

D5.3

Minutes and conclusions of the Workshop 1

30 March 2023

Programme Call:	Cross-sectoral solutions for the climate transition (HORIZON-CL5-2021-D1-01)
Grant agreement ID:	101056891
Project Title:	ClimAte Policy AcceptaBiLity Economic framework
Project Acronym	CAPABLE
Partners:	CMCC (Project Coordinator), EUI, IESEG, CNRS, PIK, MCC, UAB, CUNI, RUG, E6, ETH Zurich.
Work-Package:	WP5
Deliverable #:	D5.3
Deliverable Type:	R — Document, report
Contractual Date of Delivery:	28 February 2023
Actual Date of Delivery:	30 March 2023
Title of Document:	Minutes and conclusions of the Workshop 1
Responsible partner:	EUI
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Content of this report:	Minutes and conclusions of the first CAPABLE policy workshop (2 March 2023 – Milan)
Dissemination Level:	PU – Public

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Document revisions		
<i>Author</i>	<i>Revision content</i>	<i>Date</i>
Albert Ferrari	Initial draft	24 March 2023
Simone Borghesi	General revision	27 March 2023
Albert Ferrari	Final Document	30 March 2023

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Glossary

<i>Abbreviation</i>	<i>Full term</i>
CA	Consortium Agreement
GA	Grant Agreement
SH	Stakeholders
WP	Work Package
WP Leader	Work Package Leader
WS	Workshop

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Executive Summary

This deliverable contains the minutes and conclusions of the first CAPABLE policy workshop who took place on Thursday 2 March 2023 in Milan, back-to-back to the kick off meeting.

1. Agenda

CAPABLE - ClimAte Policy AcceptaBiLity Economic framework

Agenda – First Policy Workshop 2 March 2023 (hybrid format)

RFF-CMCC European Institute on Economics and the Environment, CMCC
c/o Cariplo Factory, Learning Rooms, Via Tortona 56, 20143 Milan, Italy

ZOOM Link: <https://cmcc-it.zoom.us/j/85041322183>

Meeting ID: 850 4132 2183, Passcode: 369662

WIFI network at Cariplo Factory: "Base.learningrooms" – please access with your personal Google Account or one of your social accounts.

Objectives:

- ***For the advisory board and the stakeholders: to understand the project and their role in it***
- ***For the consortium: to receive innovative inputs on research questions or methods***

Thursday 2 March 2023

Room: Learning Rooms, Cariplo Factory

From 9:00 **Registration & Welcome Coffee**

9:15 - 9:30 **Tour de table of stakeholders**

9:30 - 10:00 **Brief introduction of CAPABLE**

Chairperson: Johannes Emmerling (RFF-CMCC)

Focus on WP2 - Social acceptability and feasibility

WP Leader: ETH Zürich

Focus on WP3 - Evaluation of European Climate and Environmental Policies

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WP Leader: PIK

Focus on WP4 - Environmental policy-making

WP Leader: CMCC

Focus on WP5 - Stakeholder engagement & purpose of the WS

WP Leader: EUI

Q&A Session (5 min)

- 10:00 – 10:40** **Roundtable: Impacts of the energy crisis on climate policy**
Introduction by Massimo Tavoni
- 10:40 – 11:10* *Coffee Break*
- 11:10 – 11:50** **3 parallel Roundtables (2 in person, 1 online): Policy Acceptance**
Moderators: Keith Smith, Silvia Pianta, Ivan Savin (online)
Note-takers: Roberta Terranova, Jacopo Crimi, Albert Ferrari (online)
Online roundtable: same ZOOM Link
- 11:50 – 12:30** **3 parallel Roundtables (2 in person, 1 online): Policy Evaluation**
Moderators: Johannes Emmerling, Jan Minx, Simone Borghesi (online)
Note-takers: Francesco Granella, Jacopo Crimi, Albert Ferrari (online)
Online roundtable: same ZOOM Link
- 12:30 – 12:50* *Reporting back from the six Roundtables*
- 12.50 – 13.00** **Closing session and next steps for stakeholder meetings**
Summary by Simone Borghesi and Albert Ferrari
- 13:00 – 14.00* *Networking Lunch*

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2. Participants and objectives

Participants originated from the following organisations:

ETH, EUI, Deloitte, ènostra coop, FEEM, TEPSA, ECCO Think Tank, Next Energy Consumer, E6, RFF-CMCC, MCC, Fraunhofer ISI, DG R&I, JRC, DG ENER, DG CLIMA, CEPS, European Parliament, Eurocities, EEA, CNRS – IESEG, OECD, PIK, EIB, ARERA, UC Santa Barbara, Enel Foundation, UAB, Italian Ministry of Environment/Sogesid, Università di Brescia, RIE, INFRAS, FernUniversität in Hagen, Carbon Market Watch.

