

KONTEXT REPORT

**European Forum
Alpbach 2024
Climate Track Report**



Introduction

Key Climate Insights from EFA 2024: Challenges, Solutions, and the Road Ahead

As the official Climate Track reporting partner at the European Forum Alpbach 2024, KONTEXT – Institute for Climate Matters had the opportunity to weave together the wide range of critical climate discussions. Accompanied by the leading think tanks Europe Jacques Delors, Bruegel and the Austria Institute for European and Security Policy (AIES), who covered other thematic tracks, KONTEXT encountered valuable insights on climate policy, innovation, and pathways to a sustainable transformation, debated by pioneers from a broad variety of different institutions and backgrounds.

The following report, composed of four different sections, offers a concise overview of the core discussions, key takeaways, and memorable quotes from the Climate Track sessions, attended by over 4.000 participants, who explored how to:

- pursue a shared sustainable **vision** for the future,
- build and maintain **momentum** to get there,
- implement a portfolio of actionable solutions to **transform** our **industries**, and
- create **regulatory frameworks** that enable the transition.

Each section of the report begins by outlining the status quo and critical challenges before delving into the proposed solutions discussed by experts, policymakers, activists and artists. The insights highlight both the urgency and the potential of impactful climate action across various sectors. To meet the targets and harvest the underlying potential, all stakeholders need to take respective responsibility and translate these solutions into their daily work practice, considering what legacy they ultimately will leave behind.

Moving forward in climate action does not mean waiting for one big leap, but implementing interconnected, incremental interventions at the right time.

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The following is a summary of statements made by speakers and participants during the sessions. These statements do not necessarily reflect the views of KONTEXT, may be incomplete, contested, or refer to the session context. We encourage you to view them as points of inspiration and engage in your own process of interpretation and sense making.

Visions for a Sustainable Future

European Forum Alpbach 2024
Climate Track Report #1

The climate crisis demands immediate action to maintain a livable future. As one session referenced Antonio Gramsci's quote, "The old world is dying, and the new world is struggling to be born," we find ourselves as the midwives of this new world, shaping the conditions under which it will emerge and unleashing the potential behind the necessary transformation. Therefore, before we take action, we need to envision the world we want to create. To achieve and sustain momentum, we need clear, optimistic, and realistic visions of a livable future – visions that inspire action and spark motivation more effectively than data and science alone. These can enable us to move beyond outdated systems and to focus on visualizing the possibilities of what lies ahead.

Many sessions of the EFA24 Climate Track highlighted the power of positive dreams, narratives and future visions, as well as practical visualizations, to guide our efforts toward a sustainable future. Opportunities for action include fostering imagination, designing effective collaborations between all relevant stakeholders, promoting participatory governance, empowering youth and young leaders, using spill-over effects of sustainable visions put into practice, promoting political clarity to reach those visions and addressing the emotional impact of the climate crisis. These approaches, collectively, can serve as a foundation for a meaningful, inclusive, and promising shift toward a sustainable world*.

STATUS QUO AND CHALLENGES

1. Lack of imagination for a livable, sustainable future

The climate crisis is a crisis of imagination. Phoebe Tickell (Founder and CEO Moral Imaginations) posed that, contrary to popular belief, when it comes to creating a better world, we do not have a resource problem, we have an imagination problem. To create a more livable future, we need clear, realistic, optimistic visions and images of what that future could look like. Positive dreams, as Luisa Neubauer (Climate Activist & Author) framed them, provide more powerful arguments than the best scientific studies and data, especially when it comes to raising motivation for the next action steps. In other words, it simply is too late for pessimism.

By preserving the imagined systems we have created, we destroy the system we could create. Instead of creating positive dreams, we cling to the images of the current systems with all their shortcomings. One of the reasons for this is a lack of actual visualizations of what the future could and will look like in an "utopian" world. For this reason, speaker Jan Kamensky (Artist, Visual Utopias) creates just such visualizations. More image creations, such as animations, are necessary to make a sustainable future more perceptible and to let go of systems that hinder us on the way to get there.

