#BSP_July 2020

Renewed Sustainable Finance Strategy Question to Answer Nr 60: What do you consider to be the key market and key regulatory obstacles that prevent an increase in the pipeline of sustainable projects?

1. Market obstacles:

(1) Lack of interest from consumers for sustainable products

Lack of interest from consumers for sustainable products. It is difficult to divert the investment into goods and services with low carbon footprint if there is no understanding and willingness from consumers' side to pay more for such greener European products. One way to address this could be a solid demand policy comprising incentives, support systems and regulatory stimuli. It should be also noted that some sectors like non-ferrous metals, plastics, or fertilisers are price-takers. The copper price is set on international commodity exchanges. Producers cannot pass on cost increases to customers, and in particular have no ability to pass on higher electricity and CO_2 costs to customers because copper is a homogenous raw material with the same quality wherever it is produced. In such cases the European producers have to bear all additional costs by themselves, in the opposite to their competitors from other regions. The global fertilizer industry is also a worldwide commodity trading sector. Therefore, imported fertilizers with a higher carbon footprint have increasingly substituted domestic EU product, resulting in an import penetration increasing from 20% to 30% of EU consumption over the last decade and a net increase of GHG emissions globally.

(2) No climate regulations nor climate costs for imported products

Undoubtedly, should EU producers only carry the costs of the transition and low carbon economy, it is very challenging to solidify its sustainability due to the fact that in times of higher uncertainty and increased inflation, majority of customers will turn to more cost-efficient products irrespective of the country of origin and method of production. This phenomenon will continue unless imports to the EU, particularly in commodity trading sectors, started to bear similar climate policy costs or consumers' attitude changed so drastically they would be ready to pay significantly more for domestic, greener products than homogenous foreign substitutes with a higher carbon footprint.

+ 32 487 24 58 58 info@zpbsp.com Rue Belliard 40, 1000 Brussels Książęca 4, 00-498 Warsaw www.zpbsp.com

EU Transparency Register Number: 548212735276-89

(3) Timely access to funding

Deployment of clean technologies will only be possible if there will be a possibility to channel the appropriate European funding early on in the process for the clean and low carbon technologies for a wide scope of industry and energy sectors. However, private financial providers should not engage in 'shaming-and-blaming' categorisation for industry sectors with technologies targeting emissions and advancing the goal of climate neutrality.

2. Regulatory obstacles:

(1) Regulatory and legal unpredictability

Foreseeable regulatory and legal eco-systems are a crucial aspect of the investor relations. In case of longer return on the investment period and significant financial resources, stable regulatory frameworks are a prerequisite for obtaining investment. The review of RED II, while its implementation has been not completed can serve as an example for investors and shareholders. Further, we can list Fuel Quality Directive (FQD) for which European Commission has amended the binding life cycle reduction target post 2020 while the emission reduction target discussion for 2030 is still ongoing.

(2) Unhomogeneous starting points

While harmonisation of the EU policies is appreciated, the unique character and starting point of each Member States should be acknowledged according to the respective National Energy and Climate Plans indicating each country's path to low-carbon economy or cross-border access to green energy with market prices and without country's subsidies.

About BSP

Business and Science Poland (BSP) connects the experience of leading Polish enterprises with the EU agenda. We represent the knowledge and interests of successful entities, which employ over 100 000 workers in Poland, EU and globally. We are committed to advancing the values of EU Common Market in sync with the needs to transform it responsibly and effectively.

+ 32 487 24 58 58 info@zpbsp.com Rue Belliard 40, 1000 Brussels Książęca 4, 00-498 Warsaw www.zpbsp.com
EU Transparency Register Number: 548212735276-89