TRANSPORT & ENVIRONMENT

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2° Investing Initiative

Climate Bonds INITIATIVE

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Dear President Juncker,
Vice-President Timmermans,
Vice-President Katainen,
Vice-President Šefčovič,
Commissioner Bulc, Commissioner Crețu,
and Commissioner Cañete,

The EU has been a leading force for the adoption of the Paris agreement, and adopted ambitious binding targets to reduce its CO_2 emissions by 40% by 2030. To achieve these goals, strong transformative changes are needed in both the transport and energy sectors.

On 2nd May 2018, the Commission's communication for a post-2020 Multiannual Financial Framework (MFF) showed positive signs that the EU is accelerating cleaner and smarter investment in Europe's energy and transport systems.

We now call on you to explicitly reflect this progress in the revision of programmes Horizon Europe, the Connecting Europe Facility, the European Regional Development Fund and the Cohesion Fund, currently being finalised.

To foster synergies and build a forward-looking industrial Strategy for Europe, the revision of Europe's financing instruments for research, development, and infrastructure must be in line with four priorities:

1. **Make zero emission mobility an explicit objective of the MFF,** as well as in the Connection Europe Facility (CEF) Regulation for Energy and Transport and the European Structural and Investment Funds (ESIF). Ad hoc funding initiatives for demonstration projects in the clean mobility sector, like the Battery Alliance, should also be supported.
2. **Support through the MFF investments in EU regions where a business case is not there yet.** Allocating a significant part of the future transport and energy budget to support the accelerated roll-out of charging points is crucial for the transition to Electromobility post-2020. This will help achieve a critical mass of charging point infrastructure across the EU and support a better environment for investments in renewable electricity in transport. Integrated operating monopoly-type models should be avoided.
3. **Develop cross-sectoral funding.** The EC should adopt a more comprehensive approach to transport, energy and digital infrastructure investment by combining funding instruments and facilitating synergies or joint clean mobility and renewable energy projects.

4. **Prioritise investments that support the continued decarbonisation of the power sector and the development of renewable energy,** thus ensuring energy security and sustainable economic growth across the EU. Low-carbon electricity represents an enormous potential to decarbonise transport, but investor security for investments in renewables and smart grids (including smart charging) is pivotal. A potential increase of the MFF beyond the current 20% target on energy spending should reflect the growing needs for investments in that matter.

Electromobility, together with autonomous and shared vehicle use, are the three revolutions in mobility forecast in the next decade and will be key to tackle traffic congestion, air pollution, and to achieve Europe's climate targets.

Technology and costs have drastically improved in recent years, and leading European carmakers announced multi-billion euro investments in electrification. From 2019 onwards a new generation of plug-in vehicles will be brought to the market that are expected to lead to double digit sales shares of plug-in vehicles in the early 2020s. This will make a major contribution to meeting both member state and carmaker CO_2 targets, contribute to delivering clean air, and improve energy security.

In parallel, rapid decarbonisation of electricity and the uptake of renewable electricity are crucial to enable vehicles getting closer to being genuinely zero emissions.

The successful and swift transition to electromobility requires the simultaneous roll-out of EU-wide charging infrastructure, the implementation of smart charging functionalities as the standard for all charging services (except high-power charging), and a reliable incentive framework for both renewable project developers and grid operators to invest in smart grids. **Financing instruments should be consistent with these needs and be targeted to smart infrastructure and projects.**

Finally, a substantial part of public funding should focus on areas where private investment is lacking, as the business case is not yet compelling. For example, EU co-funding instruments could play a role in ensuring that the charging network is extended to all parts of the EU, prioritising beyond the TEN-T core networks (where most of the funding has focused so far) to those where the transition to Electromobility has been slower. Public investment should help support an EU-wide favourable framework for investment. At EU level this means there's a need for re-balancing the relative sectoral distribution of the MFF to prioritise transport and electricity infrastructure funding. Allocating the necessary funds can help to ensure that zero emission mobility is competitive whilst supporting green jobs, innovation, and sustainable economic growth in a fair and balanced way across the EU.

The EU budget should help building the infrastructure needed for a cleaner energy and transport sector, shifting investment in high carbon transport projects to zero carbon activities. Supporting cleaner and smarter systems for transport and energy will improve the efficiency of both sectors while making Europe a healthier place to live, fostering its industrial leadership in clean technologies, and creating local and skilled jobs. It will support European companies to drive innovation by building new competitive and future-proof business models.