* The report at hand focuses on the following five sessions at EFA24: To Grow or Not to Grow: The Path Towards a Climate-Positive Economy; Tomorrow Today: Imagining a Livable Future; Europe vs the Polycrisis: The Role of Young Leaders; Vienna New Deal - Prospects for a Climate-Friendly Future; Imagining Green, Sustainable and Regenerative Cities

The detachment between humans and nature fosters a lack of imagination. A reconnection between people and nature is necessary to have the ability to create a holistic image of a livable future. As [Wakanyi Hoffman \(Senior Research Fellow, The New Institute\)](#) pointed out, humanity has separated its inner and outer world and forgotten that it is part of an ecosystem, not the most important species in it, dominating all others. Thus, we should rethink and look at the system we have created (in politics, in economics...) from a holistic perspective. What are the systems we should be looking at (in nature, in environmental boundaries...)?

2. Waiting for action instead of starting action

Great expectations of impact and growth intimidate us from taking small steps towards a more livable future. Especially regarding climate action, we tend to wait for big actors to take the lead and the responsibility and preferably solve the climate crisis with large, overarching measures and processes. According to [Phoebe Tickell](#), even in climate action, e.g. in training activists, we have big expectations to scale up and keep expanding, without knowing which scale is even necessary. These expectations of achieving nothing less than a huge impact while growing in “output” can lead to climate delay out of two reasons: First, it makes small steps seem redundant and discourages us from taking them at all. Second, it makes us wait for actors that we think can live up to those expectations, instead of starting to act ourselves – even though, as [Luisa Neubauer](#) pointed out, there is no reason to wait for anyone to start acting: Things can be done one by one, policy by policy, city by city.

Observing and imitating other actors hinders the development of diverse visions for the future. [Wakanyi Hoffman](#) shared about her home continent Africa in this context. In her opinion, especially in climate matters, the continent should enhance collaborations in between its countries itself. The continent is enriched especially by sharing and learning from place-based knowledge from within. Europe, on the other hand,

justifies certain (non-)action by observing China and its pioneering role in the climate industries, for example. Ultimately, however, this discussion of avoiding corresponding accountability does not necessarily bring us closer to our climate goals. Each country or economic zone carries (historic) responsibility and can take action itself, creating future visions which are suitable respectively.

3. Concrete examples: Structural blockages of the mission for sustainable cities (and countries)

We have to rebuild cities to make them fit for the future. Some of the sessions focused specifically on the issues cities face when trying to put sustainable visions into practice. They illustrate the profound gap between the status quo and the sustainable future visions we should strive for, for example: Cities are dominated by cars, the free space between houses is heavily used for auto-mobility. Very often, there are no restraints on the construction of new buildings or roads. On a governance level, the link between finance and ecology is missing, while there is no CO₂-budget for the planned measures. Cities do have financial budgets, but not ecological ones, which makes it harder to implement policies that work towards sustainable visions. Furthermore, as noted by [Kanishka Narayan \(Member of the UK Parliament\)](#), currently there is a high degree of uncertainty and volatility in politics. Especially in times of crises, uncertainty tends to increase. This also has an impact on action against the climate crisis on both national and regional level.

There is still room for more active participation in local politics. Collaborative practices are sometimes just workshops without a practical outcome – or without *using* the outcome. However, both active participation of citizens and collaborations with important stakeholders could raise awareness and include those groups, their opinion and skills in political processes.

SOLUTIONS

1. Imagining the unimaginable

Utopia can be translated into action. Quoting [Jan Kamensky](#), visions and visualizations of a (seemingly) utopian world have the power to provide us with narratives and help us turn those narratives into action. We therefore need to create spaces for imagination in which those narratives can emerge and develop.

Use your imagination to build bridges. This is applicable in two ways. Firstly, imagination moves beyond languages and can create a common space between different people and cultures. Secondly, it can break down the separation between our inner and outer world and reduce the division between humans and nature. As [Sithara Pathirana](#) (Program Manager, Klima Biennale Wien) said, art can make us feel emotions and therefore build a bridge to reality. Because ultimately, “we are not saving the planet, we are saving ourselves” ([Sophie Porschlegel](#), Director of Studies, [Europe Jacques Delors](#)). That means, in fact, art and imagination are powerful tools to build bridges in climate action.

