

Guest Speech by H.E. Mr. Jean-Eric Paquet, Ambassador of the European Union (EU) to Japan
At Japan Climate Action Summit 2024 (18 October in Tokyo, organized by Japan Climate Initiative)

こんにちは。 Good afternoon, ladies and gentlemen. A very impressive gathering of key actors on climate change here in Japan. You play an absolutely decisive role in bringing the climate agenda forward here in Japan, but also in connection with many partners you all have around the world. And I would start by saying **don't leave climate policy to us diplomats or administrators**. It is really non-state actors and society which need to design - together with the administration and with political leadership - the climate agenda. So this summit is indeed, as many said before me, particularly important.

You all know how fast the climate crisis is deepening. And I think it is fair to say that the current NDCs, which need to be updated in 2025, will need more than an update. If we take the collective NDCs today, they are not delivering what we need, which is a 43% GHG reduction by 2030, allowing us to keep the Paris goal of 1.5 degrees alive.

So the exercise of submitting new round of NDCs next year is particularly important, is absolutely critical. And the European Union will of course also submit its next NDC. I'll come back to it in a moment.

The transformation of our economies and societies is going to be more challenging than ever. And as the climate crisis has deepened already, the space for incremental change and solutions is being reduced by the day. And in fact, it is more disruptive solutions that need to become the norm of policymaking and the reality, of course, also of climate change. And I think it is therefore particularly important for Europe and other actors around the world to continue ambitiously in delivering their climate policies.

There is a lot of debate also in Japan on where the European Union stands today on its climate policy agenda. This is due in part to the very intense debates which took place around the European Union elections. We have now a change of leadership still in progress in Brussels. And it is true that during this election, many have underlined the impact which these policies are having or will have on our societies, on our industries. And that reflects the fact that we have between 2019 and 2023 at European Union level put in place a large set of regulatory instruments, including a climate law, which mandates a 55% reduction by 2030, as well as instruments for research, for investments, accompanying industrial transformation etc.

The reality of 2024 is that indeed this framework is starting to show its effects. And I will come back to the very steep emissions reduction taking place in Europe as I speak.

But that also, of course, comes with impact on stakeholders, on industries, and change is indeed happening, some disruptions as well.

So in addition to that political debate, we also had a long discussion in Europe on our economy, our society, and our competitiveness, our capacity to generate enough resources, economic growth, particularly to fund, invest and sustain our ambitions, be it in security, be it in maintaining our social fabric, but also particularly on the climate agenda. And this was particularly well captured in the Draghi Report. The former chairman of the European Central Bank and former Prime Minister of Italy made available just a few weeks ago, and which is indeed a very lucid analysis but also a very important set of recommendations to Europe's leaders and institutions and member states to invest much better in our capacity to create that wealth, to invest in our transformation.

Therefore, the Draghi Report has sometimes been analyzed and presented, including here in Tokyo, as an indication that Europe will not be able to or maybe will not want to continue on its climate neutrality transformation. And I would like to dispel this afternoon this misunderstanding.

I think what Mario Draghi says is that indeed we need to ensure that our productivity is profoundly improved and there are very many measures and investments which will be required for that. And precisely to ensure that we can indeed continue to invest in these European transformations, climate action included. He also makes the case, and this has always been at the heart of the European Green Deal, that our climate policy is also our industrial and economic policy. This was said back in 2019 and was not necessarily always at the forefront of the discussions. We were focusing on legislation. But for Mario Draghi, the investment we have been doing, and our industries have been doing, we have been doing also politically and the change and disruption which already happened needs to be continued. We are in the middle of the road, so to speak, and Europe has all interest from all aspects to continue indeed on that road of transformation.

And if I now look at the agenda of European leaders, the political guidelines of the European Commission, which is essentially the European government, as you know, the guidelines presented and supported by the European Parliament, we are staying the course. In fact, this is easy to an extent because it's already enshrined in our legislation. So it is not as if we now have many options to just do something very different. Europeans decided over the last five years that this is the way we will go. And we have put in place frameworks, including also financial instruments, for all sectors, agriculture, land use, forestry, obviously also hard to abate industries, the energy sector, transport. We have targets and instruments which ensure that across society, all actors have a clear roadmap and can work on that transformation. And that legislative and regulatory framework is here and there.

