

Europe's Energy Transition: A Common Challenge

INSTITUT
MONTAIGNE



[Click here to download
our report](#)

Paris, September 16, 2021 - Ahead of COP26, Institut Montaigne releases its new report *Europe's Energy Transition: A Common Challenge* calling for the EU to set a stronger strategy to meet the Paris Agreement goals by 2050. To accelerate our energy transition, our report recommends:

- **Seizing the opportunity of the European recovery plans to accelerate the decarbonization of the economy, through targeted reforms and investments, and putting in place a centralised European hydrogen development policy**
- **Implementing a carbon traceability system to inform consumers, who must be placed at the center of these reforms, but also to evaluate companies and facilitate the implementation of carbon adjustment at the borders**
- **Strengthening the CO₂ pricing policy and redistributing its revenues to ensure social justice**
- **Strengthening coordination on energy transition issues and building support within the European Union.**

"The European energy transition can be a real lever for creating new centers of economic and technological competitiveness and new sectors of excellence, in particular in the field of renewable energies, hydrogen and electric batteries, sectors that create value and "green" jobs. It also allows new geopolitical and social prospects for the EU. Hence, accelerating and completing the European Green Deal by integrating the divergent interests of different Member States and by accompanying the effects of the transition over time is essential. If it is well conducted, the European energy transition can be a real lever for creating new centers of economic and technological competitiveness and new sectors of excellence, in particular in the field of renewable energies, hydrogen and electric batteries, sectors that create value and "green" jobs. It also allows new geopolitical and social prospects for the EU. Hence, accelerating and completing the European Green Deal by integrating the divergent interests of different Member States and by accompanying the effects of the transition over time is essential" explains **Christian Gollier**, Managing Director of Toulouse School of Economics (TSE) and Chairman of Institut Montaigne's task force on Europe's energy transition.

France, Germany, Poland: overcoming divergences on energy

Our task force deliberately included the positions of France, Germany and Poland, to address the subject of energy transition at the European level. Led by **Christian Gollier, Managing Director of Toulouse School of Economics (TSE)**, the task force met between November 2019 and July 2021 and conducted approx. 50 interviews with academics, think tankers, economists, industrial leaders, policy makers and representatives of civil society, from all three countries, to draw its conclusions.

From these surveys, the task force revealed that a key issue is the strong divergences between the energy policies promoted by France, Germany and Poland, and that without stronger convergence on both approaches and mechanisms, meeting climate goals can fail altogether.

Current recovery plans are a historic opportunity for Europe to accelerate the energy transition, provided that the investments are effectively and properly targeted

The massive amounts of money accounted for in the European Recovery Plans make it clearly possible to accelerate the energy transition. Conditions of success lie in these financial levers (with the question of the effectiveness of investments to reduce CO₂ emissions) but also in Europe's capacity to guarantee a unified energy security.

While the national recovery plans highlight divergences between Member States, both in terms of their current state of affairs and energy transition goals, they also highlight common challenges and shared trajectories that could greatly contribute to the acceleration of the European energy transition. This is particularly the case in the two main areas of the development of hydrogen technology and the decarbonisation of the transport sector.

Implementing European standards to define the carbon impact of products and activities

To achieve carbon neutrality by 2050, the EU must adopt a citizen-centric approach: through their choices, consumers play a part in the transition. It is therefore essential to raise awareness on the details of the carbon impact of products and services.

However, no satisfactory system exists yet to compare the carbon impact of particular production or consumer goods. Such systems have many shortcomings: multiple and non-comparable methodologies, unclear taxonomy, lack of official benchmarks, non-certified information, etc. There is a genuine technical challenge of providing a unified methodology and a certified carbon accounting system at the European level, which would allow for true carbon traceability of production and consumer goods.

Strengthening the European carbon pricing policy

Carbon pricing already exists in Europe through the EU-ETS. But this market has until recently been dysfunctional, resulting in a carbon price that is far too low for the climate damage caused. In addition, the very high volatility of the carbon price in this market does not provide the economic environment and long-term visibility necessary to reassure green entrepreneurs, thereby delaying the necessary private investments.

In this report, Institut Montaigne supports recommendations to replace the current quantity-only target with a mixed target that includes a credible long-term carbon price target, either through a price floor mechanism or the creation of an independent central bank for carbon.

A significant increase in the price of carbon, consistent with the EU's ambitious climate goals, will have adverse consequences in terms of social inequalities, but the existence of tax revenues and an ambitious redistributive policy will make it possible to counteract these effects, while compensating those hit the hardest by the transition, particularly in the coal regions.

The EU must foster coordination and integration in the field of energy policies

In the field of energy policies, there is a divergence between the EU and the Member States. An integrated vision of Europe's energy transition is needed to optimise investment in the transformation of Europe's energy systems.

The creation of an independent European Energy Transition Agency (EETA), with extended competences, is needed to monitor, anticipate and advise the European Commission on energy transition, monitoring the transformation of energy systems, conducting impact studies on energy costs, energy security and the social impact of these transformations.

Click here to discover Institut Montaigne's full report & recommendations for a unified European strategy for energy transition

Follow us on [Twitter](#), [Facebook](#) and [Instagram](#)

Sign up for our [Newsletter](#)

Lara Oliveau, Head of Communications and Press Relations

00 33 (0)6 99 79 43 62 – loliveau@institutmontaigne.org

About Institut Montaigne: *Founded in 2000 and based in Paris, Institut Montaigne is an independent think tank dedicated to public policy in France and Europe. Its work is the result of a rigorous, critical and open method of analysis based on international comparisons. This pioneering non-profit think tank brings together business leaders, senior civil servants, academics, civil society and personalities from a wide range of backgrounds. It is run exclusively through private contributions, each representing less than 1,5% of its annual budget, which amounts to € 6.5 million. Through its various actions - proposals, evaluations of public policies, citizen participations and experimentations - Institut Montaigne aims to fully play a key role in the democratic debate.*