2. Using spillover effects

Small interventions can lead to big changes. Small steps are necessary to initiate action. By encouraging further steps, they can trigger spillover effects that ultimately lead to transformational change. An example mentioned in one of the sessions is that cities are more likely to invest in sustainable infrastructure if they see other cities have already done so. Thus, positive examples of putting sustainable visions into practice can cause a “fear of missing out” among similar stakeholders. Another practical example presented by [Gernot Wagner](#) (Climate economist, [Columbia Business School](#)) concerned the sustainable steel industry: Following the recent entry of a promising green steel start-up into the market, other steel companies have notably increased their investments in green steel as well.

3. Encouraging participation and truthful collaborations in climate governance

Distributive leadership can lead to greater transparency. [Sophie Porschlegel](#) warns that power is addictive – and that this is a problem concerning powerful people in charge of our future. If we distribute power better among stakeholders, we can reach a more diverse and resilient future for all. The concept of “distributive leadership” fosters increased transparency in climate action and governance. At the same time, it redistributes power in decision-making processes, away from a few leaders towards a collective form of power. To achieve this goal, real collaborations, which are represented in future decisions, as well as participatory processes are necessary. Climate alliances can build bridges between workers and farmers, activists and governments. [Roxana Dela Fiamor](#) (Senior Researcher E3G) described this form of power redistribution as “humble governance”: involving the active participation of citizens, making their input count.

Empowering young generations is crucial, but current decision-makers must also fulfill their responsibilities. Young climate advocates should actively be participating in discussions, said [Christian Vanizette](#) (Co-Founder, [chilli.club & makesense](#)). This is already somewhat normalized in many areas, including the political arena. Initiatives led by young, motivated people can bring fresh ideas and bold energy into politics, helping to drive change. However, the responsibility in driving change should be balanced. While it is important to empower the youth and involve them in decision-making processes, we must be careful not to overly rely on them to solve pressing issues instead of holding the current leaders accountable. Responsibility for addressing challenges should be shared among all stakeholders and across generations.



4. Acknowledging grief, while practicing the focus on positive future visions

Joy is an underrated superhuman quality. Not only [Wakany Hoffman](#), but various speakers at the sessions discussed in this report mentioned the importance of joy and positive emotions in the context of climate action and future prospects. According to [Luisa Neubauer](#), we have to focus on the many spaces where it is possible to feel connected to one another, and the ecosystem. In one discussion, it was even said that “Joy is our last hope” – something we can pick up on and must not lose. Because if we do, we are at risk of becoming cynical and falling into inaction. And, as [Phoebe Tickell](#) quoted Cornelius Eady: *Cynicism is a form of obedience, while joy is a form of disobedience.*

We need to strengthen our capacity to process grief. In order to sustainably create future visions and let go of outdated narratives, we must not solely cultivate joy and positive dreams. At the same time, in the face of the climate crisis, it is just as important to be capable of sitting within grief, anger and loss. We must not talk our (realistic) fears down. To acknowledge them and integrate those emotions of grief and pain is part of the process of creating a new world.

Inner work can lead to outer change. [Nipun Mehta](#) (Founder, [Service Space](#)) highlighted that individual growth is an effective catalyst to find constructive solutions in conflicts. [Stephanie Cox](#) (Children & Youth Lead, [Ashoka](#)) invites global leaders to practice inner exploration, such as expanding awareness and training how to treat opponents with compassion. In another session, it was concluded that young changemakers should also be empowered to embark on their inner journey as a lever for positive change. Because, as [Luisa Neubauer](#) said, the way we treat our planet is above all a reflection of the way we treat ourselves. If we encourage inner growth, outer change can follow more effectively.

