Mr. Frans Timmermans
Executive Vice President for EU Green Deal
European Commission

Brussels, 28 September 2022

Subject: Joint CDP, IIGCC, PRI and Eurosif open Letter on Fit for 55 trilogues

Dear Executive Vice President for the European Green Deal Timmermans,

As CEOs of organisations[1] working with a significant number of financial services institutions and investors in the EU, we are writing to emphasise the need to swiftly implement an ambitious Fit for 55 package that will save energy, accelerate the expansion of renewables, catalyse low-carbon innovation, and mobilise private capital towards sustainable outcomes. At the same time, measures need be taken to ensure a just transition.

The need for the energy transition has never been more urgent. EU energy markets have been under intense and increasing pressure brought about by the Russian war in Ukraine, among other crises. Immediate impacts on energy prices are expected to be followed by energy shortages in the months ahead. EU governments are working quickly to build a new energy security strategy to address disruption risks to customers and economies more broadly.

Europe's move to energy independence goes hand in hand with an accelerated net zero energy transition. Responding to the current crisis will require accelerated systemic changes to underpin a sustainable and secure energy supply for Europe.

The EU has acted in the face of the energy crisis. On 18 May, the European Commission published the REPowerEU plan that contains a suite of concrete measures to phase out Russian fossil fuels, save energy and boost renewable energy production. The EU Winter Preparedness package of 20 July has further underlined the need to increase the EU's energy independence.

Short-term measures need to be supported by binding climate and energy legislation. The European Commission, the Council of the European Union and the European Parliament are about to enter interinstitutional negotiations (trilogues) to decide climate and energy targets and measures for 2030, also known as the Fit for 55 package. These policies will be a crucial catalyst for the energy transition.

Transitioning the energy sector will require significant investment that public finance alone cannot satisfy. PRI and IIGCC have highlighted that investors have a key role to play in achieving the goals the EU has set out for itself. They finance energy infrastructure projects. They also invest in and engage with companies in the economic sectors that must decarbonise. However, the pipeline of sustainable investment opportunities remains limited. CDP's *Missing the Mark* report shows that European companies are on a 2.4°C trajectory, based on their set emission reduction targets: this falls short of reaching the goals of the Paris Agreement.

The outcomes of the Fit for 55 negotiations will define whether the EU can reconcile energy security with its net zero commitments. CDP, IIGCC, and PRI and Eurosif support strong policy action to swiftly

[1] This letter is co-prepared by the Investor Agenda EU Policy Working Group, comprised of CDP, IIGCC, and PRI, in collaboration with Eurosif

implement an ambitious Fit for 55 package. On behalf of the co-signing organisations, we are calling for:

1. **Prioritising energy efficiency measures**
    - Energy efficiency measures provide a key lever to reduce the EU's dependency on fossil fuels and improve its resilience towards the energy market shocks. The co-signing organisations welcome the European Commission's proposal to increase the energy savings target from 9% to 13% as part of the review of the Energy Efficiency Directive (EED). Accompanying this headline goal with annual energy savings targets for Member States and public bodies will ensure that the EU's ambition is more likely to be realised.

2. **Accelerating renewable energy development**
    - The accelerated deployment of renewable energy is crucial to reduce dependency on fossil fuels and meet climate targets. The co-signatories welcome the European Commission's proposal to increase the EU renewable energy target from 40% to 45% by 2030 under the review of the Renewable Energy Directive (future REDIII).
    - Clear definitions and social safeguards for the renewable energy sources, especially for bioenergy from biomass and green hydrogen, will be needed to make sure the renewable energy target is reached using the most sustainable technologies.

3. **Incentivising industry innovation through carbon pricing**
    - An EU Emission Trading System (ETS) with ambitious emission reduction targets and a rapid phase-out of free allowances is likely to increase market transparency and investor confidence in the low-carbon transition
    - Reforms of the EU ETS need to be complemented by a swift implementation of the Carbon Border Adjustment Mechanism (CBAM) in line with international trade rules (WTO). This will further incentivise investments into the industry decarbonisation.

Private finance has an essential role to play in bridging the financing gap between public funding and investment needs to meet the Fit for 55 targets. The existing EU public funding must be used optimally to achieve the EU 2030 climate and energy targets.

We need ambitious climate and energy targets and policies for 2030 that are in line with EU's 2050 net zero ambition. This would increase investment opportunities, secure financial planning, facilitate risk management, and increase market confidence. This would enable investors to mobilise the capital flows for an accelerated EU energy transition contributing to the achievement of the net zero and other objectives set out in the EU Green Deal.

Thank you for your kind consideration and remain at your disposal should you wish to discuss the issue further.

Your sincerely,

Maxfield Weiss, Managing Director, CDP Europe

Akeksandra Palinska, Executive Director, Eurosif

Stephanie Pfeiffer, CEO, IIGCC

David Atkin, CEO, PRI

Letter also sent to:

- Pascal Canfin, Member of European Parliament, Chair of the Committee on the Environment, Public Health and Food Safety
- Jaroslav Zajíček, Czech Permanent Representative to COREPER I

Who we are

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 680 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 14,000 organizations around the world disclosed data through CDP in 2021, including more than 13,000 companies worth over 64% of global market capitalization, and over 1,200 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit www.cdp.net or follow us @CDP and on LinkedIn to find out more.

CDP Europe is a charitable organization registered in Brussels and Berlin and on the EU Transparency Register since 2012. It is part of the CDP Global System that runs the world's environmental disclosure system for companies, cities, states and regions.

Eurosif is one of the leading pan-European associations promoting sustainable finance at European level - encompassing the European Union (EU), the wider European Economic Area (EEA) and the United Kingdom (UK). In addition, Eurosif supports initiatives at global level to promote an ambitious agenda for sustainable finance. Eurosif is a partnership comprised of Europe-based national Sustainable Investment Forums (SIFs). Each of the SIFs has a broad and diverse membership including asset managers, institutional investors, index providers and ESG research & analytics providers with aggregate assets under management (AuM) amounting to over EUR 20 trillion. Eurosif's activities involve contributing substantively to public policy and conducting research that enables a better understanding of ESG and SRI markets and the obstacles encountered by sustainability-oriented investors.

Eurosif and its members are committed to the growth and development of sustainable finance and support the ambition of global and European policymakers in enabling a fully transparent and reliable sustainable investment market through appropriate and well-designed regulation and industry practice.

The **Institutional Investors Group on Climate Change (IIGCC)** is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 375 members, mainly pension funds and asset managers, across 23 countries, with over €60 trillion in assets under management.

The **Principles for Responsible Investment (UNPRI),** established by a UN-led initiative in 2005, works with its international network of more than 5000 signatories with assets totalling c. US$120 trillion, to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate, and ultimately of the environment and society. More information at www.unpri.org.