

Position Paper

# **Climate protection through electrification and digitisation**

14 ZVEI recommendations on how to make  
the Green Deal a success for Europe

June 2020

## **1. Green Deal means future for Europe**

The ZVEI supports the initiative of the EU Commission to strive for an overall, sustainable approach to reducing greenhouse gases with the Green Deal. The EU Commission's communication on the reconstruction of the European economy of 27 May combines the reconstruction proposals with the necessary impetus for investments in our future. With the Green Deal, important industrial and socio-political directions for Europe must be set now, especially after the Covid 19 crisis. We see the Green Deal as an EU programme in order to strengthen Europe as a location that attracts business and investment, sustainable growth and international competitiveness.

## **2. The objectives are well defined – now measures have to be taken**

The EU Recovery Action Plan, in which the EU Commission defines its initiatives and measures for a way out of the Covid 19 crisis, takes up the most important long-term proposals of the EU programme on the Green Deal, on digitisation and on industrial policy. In order to implement the Paris Climate Change Agreement, it is necessary to have a substantiated discussion on measures and their decisive implementation. This requires investments on a broad scale - with an ambitious multi-annual financial framework. In addition, more incentives must be created for private investment and cross-border projects (for example through IPCEIs).

## **3. Start Impact Assessment now**

With a view to the 2030 targets, the EU Commission should quickly launch and complete an impact assessment. The results of the impact assessment should support the rapid implementation of substantial measures. Market participants need answers to questions on practical and unbureaucratic feasibility, effects on complex value-added networks, on trade policy relations, exports and other aspects of energy supply.

## **4. The Electrical Industry - pioneer and solution provider**

The German electrical industry is both a pioneer and a solution provider. Our more than 1,600 member companies already supply the technologies that help to increase climate protection, energy and resource efficiency and thus to achieve the European targets - together with their customers in the lead markets industry, energy, mobility, health and buildings. Climate protection can only succeed through electrification in conjunction with digitisation.

## **5. Green and digital transformation must go hand in hand**

The ZVEI supports the goals of the European Green Deal and the Twin Green and Digital Transition mentioned by the EU Commission. The Green Deal and industrial strategy must go hand in hand. We need a triad of climate policy and industrial policy goals (especially when the economy revives after the crisis) in conjunction with effective measures as well as a realistic impact assessment taking into account the costs and thus the affordability of the announced projects.

## **6. Digitisation through better infrastructure and creating data ecosystems**

The ZVEI welcomes the more strategic orientation of the EU initiated by the EU Commission. The digitisation of the economy and society must now proceed with high speed. The Green Deal goals must be more closely linked to the opportunities offered by digitisation. The expansion of digital infrastructures is therefore a basic prerequisite. This requires a stronger bundling of efforts to expand digital infrastructures. The Digital Single Market must therefore be at the centre of post-Corona efforts, including faster nationwide expansion of 5G infrastructure, the development of a data ecosystem, European cloud solutions and data rooms, strengthening of cyber security, digital skills and the development of digital solutions that strengthen our international competitiveness and at the same time contribute to greater independence and resilience of the European value chains.

## **7. Competitive energy and raw material costs for more electrification**

Even before the Corona crisis, the high level of energy costs reduced the international competitiveness of companies producing in Europe and inhibited electrification in the industry, transport and building sectors. In order to expand the investment scope of companies and promote the conversion of production processes to clean electricity, these burdens must be reduced. The state-induced cost shares in energy prices must be reformed sustainably and adjusted to the climate impact, so that they are being noticeably reduced for climate-neutral energy sources. Furthermore, additional funds must be provided in order to build new sustainable economic structures. Also, bureaucracy must be reduced. More electrification in all sectors can be achieved by adjusting the pricing of energy sources more closely to CO<sub>2</sub> emissions.