The objectives were the following:

- For the advisory board and the stakeholders: to understand the project and their role in it
- For the consortium: to receive innovative inputs on research questions or methods

After a brief tour de table allowing each participant to present themselves to the group, the coordinator of the project CAPABLE, as well as each work package leader, provided an overview of the different work programmes.

3. Roundtable: Impacts of the energy crisis on climate policy

The OECD presented the results of their study on governments' responses to the energy crisis: in short, these were summarised as "quick and robust but untargeted".¹ One key message underlined in the study is that the crisis had not derailed much of the climate change mitigation efforts². Another study by the OECD, launched before the energy crisis, assessed the support for climate policies. On the occasion of the workshop, the OECD invited the consortium to evaluate how absolute and relative levels and ambitions of climate policies have changed as a result of the crisis and whether behavioural reaction changes have been observed to allow for a broader understanding of pricing mechanisms.

The chair of the session presented the results of a poll among participants in the workshop. Although there was no clear consensus among the respondents, more participants considered that ambition for climate mitigation policies had increased due to the energy crisis. Moreover, respondents believed the race to clean energy technologies would lead to an increase in global emissions reductions (48%), speed up technology change (81,5%) and maintain (44%) or decrease (37%) international equity. A small majority (52%) believed that the support for climate policies among the EU population had increased as a consequence of the energy crisis. However, this support may vary across policy instruments. According to respondents, the public acceptance of specific policies, such as renewable energy subsidies, energy efficiency measures, and protectionist policies, had evolved. Public acceptance of carbon pricing, on the other hand, was considered to have changed less when compared to the latter. The elements most at risk of implementation failure due to the energy crisis were considered to be the ETS 2 for road transport and buildings, as well as the energy taxation directive. The phase-out of new sales of internal combustion engines by 2035 could also be at risk. Most respondents held that climate policy ambition would decrease globally due to the energy crisis. Finally, respondents urged the need for better coordination and coherence of EU climate policies with other policies in the following order of priority: industrial policies (74,1%), macro-economic policies (59%), environmental policies (52%) and trade policies (52%).

The discussion that followed primarily focused on the interplay between policies and behaviours. The participants invited the project team to consider the following aspect of their work.

An analysis and better understanding of what policies can trigger behavioural change and how they achieve that is a paramount step to effectively changing behaviour with a view to support set policy objectives. This could be particularly relevant in sectors such as food consumption and agriculture.

¹ <https://www.oecd-ilibrary.org/sites/03c86860-en/index.html?itemId=/content/component/03c86860-en>

² https://www.oecd-ilibrary.org/economics/fighting-climate-change-international-attitudes-toward-climate-policies_3406f29a-en

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Moreover, it was noted that behaviours and emotions sometimes tend to affect perceptions and habits more than actual policy or prices. In this context, discussions highlighted the study by the European Commission and the IEA on key energy-saving actions. One participant questioned whether behaviours would change if the actual impacts of climate change were to be emphasised.

Valuable learnings can be drawn from the response to the energy crisis. First, it is important to acknowledge the amount of financial resources that were wasted in the form of non-targeted support. Conversely, targeted support may slow down the speed of decision-making in a crisis period. Also, values may affect the definition of targeted groups. Not least, some participants underlined the need to differentiate the impact on energy security in the short term, which can be attributed to emotional reactions rather than price or policy.

While high carbon prices are key, the internalisation of other social costs will also have to be considered, not least given that market designs can also have distributional impacts. Issues such as poverty in the food and energy sectors will have to be carefully accounted for and measures enacted to ensure the carbon price does not affect them. One added value would be to look at policy packages more holistically rather than at specific policies. In sum, participants highlighted the importance of designing policies or packages that can simultaneously address social and climate issues. The review should thus include social policies equally, not only climate policies.

Social acceptance: surveys could assess how a more active public involvement in shaping solutions (e.g., prosumers, energy communities) affects their social acceptance. CAPABLE analysis should also ensure policies are led by the EU and not by external actors (e.g., Russia or other fossil fuel-exporting countries). In this regard, some stakeholders held that the EU may be too cautious in its climate goals (e.g., ICE ban by 2035).

4. Main insights from the roundtables on Policy Acceptance

The discussion focused on which policy instruments should be prioritised in implementing the EU Green Deal. There was an agreement that carbon taxes and taxes, in general, are not feasible right now but may become viable in the future with proper revenue recycling towards clean infrastructure, investment or social redistribution.

There was also discussion about the effectiveness of different instruments, such as emissions trading systems, subsidies, and financial instruments, whereby it was noted that the public often misunderstands them. Is there a limit to their acceptability? The project would benefit from deeper reflection on public consensus.