5. Concrete examples: Solutions for sustainable cities (and countries)

Building positive visions for the future is part of political responsibility. This involves adopting mission-based politics, thinking beyond the typical five-year governmental periods, and linking financial targets to set climate goals. Long-term processes should be embraced instead of relying on quick fixes. The growth debate, which is often part of future prospects, should not be about whether or not we grow, but rather about how we can pursue different types of growth. For instance, as mentioned by [Gernot Wagner](#), necessary steps towards a more livable and sustainable future, like renovation or the development of green products (e.g., green steel) can drive GDP growth, while the end of fossil fuels may result in a decline. What matters are the key narratives and indicators shaping these discussions, and it is the role of politics to focus on and provide them.

To make narratives effective on the institutional level, industries need political clarity for actions steps. [Alpaslan Deliloglu](#) (CEO & Chief Sustainability Officer (CSO), [IKEA Austria](#)) noted that companies require “the right regulations” to start and continue acting, particularly in areas like circular economies. Change is already underway, with businesses beginning to recognize the pathway towards green transition. Investors are showing increasing interest in environmentally sustainable products and business models, as highlighted by [Nipun Mehta](#). To plan their economic futures in a transforming system, companies and industries are emphasizing the need for technological clarity to provide the security necessary for investing in changes to the value chain.

Gaining Momentum for the Transition

European Forum Alpbach 2024
Climate Track Report #2

The urgency of the climate crisis and the actions required to address it are well understood. Yet, progress remains too slow to meet the goals of the Paris Agreement. In Europe, attention has shifted toward concerns perceived as more immediate such as inflation or geopolitical conflicts, making it difficult to sustain focus on long-term climate action. This reflects a broader challenge: balancing the persistent urgency of the climate crisis with the short-term priorities of political and economic agendas. The issue is not a lack of solutions, but rather the inertia of established systems and resistance from powerful interests. Vested stakeholders continue to impede progress, creating backlash against climate policies and further slowing the transition.

At the EFA24 Climate Track, multiple discussions centred around the challenge of gaining and sustaining momentum for climate action in the face of societal and institutional resistance. A range of effective levers were identified, including mindset shifts, decisive leaders and better collaboration.*

STATUS QUO AND CHALLENGES

1. Unconstructive frames and mindsets

Much of the climate debate revolves around blame and guilt. Gabriel Baunach (Climate Communicator and Author) explained that the concept of the carbon footprint induces feelings of anxiety, frustration and powerlessness. The framing of the footprint is an inherently negative one, focusing on reduction and allocation of guilt. A common response to such a negative framing is inaction, choosing to remain ignorant and avoidant.

The climate crisis gives rise to cognitive dissonance, often leading to inaction. Thomas Brudermann (Associate Professor, University of Graz) introduced the topic of inner conflicts, i.e. when action and emotion do not seem to fit together. Such conflicts manifest, for example, when people take climate action but still feel helpless. Or when people feel anxious but see inaction around them, or when people recognize the threat posed by the climate crisis but don't take action. Scientists have identified three main ways of how people resolve these inner conflicts: (1) adjust one's attitude and self-image, (2) change one's behaviour, or (3) find reasons not to act. The third response is often justified by beliefs such as "I can not make a real difference" or "I have no other option". It is also the most common reaction to cognitive dissonance both on a personal and on a societal level.

* The report at hand focuses on the following five sessions at EFA24: Resilience against a Backlash: Maintaining Momentum for Climate Action; Joining Forces for 1.5 Degrees; No Nature, No Business; Shifting Paradigms: Use the Power of Your Personal Climate Handprint; The Elephant in the Room: Goodbye, Cognitive Dissonance



Systemic traps and psychological barriers prevent change. Risk aversion, for example, can lead individuals and businesses to avoid climate-friendly choices due to concerns about financial or social risks, prioritizing short-term stability over long-term benefits. Sunk costs further entrench resistance: Past investments in carbon-intensive infrastructure or behaviours make the shift to sustainable alternatives more difficult. These examples, along with factors like mistrust in science and the abstract and complex nature of climate change, illustrate the psychological hurdles that hinder meaningful progress.

Thinking in terms of trade-offs implies a zero-sum game. However, effectively, there is no human system stable enough to function without our ecosystem functioning – and consequently no business without nature. [Kirsten Dunlop \(CEO, EIT Climate-KIC\)](#) put it clearly in saying if you see nature and human systems as trade-offs, “you have fundamentally misunderstood” the reality of their interdependency. This trade-off mindset often results in a focus on sacrifice and compromise, which can cause us to overlook opportunities for systemic innovation.