And in fact, what the European Commission recommends is to go one step further and in order to make 2030 even more effective, to already set out the next target for 2040. I think you're aware that the recommendation of the European Commission, this will need to be endorsed by European leaders on the one hand and by the European Parliament, so there will be a lot of work in the coming months, is to start working on a 90% GHG reduction by 2040.

And here again, the idea is not to have an aspiration for 2040, but to set out a path, including with adding the 90% reduction target in our climate law and working across all sectors to ensure that the instruments are progressively put in place, that that target of 2040 can be delivered.

With that, we confirmed 2030. With that, many measures which also impact already industry and society by 2035 and beyond, will be further clarified allowing changes to be planned, investments to be prepared, and these changes to be then properly deployed.

This is not an easy exercise and I think everybody knows that. There is no one in Europe, including no one in our world, those of non-state actors, who doesn't acknowledge it. This has costs. This has also a tremendous impact on workers, on society, obviously on industries. But there is still today in European public opinion more than an overwhelming sense, 90% of Europeans believe that we need to address climate change.

And yes, of course, now addressing it means changes for themselves, around themselves, in their companies, in their cities, in the way they move around. That is not easy and that is hotly debated, contested occasionally also. But overall, the sentiment remains that we need to tackle it as Europeans and with that maybe also provide a bit

of a blueprint together with many others, as we heard earlier, of how that acceleration of policy frameworks and changes in industry, economy and society need to take place.

Now, just to give you a very short snapshot of what is happening on the ground. Because I think, there is a little bit of ambiguity in the debate here in terms of GHG emissions reductions. I mean, this is happening now fast in Europe.

We are now at 37% of GHG reductions in 2023 as compared to 1990. And in fact, between 2022 and 2023, we had a record of emissions reductions of 8.5%. That's the latest data still to be consolidated, but available already. So the impact is very significant. This is largely due to the emission trading system, which has promoted also very significant reductions, both in the energy sector, but also in industry. And we have seen, therefore, progress really across the board. We have, for example, seen a deep development in renewable energies in Europe, as I think many of you know. And we are today only relying to 32% for fossil fuels for electricity in Europe. There was a very significant decrease, I think of nearly 20% in the last year alone. So we are on mostly non-fossil sources of electricity.

Now, a lot more remains to be done. The emission trading system will in 2027 go much further. Today, it covers more or less 48% of our economy. It will now cover also housing, transport, and small industrial installations, and we will move to 75% of coverage whilst at the same time reducing free emissions and therefore driving carbon signals to the next level. And that would in itself, of course, ensure that we accelerate the signals and that the industry has the framework under which it can indeed continue its transformation and do the needed investments.

Then, of course, comes also the introduction of the carbon border adjustment mechanism. I think well known of our partners. Not in place yet, the discussion is ongoing. We had a particularly good dialogue with Japan a few weeks ago on carbon pricing. And with many other partners around the world. So I very much hope that carbon pricing will not be needed for many of the partners which will have introduced equivalent carbon pricing by 2026, 27, 28. But that is of course also part of the setup, allowing our industries to ensure that they remain broadly on a level playing field as they do these key transformations driven by deep carbon pricing in Europe.

A lot more can be said, obviously, but I hope that with these few elements, I gave you a sense of where we are. I think you will see a lot of discussions in Europe and possibly adjustments as well. For example, we just decided to postpone by one year the regulation on deforestation. This is not immediately a climate measure, but it of course connects to carbon sinks across the world. One year of postponement, but no change of substance because it was clear that this far-reaching measure has far-reaching impacts on societies and economies of our partners and that more time was needed for preparation. I cannot completely exclude that on the 2035 target for car emissions there will some adjustments too. And indeed, the Commission President has asked the Commission to work on e-fuels as a niche potential under that. Therefore, these type of adjustments certainly will take place.

But the key measures of the road to 55% reduction and the additional measures, which would come with the 90% reduction are very much the ones which you know, which were agreed and which will now be implemented, with, of course, particular attention on societal impacts and resources to deal with them and particular attention on our competitiveness and on our industry's future. And this, I think, and I finish with that, is quite a good space where Japan and Europe can productively work together on that agenda.

Thank you very much.