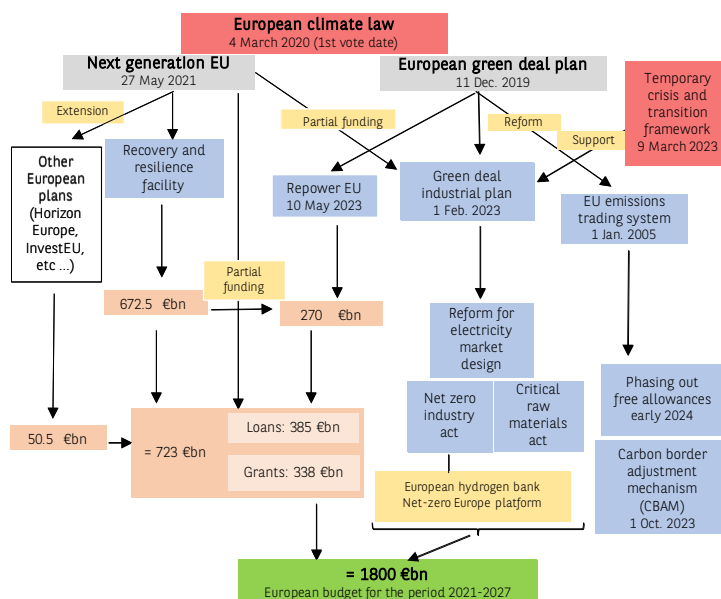


6 September 2023

THE EUROPEAN UNION'S RESPONSE TO CLIMATE AND INDUSTRIAL CHALLENGES

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The European Union's multiple response to current challenges



Source: European Commission, BNP Paribas

The COVID-19 pandemic and the war in Ukraine have prompted many advanced countries to rethink and relocate their supply chains in order to secure strategic production and to create a framework that will help to promote the energy and environmental transition.

The European Union is fully committed to this ambition. Numerous reforms, financially ambitious and intended to cover all of the current and future challenges that we are facing, are under way. The chart illustrates how the plans and sums involved are structured.

The main roadmap is the European Green Deal, which was unveiled in December 2019. The legal framework came later, in the form of the European Climate Law adopted by the European Council in June 2021 (in its final version). While the European Green Deal covers many objectives, its main one is to make Europe the first climate-neutral continent by 2050. In particular, it includes the Green Industrial Plan, which was put in place in February 2023 and is sometimes touted as the European Union's response to the US Inflation Reduction Act (which has a projected budget of USD 370 billion). This Green Industrial Plan is supported by the Temporary Crisis and Transition Framework (TCTF), which helps Member States to provide financial support to strategic-sector companies.

At the same time, the EU is taking more and more steps towards tightening the rules for the Emissions Trading System (EU ETS), underlined by the launch of the preparatory phase of the Carbon Border Adjustment Mechanism (CBAM).

In addition, the NextGenEU plan, the EU's initial response to the health crisis, approved in early 2021 and with a budget of EUR 723 billion, aims to support the European economy recovery by fully integrating the European Green Deal's objectives.

Finally, in order to address the recent energy supply strains, the European Commission has set up the RepowerEU plan, which, in particular, aims to make the EU more resilient and independent by diversifying its energy sources and becoming a leader in tomorrow's energies.

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Published by BNP PARIBAS Economic Research

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Internet: www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Head of publication : Jean Lemierre / Chief editor: William De Vijlder



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