2. Delay of climate action

Lack of a clear vision for a sustainable city or region stifles action. Every city and region has its own unique challenges and potentials. Without a shared vision among stakeholders, decision-making, local engagement, and investments become uncoordinated, incremental and hinder progress.

Some stakeholders strategically delay climate action. Due to economic or political interest, some stakeholders deflect responsibilities, emphasize only the downsides of climate action, push for non-transformative measures or portray change as impossible. [Corina Schwarz \(Energy Expert, AEA - Austrian Energy Agency\)](#) called this a “deliberate poisoning of the debate” that delays real action.

Political and corporate responsibility, courage and will are lacking. Various speakers repeatedly pointed out that political and corporate decision-makers who have knowingly contributed to the climate crisis do not bear sufficient responsibility, are not held accountable or do not face effective consequences.

3. Culture of competition

Our economy promotes zero-sum games that hinder large-scale action. [Roxana Dela Fiamor](#) argued that this competitive dynamic is rewarded and thus leads to people and organizations working against each other, which hinders systemic change. It became clear in multiple sessions that the emphasis on competitive advantage harms efforts of collaboration and multi-stakeholder partnerships essential to address the complex systemic issues underlying the climate crisis.

SOLUTIONS

1. Creating a mindset shift

We need to rethink fundamental concepts such as trade-offs, growth and innovation. [Kirsten Dunlop](#) challenged her audience to think of innovation not as a means of incremental solutions within the existing system. Rather it should be seen as a potential for bringing about the next generation of economic systems to have a new perception of what growth and value means. For her, innovation can also be about building capacities rather than solutions; to enable continuous adaptability, agility and to embrace interdependency, rather than see the interdependency as an obstacle.

Instead of our carbon footprint we should consider our handprint. [Gabriel Baunach \(Climate Communicator and Author\)](#) encouraged his audience to flip the perspective – from the amount of greenhouse gases saved to the amount of positive action taken. Focus should thereby be on creating collective action, changing structures and choice architectures. Individual action should



serve as a multiplier – whether that applies in private life, the workplace, one’s neighbourhood, political sphere or activism.

To deal with cognitive dissonance and psychological barriers, effective communication is key. According to [Thomas Brudermann](#), it is crucial to reflect on one’s own contexts, opportunities and hurdles as well as those of the others, before starting a discussion. Finding common ground and listening before delivering one’s own message makes counterparts more receptive and discourse more constructive. While polarizing forces are using and inciting fear, an effective way for depolarization is to acknowledge emotions with empathy. Recognizing legitimate worries can allow for misconceptions to resolve, anxieties to subside, a sense of community to form and positive action to be taken.

2. Taking lead

Cities can take lead with bold climate action.

A promising example is the EU mission-based project *NetZeroCities*, that supports 100+ cities to overcome the current structural, institutional and cultural barriers they face in order to achieve climate neutrality by 2030. Participating cities are organized into cohorts, pairing stronger and weaker cities to foster mutual support. Through a "climate city contract," they establish commitment, backed by a collaborative action plan involving a diverse range of stakeholders, including citizens. By tapping into the emotional connections people have with their cities and the opportunity of creative co-creation, this project demonstrates how cities can serve as systemic and cultural catalysts for a country’s climate action.

Maintaining peace means taking the lead in climate action. The climate crisis is “no longer a technical problem”, but “a peace problem”, emphasised for example [Indy Johar \(Co-Founder, Dark Matter Labs\)](#). The destabilizing effects of the climate crisis not only intensifies social, geopolitical or economic risks, but also renders them more and more unpredictable. This could lead to those in risk management sectors - such as the military, central banks, insurance companies, and family offices - becoming receptive to and allies for

climate action, as they seek to mitigate those risks.

Regulators play a pivotal role in enabling leaders. Business leaders like [Sebastian Heinzl](#) argue that regulators should act as “the wind in our sails” by implementing well-crafted policies, such as predictable carbon pricing, strategic public procurement, and take-off agreements. These measures can stimulate investment and offer much-needed planning security for businesses.

