



## Press Release

### **Discussion paper on transformation financing for industrial companies: Focus on a CO<sub>2</sub>-neutral economy**

8 December - The decarbonisation of large industrial companies in Germany is urgent and requires massive investment. The effect on the climate will be enormous because 50 locations in Germany are responsible for 10% of CO<sub>2</sub> emissions.

The latest discussion paper from the German government's Sustainable Finance Advisory Committee (SFB) sheds light on the current state of industry in Germany and analyses what measures are needed to achieve CO<sub>2</sub> targets and at the same time maintain the competitiveness of German industry. This is exactly what the Federal Chancellor is pushing for with his Climate Club.

Two thirds of CO<sub>2</sub> emissions from manufacturing industry come from "hard-to-abate" sectors (i.e. sectors whose CO<sub>2</sub> emissions are difficult to reduce) such as the production of paper, chemicals, steel, lime, cement and glass. A rapid and targeted decarbonisation of these sectors can make a huge contribution to achieving the CO<sub>2</sub> targets. For the German economy as a whole and the companies concerned, this offers an opportunity for long-term competitiveness, but also represents a short and medium-term challenge, not least for financing the transformation of these companies.

The discussion paper outlines answers: It argues in favour of a clear definition of "transformation" and the establishment of EU-wide, standardised, practical principles for transition finance. The German government is called upon to support the industrial transformation with clear, reliable and long-term measures in order to maintain Germany as a competitive industrial location for the future. This includes needs-based subsidies and grants for new technologies in the acute transition phase, especially in the "hard-to-abate" industries, when profitable existing plants need to be replaced by new technologies. Incentives, e.g. through tax relief and a simplification and better dovetailing of application and administrative processes, are also key.

The paper also focuses on the development of a Germany-wide transport and storage system for CO<sub>2</sub>, including a market for negative emissions. According to the SFB, the aim should be to integrate this system into the European Emissions Trading System (ETS).

*"The decarbonization of large industrial companies holds enormous potential, not only for achieving climate targets, but also for maintaining competitiveness in Germany and securing jobs. However, we must bear in mind that this transformation requires investment in new technologies, which always entail risks and are often not yet economically viable under current conditions. Clear, reliable and long-term targets and strategies from the German government are therefore essential in order to create the necessary framework conditions for the economy and thus enable and finance the transformation towards CO<sub>2</sub> neutrality",* comments Severin Weig, head of the sub-working group and Director Group Treasury at Heidelberg Materials.

The complete paper (in German only) can be viewed on the website of the Sustainable Finance Advisory Committee ([LINK](#)).

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#### Contact SFB

SFB-Geschaefsstelle@bmf.bund.de

Tel.: +49 3018 682 3069

Responsibility for content under German media law: Silke Stremlau, Chair of the Sustainable Finance Advisory Committee of the German Federal Government

#### **The Sustainable Finance Advisory Committee (SFB)**

The German Sustainable Finance Advisory Committee advises the German Federal Government on sustainability aspects in the financial system. Consisting of 34 experts from the financial sector, the real economy, civil society and academia, and supported by 19 observers, it acts independently. It supports the German Federal Government in the implementation and further development of the German Sustainable Finance Strategy and advises relevant stakeholders on how to position themselves.

The SFB has written four discussion papers on the topic of "sustainable transformation financing", which deal with the central challenges and solutions for a sustainable transformation in various economic sectors. Against the backdrop of the German Federal Constitutional Court's ruling of 15.11.23 on the supplementary budget, the issue of (private) financing for the sustainable transformation of our economy will continue to be of enormous importance. The SFB's papers offer practical recommendations for small and medium-sized enterprises (SMEs), start-ups in the climate tech sector, industrial companies and the expansion of sustainable infrastructure in Germany.