

# IOGP position paper on the European Commission's public consultation on the EU climate target for 2040

**The International Association of Oil and Gas Producers Europe (IOGP Europe) supports the goals of the Paris Agreement and the EU's ambition to reach climate neutrality by 2050, while calling for an inclusive enabling policy framework.**

**We contribute constructively to the development and implementation of EU policies and regulations by providing input and expert advice to European policymakers and stakeholders.**

This paper complements our input to the European Commission's public consultation on the 2040 Climate Target.

## Key messages

Our industry supports the 2050 EU's climate neutrality objective, while calling for an inclusive enabling policy framework, and remains committed to the safe and affordable energy supply to Europe. This shared ambition is jeopardized by several geopolitical, economic and societal challenges, combined with an increasingly complex and burdensome regulatory framework.

We believe that the pace of GHG emission reduction can only be maintained through a marked shift in approach towards more technology-inclusive, competitiveness-oriented, and less prescriptive policymaking. IOGP Europe believes that carbon pricing should be the primary tool to reach our climate objectives in the most cost-effective manner.

In this context, strengthening international cooperation and giving due consideration to the evolution of the global context will be essential in the months and years to come.

## Regulatory simplification

- The energy transition incurs technological and financial costs which Member States and society as a whole will be required to bear. By multiplying sectoral and technology-specific sub-targets, the EU will add additional layers of cost and complexity.
- As competing regions around the world choose simpler, incentive-based approaches, the risk to Europe's industrial competitiveness is significant and acute.
- Increasing energy costs and prescriptive policies may also aggravate energy poverty requiring, in turn, additional support to shield vulnerable households and SMEs from bearing the brunt of the transition to climate neutrality.
- This may jeopardize social acceptance of energy & climate policies.
- To make the energy transition an opportunity rather than a burden, we call on policymakers to rationalize and simplify the regulatory framework and strengthen the business case for all low-carbon technologies.

## Technology inclusiveness

- The current policy framework's technology-specific approach increases consumer costs, aggravates the regulatory burden, and concentrates risks by picking winners while downplaying or ignoring the role of other carbon abatement technologies.
- Prescriptive approaches such as mandates or choice restrictions often lead to increased costs and social acceptance issues which can significantly slow down and even jeopardize the transition to a lower emissions economy. Many European Member States already experience such problems in various forms and for multiple reasons.
- Instead, a technology-open approach based on incentives rather than obligations - such as the US IRA - is more likely to attract investments thanks to its flexibility and inclusiveness, without compromising environmental, economic, and social objectives.
- This would help the EU meet its GHG reduction objectives at lower cost while safeguarding the EU's global competitiveness and security of energy supply.
- We call on the EU to take a much broader approach to the applications of low-carbon solutions, such as carbon management and carbon removal technologies, rather than envisaging their potential only for residual emissions.
- To strengthen the business case for these technologies and accelerate their deployment, the EU policy framework needs to better recognize and reward the efforts undertaken by industries, such as ours, in advancing the energy transition.
- This should be combined with appropriate incentives and funding mechanisms for all low-carbon technologies instead of concentrating on only a few.

## Security of Supply and domestic production

- Europeans rely on a broad mix of energy sources for their daily needs. These energy needs must continue to be met through domestic production and imports while alternative energy supply sources are made available in sufficient volumes.
- EU policies should incentivize the emergence of alternative sources, energy efficiency and emission mitigation technologies instead of starving out gas demand.
- Demand restrictions without a sufficient supply of affordable alternatives only aggravate energy poverty and loss of industrial competitiveness.
- Our industry actively supports the development of renewable and low-carbon energies through substantial investments and by providing energy system flexibility services to facilitate the integration of intermittent renewable energy sources.
- Despite the European oil & gas industry's global environmental leadership, initiatives and calls for even more stringent and disproportionate obligations put the remaining oil and gas domestic production in jeopardy at a critical time, with no clear net environmental benefits in sight but greater import dependency instead.
- We call on EU policymakers to put an end to ambiguous messages on the long-term role of gas and ensure consistency between high-level declarations and detailed regulation. As Europe looks to substitute Russian gas imports, the EU needs to clearly affirm the role of gas on the way to climate neutrality to provide Europe's buyers and external suppliers the necessary visibility to sign long-term supply contracts.

## Conclusions

- We call on the Commission to consider the points above as it works on the impact assessment to determine the EU 2040 climate target.
- Our industry stands ready to provide further input and is committed to continue playing an active role in delivering low-carbon solutions supporting the EU's climate ambition.

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