While participants stressed the need to avoid losing people and companies in technicalities, ensuring that policy instruments are justified and understood with thorough explanations and rationales was highlighted as essential. There are visible instruments, such as taxes, and invisible ones, such as ETS. Some subsidies are even nefast. Communication and transparency were emphasised as important aspects of policy design and implementation. To illustrate, it was noted that people are often more open to eliminating harmful subsidies as opposed to adding taxes.

In view of this, discussions echoed the need to focus on policy design, interconnectedness (e.g., policy mix, overlap of policies, different levels of governance) and policy packages, and not only on single policy instruments. Drawing on the fact that there are over 1.000 policies in the OECD, participants cautioned that their excessive number renders harmonisation challenging. Needless to say, the introduction of new policies can be costly too.

There was also a call for policy review based on successful experiences, ex-post analysis, and consideration of financial instruments and schemes. The EU should lead by example, and reviewing these policies was broadly welcomed by participants.

Other policies linked to climate issues, such as human rights and corporate responsibility, were also mentioned. Identifying synergies between climate and biodiversity, environmental protection, agriculture, food, and transport policies would also add value.

Another question examined was how to increase the distributional fairness of the low-carbon transition so as to boost support for climate policies. One approach is to sacrifice tax efficiency in exchange for acceptability, as targeting individuals efficiently is not always possible, and regressive impacts must be avoided. The term "distributional fairness" can be misleading, as it encompasses different dimensions, such as energy or food poverty. Adequate communication of the benefits

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linked to the tax whilst also "making it concrete" for the public by providing a yearly cheque, for instance, can further increase acceptability. Cultural backgrounds can also affect acceptability. The cost to act is often considered too high: policymakers should therefore focus on removing the barriers and incentivising new behaviours. Subsidies are becoming more relevant, and their distributional implications need to be considered. The political environment can remove barriers to adoption, and incentives must be provided to remove behavioural costs. According to some participants, carbon prices are mostly borne by consumers, while the industry escapes them through free allocation of emissions allowances. Current market designs, such as in the energy sector, must be reconsidered to address new objectives, and EU policymakers must tackle distributional consequences to avoid resentment towards policies.

The discussion also revolved around the EU Climate Pact, Citizen Climate Assemblies, and EU Public Consultations and whether they can be considered citizen-centric. The participants discussed the importance of citizen involvement in the policy-making process. The issue of public acceptance of policies and the challenge of addressing the concerns of communities that would suffer if not supported was also discussed. The need to develop a feeling of ownership and a communal project was emphasised, along with the importance of addressing the fear of change by means of communicating how transformation can be better for everyone. The participants acknowledged that participation does not necessarily mean fairness and that delegation and representation can be a good approach. Overall, the discussion highlighted the need for tailored and practical approaches to public engagement and the importance of addressing the concerns of all stakeholders in the policy-making process to ensure successful outcomes.

5. Main insights from the roundtables on Policy Evaluation

Lessons learnt from the COVID-19 crisis may be applied to climate change policies. While there is no one-to-one translation of the COVID-19 crisis to climate change, some aspects of the response can be informative. Rapid and effective cross-country collaboration has taken place. For example, the elasticity of governance can be necessary for climate change policies. The rapidity of the reaction is also an important lesson that can be applied to climate policies. COVID-19 has shown how quickly policies can be implemented and how fast technology can progress. The development of vaccines in record time is proof of this.

Similarly, Member States' responses, with their Recovery and Resiliency Plans, were quick and efficient. Although 37% was to be earmarked for the transition, over 47% was directed to these actions. But were the plans implemented? Was the money spent? The project could cover many questions. Fair redistribution with targeted instruments (or misallocation of funding) and policy successes can also be significant for climate policies.

The COVID-19 pandemic has also shown how fear and politics interact and can modify, at least in the short term, behaviours in the population. However, fear can fade away, and newly acquired behaviours may not last in the long run. Another important lesson from COVID-19 is that science has guided politics. The pandemic brought science to the mainstream media, whereas the public has predominantly followed it and sought to understand it.

However, the responses to the pandemic were not entirely welcomed by the public (e.g., social distancing and overly strict rules brought tension among the population), and policymakers should therefore be careful in devising policies that could trigger such backlash. Science should be communicated in a way that is appealing to different parties. In terms of communication, the participants highlighted the importance of communicating uncertainty in decision-making. If uncertainty is not well communicated, making decisions based on inaccurate information may be perceived as unfair. The health benefits of the COVID-19 pandemic (e.g., reduction of urban air pollution levels as a result of the reallocation of public space towards cycling and walking) could also have been more emphasised.