## **8. Priority for the development of electricity infrastructure**

Electrification, which is the most cost-effective and energy-efficient means of combating climate change, requires highly reliable, future-proof and intelligent power grids. Those grids must focus on the consumer as a "prosumer" and must be fully tailored to the needs of renewable energies, so that electrification can reach its full potential. Priority should be given to the development of electricity infrastructure – for both distribution and transmission networks - in order to broaden the basis for the further development of renewable energy. Renewable energy industry solutions,

flexible, smart and sustainable grids and energy efficiency solutions work hand in hand and can save local jobs across Europe. The timely creation of an electricity infrastructure based on renewable energies (new grid construction and renovation alike) should therefore be the focus of the forthcoming revision of the Regulation on Trans-European Energy Infrastructure. This will make Europe more attractive as a business location for companies from all over the world.

## **9. Holistic approach for emissions trading for all sectors**

For each sector, CO<sub>2</sub> emissions must be priced at a level that can be planned in the long term on the basis of the economic costs per tonne of CO<sub>2</sub> emitted. This CO<sub>2</sub> pricing must be compatible with the current ETS and must not lead to double taxation. The pricing of the heating and transport sectors is central to this. The aim must be to make CO<sub>2</sub> emissions more expensive and clean electricity cheaper - this is the only way to create incentives to switch from fossil fuels to renewables.

## **10. Carbon Border Adjustments**

If the conventional instruments of free allocation and electricity price compensation are not sufficient for full carbon leakage protection, an additional border adjustment can also be examined without any fixed expectations regarding to the outcome, which must be designed in a WTO-compatible and practicable manner.

## **11. Only global climate protection will be effective**

Climate protection is one of our most important global challenges. Climate protection requires international cooperation and coordination on the basis of the Paris Climate Convention. With a view to COP26, which has been postponed until 2021, this time slot must now be used for intensive negotiations at global level, especially with China, as planned by the German Federal Government as part of the German EU Council Presidency in the second half of 2020. Europe can play a pioneering role in climate protection - but the effectiveness of the measures depends on international agreement.

## **12. Hydrogen will become Europe's most important raw material**

We need a European hydrogen ecosystem. Without this infrastructure, far-reaching decarbonisation will not be possible. This requires measures on both the supply and the demand side and in transport. On the supply side, we need to invest more in renewable energies - the onshore and offshore potential in Europe alone is not enough. We need more imports and an international strategy for this - but also better promotion of domestic energy production, for example through PV systems on new buildings and in the renewal of rooftops. On the transport side, we need to adapt the existing gas networks and, where necessary, build hydrogen infrastructure. The issues of hydrogen bonding and grid connection must be resolved. In addition, the processing of hydrogen into synthetic fuels must be promoted. On the demand side, we must focus on specific projects in the areas of industry, mobility, energy /

electricity networks and hydrogen as a storage medium. The ZVEI therefore welcomes the work of the Clean Hydrogen Strategy and Alliance.

### **13. We need to set up a “renovation wave” for buildings**

The European building stock has a key role to play in achieving the 2050 climate change objectives. The EU Commission rightly proposes a "renovation wave" in its Recovery Action Plan. As the largest energy consumer, the focus in the building sector is on measures for decarbonisation, on the increasing integration of decentralised renewable energies and on the realisation of energy-saving potential. However, buildings do not always have the necessary electrical infrastructure to integrate renewable energies, energy storage, building automation, energy management or charging points for e-vehicles. It is urgently necessary to make electrical systems in buildings future-proof and sustainable for the necessary technological modernization and to enable the achievement of climate protection goals in conjunction with the electricity, heating/cooling and transport sectors. Buildings are thus right in the focus of the sector integration ("system integration") and can connect the areas of energy production, mobility and heating via the energy carrier electricity. The public sector must play a pioneering role in this field.

### **14. There must be a holistic approach to mobility**

Europe needs comprehensive mobility concepts. In addition to temporary measures for the start-up of the entire consumer cycle, measures to accompany the economy, especially in research and innovation (investment in hydrogen, eFuels, networked automated driving, key technologies (AI)) are essential - for example through the Connecting Europe programme and InvestEU. The massive expansion of the electric charging infrastructure in Europe over the next few years - as envisaged in the EU Recovery Action Plan - is the right approach to promote sustainable mobility and complement existing transport solutions.



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