<sup>8</sup> For example, systematically integrate climate resilience considerations into the design, construction and renovation of buildings through green public procurement criteria for buildings or invest more in infrastructure maintenance.



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