Some participants suggested that the project should focus on lessons learnt from the energy crisis rather than from COVID-19. In that regard, the discussion emphasised the importance of industrial policy, joint procurement at the EU level, competitiveness, and energy security in intersecting with climate policy. Additionally, the discussion stressed the need for industrial policy, which can create jobs and add value in the long run, to be integrated into climate policy and vice versa. The challenges of supporting industries burdened by transition costs, the longer-term nature of the climate

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challenge, and the opportunities created by energy security were also mentioned. The discussion suggested focusing on countries with significant bottlenecks, particularly in Eastern Europe. Finally, the need for more policy evaluation of green finance and climate-related financial disclosures was welcomed. Beyond energy security, participants also discussed the lessons from consumer empowerment and energy democracy in tackling the energy crisis.

Another part of the discussion revolved around assessing information on policy instruments and how to improve it. The EU's experience in climate policies was suggested as a starting point for reviewing the effectiveness of ex-post analysis and preparing for new approaches with the support of ex-ante research. The focus should be on the next package of policies rather than on what is already in place.

The effectiveness of policy instruments was also discussed, with some participants highlighting the need for granular ex-ante and ex-post analysis of emissions reduction and carbon intensity. Policy acceptance (discussed above) is sometimes seen as one aspect that can compromise the effectiveness of policies. There was a call to make emissions reporting between countries and the EU more effective. The discussion also included the evaluation and acceptance of other policies, such as industrial competition and redistribution regulation, which have proven to be effective but are not often looked into for policies for citizens and consumers. Consumer policy is another area that produces environmental impacts (e.g., the right to return).

The need for a systematic analysis of policies that goes beyond industrial and energy focus was highlighted, considering the interaction between policies. Political announcements and their effects were also discussed, along with political feasibility and the role of politics more broadly.

The long-term reactions to crises were also touched upon, focusing on public expenditure, scientific information provided, and progressive spending. The discussion highlighted the positive outcomes of change and the opportunities that can arise from the crisis response, including green impact and solidarity.

The science-policy interface should be organised horizontally by topics and expertise, direct and stable, and enhancing trust while being visible and contextualised.

Interest groups and coalitions were acknowledged as potential modifiers of policies in the long run. Overall, the discussion emphasised the need for a comprehensive and detailed analysis of policy instruments, the importance of positive outcomes, and the role of politics and interest groups in shaping positive or negative policies.

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One proposal, in particular, was to adopt a more anticipatory and foresight approach to strategic planning based on a system thinking perspective. This, in turn, would entail envisioning alternative scenarios not only (but also) through econometric modelling - potentially also with citizen engagement - to stretch strategic political planning muscles and design policy approaches ahead of crises.

Moreover, several documents were shared by participants to feed in their work:

- JRC web platform on *Evidence-Informed Policy Making*. Last accessed online on 24 March 2023. https://knowledge4policy.ec.europa.eu/evidence-informed-policy-making/topic/enlightenment-20_en
- Mair, D., Smillie, L., La Placa, G., Schwendinger, F., Raykovska, M., Pasztor, Z. and Van Bavel, R., *Understanding our Political Nature: How to put knowledge and reason at the heart of political decision-making*, Publications Office of the European Union, Luxembourg, 2019, doi:10.2760/374191.
- *The European Commission and the IEA outline key energy saving actions*, published on 20 April 2022. Last accessed online on 24 March 2023. https://commission.europa.eu/news/european-commission-and-iea-outline-key-energy-saving-actions-2022-04-21_en
- *Recovery and Resilience Scoreboard*. Last accessed online on 24 March 2023. https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html
- *The Energy Policy Tracker* (dataset on how green the COVID-19 recovery spending has been). Last accessed online on 24 March 2023. <https://www.energypolicytracker.org/>
- *The Social Climate Fund*. Last accessed online on 24 March 2023. https://climate.ec.europa.eu/eu-action/european-green-deal/delivering-european-green-deal/social-climate-fund_en
- *Press release on the Green Deal Industrial Plan: putting Europe's net-zero industry in the lead*. Last accessed online on 24 March 2023. https://ec.europa.eu/commission/presscorner/detail/en/ip_23_510
- *Guidelines on State aid for climate, environmental protection and energy 2022*. Last accessed online on 24 March 2023. https://competition-policy.ec.europa.eu/sectors/energy-environment/legislation_en
- *Circular Economy: Commission proposals on new consumer rights and ban on greenwashing*. Last accessed online on 24 March 2023. https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2098

At the end of the workshop, the organisers of the workshop (EUI with the support of E6 and CMCC) thanked all participants, including many consortium members, and invited them to continue the discussion in the future either bilaterally or at the next policy workshop to be held in 2024. In the meantime, the confirmed members of the advisory board will be involved closer.

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