3. Working together

Active involvement of all stakeholders is crucial.

Initiatives need to find a way to connect to different stakeholders and population groups beyond those who are already engaged. The aforementioned *NetZeroCities* project has dedicated collaborative platforms and initiatives to foster such a broad engagement. In Spanish cities, for example, events in flamenco bars were used to bring different generations together and connect nostalgia and future thinking. To mobilize population groups beyond the usual climate-focused audience, starting with a narrative like „we need you”, as employed by many populist movements, can be more effective than focusing solely on the cause. Moreover, mobilizing arts and culture is essential for reaching beyond rational arguments. Establishing deliberative, collaborative spaces can foster co-imagination and co-creation, encouraging diverse groups to contribute meaningfully to climate solutions.

We need to foster a culture of cooperation.

This means moving beyond a culture of contest to shared responsibility. Cooperation can begin with something as simple as a conversation. For example, during far-right riots in the UK, Muslim chaplain Adam Kelwick offered tea and food to protesters, seeking dialogue in the midst of violence. This shift requires moving from „power over“ – domination and win-lose thinking – to „power with“, where collaboration and mutual capacity-building drive progress. Instead of viewing human nature as inherently competitive and selfish, we must embrace its compassionate and cooperative aspects, which support systems that prioritize collective well-being.

Transforming Industries

European Forum Alpbach 2024
Climate Track Report #3

Achieving climate goals and a sustainable, livable future requires systemic transformation across sectors like energy, agriculture, housing, and industry. However, outdated practices, national interests, regulatory barriers, and inadequate policy frameworks delay these shifts, leaving sectors stuck in an unsustainable status quo. Financial systems prioritize profit over environmental and social well-being, consolidating inequality and hindering progress.

The EFA24 Climate Track highlighted barriers to sectoral sustainability, with proposed solutions emphasizing unified European markets, equitable policies across industries and value chains, agricultural reforms towards holistic management approaches, and legal incentives for sustainable and socially just housing and renovation processes. A just transition requires a coordinated effort through a mix of different measures and policies to balance social equity and economic efficiency, enhancing cross-sectional, but also sector-specific transformational change.*

STATUS QUO AND CHALLENGES

1. Energy sector:

Governments are hesitating to change the existing energy system. Many are not prepared for an European integration into their markets and prefer to maintain the status quo. The slow grid expansion serves as an example of missing measures, hindering progress within the energy transformation. This hesitation is fueled by doubts about the Green Deal, and vice versa, one session revealed. Furthermore, in some countries there are significant ties between public institutions, state-affiliated banks and oil companies, complicating the transition to greener practices. Additionally, differing national interests pose challenges for an EU-wide harmonized energy system. They lead to disagreements, as the example of nuclear energy, mentioned by [Richard König \(CEO, enery\)](#), shows. Therefore, national interests can be obstacles to collective progress in energy transformation.

Industries are struggling to receive the policy framework they need. According to what was discussed in the sessions, CEOs are starting to demand the right regulatory framework to rapidly achieve their (climate/energy) goals. However, these frameworks are still lacking, stifling companies' ability to take action. Excessively long authorization procedures which, for example, in the case of wind power plants, take up to 25 years, were mentioned as a paragon.

* The report at hand focuses on the following five sessions at EFA24: Regenerative Agriculture: Debunking an Imaginary Conflict; Energy Beyond Borders: Industry Partnerships for a Sustainable Future; Stories Of Transformation – How We Cope With Fundamental Change; Turn Green: Standing Assets in a Sustainable Future; The End of the World as We Know It: Big Oil's Final Countdown

While construction itself is not the primary challenge for the expansion of sustainable energy sources, the legal processes behind it often create significant hurdles. Additionally, bureaucracy was mentioned to be a major obstacle for companies and industries looking to progress in the transition.

We have become energy blind. A lack of understanding and awareness of the way we consume and produce energy and the impact on environment and society lead to energy blindness, as [Astrid Alexandersen \(Program Manager, KR Foundation\)](#) explained. She concluded that we need to keep the sustainable vision we are ultimately working towards in mind. Despite positive developments, the production and expansion of oil and gas still continues to rise, highlighting a significant discrepancy between official statements and actual actions in the fossil fuel sector.

Cost transparency is necessary for an energy transition. The fact that fossil fuel companies have significant power and influence over the market can be seen as market failure in the energy market. Additionally, renewables pose a threat to the oil and gas industry as they create competitive dynamics between traded commodities (fossil fuels) and free commodities (renewables). Achieving price parity through cost transparency across renewable energy sources is crucial. However, [Sandrine Dixon-Declève \(Co-President, The Club of Rome\)](#), sees the gradual shift of the energy sector towards electrification as a potential transformation in our energy landscape.

2. Industry sector:

Industrial transition equals energy transition. As the industry sector largely operates with fossil fuels, the decarbonization of industries is heavily dependent on the energy sector. Additionally, according to [Constantin Beelitz \(Regional President Europe, CIS & Türkiye, RHI Magnesita\)](#), some parts of the industry are particularly difficult to decarbonize. For instance, the extraction of raw materials will always result in CO₂ emissions, raising the question of how to address these hard-to-abate areas. Finally, companies in the industry

sector in particular can come under pressure from both the supply and demand side. For example, a steel company aiming for CO₂ neutrality not only exerts pressure on its customers, but also on its suppliers (e.g. in the raw materials sector).

International inconsistencies lead to difficulties in value chains. As in the energy sector, price differences between countries lead to competitive (dis)advantages. For electrification to succeed also in the industry sector, it must be accessible at a competitive price. Furthermore, social standards for employees as well as industrial skills (e.g. lack of industrial skills in Europe) vary greatly internationally. For internationally operating industrial companies, this can pose challenges for creating socially and ecologically sustainable value chains.

3. Agriculture sector:

Current agricultural practices are not regenerating soil and ecosystems. However, so-called regenerative agriculture, which focuses on improving and restoring the health of the soil, ecosystem and communities, should be the goal in this sector.

The right incentives for sustainable visions of the future in the agricultural sector are missing. [Ivo Degn \(Managing Director of Climate Farmers\)](#) emphasized that farmers are not the issue within the current agricultural system. Instead, the core problem lies in a framework that discourages them from practicing regenerative agriculture. Rather than adding new incentives on top of the existing system, it is essential to eliminate the negative incentives that currently stall a transition. Additionally, top-down decisions are often ineffective in this sector, as farmers typically have the best understanding of what their land needs. Therefore, a bottom-up approach to policy making is needed to effectively support sustainable agricultural practices.

Letting go of fears is essential for achieving a paradigm shift. Especially in agriculture, the myth of not being able to feed the world because of insufficient productivity is widespread.

However, this fear is part of an imagined conflict, contrary to the scientific status quo and prevents discussions about alternative regenerative systems. Moving beyond these limiting beliefs is important to make way for transformative policies in the agricultural sector.

4. Housing sector:

The decarbonization of the building sector is one of the biggest challenges in climate action. Despite the lack of attention towards the housing sector compared to, the industry or energy sector, renovation as well as the decarbonization of heating and cooling systems are some of the biggest challenges for a sustainable future. These challenges are not only technical but also involve social justice considerations, particularly in determining how to equitably share costs among homeowners, authorities, and tenants.

5. Cross-sectoral challenges:

The current financial system places insufficient value on people's lives, well-being, and the environment. This system is embedded in a broader market framework that largely disregards natural capital and fails to consider indicators beyond GDP. This results in what some refer to as "polycrisis" – complex, interconnected crises that feed into each other, amplifying their effects. A key example is the fossil fuel market failure with massive profits of the fossil industry, as [Joseph E. Stiglitz \(Economist, Public Policy Analyst and Professor, Columbia University\)](#) pointed out. This profit-driven approach discourages sustainability. Banks also cling to outdated business models – such as oil futures trading and high-carbon lending – that protect their profits but resist a shift to renewable energy and a sustainable economy.

A pervasive fear of the future puts the transition on hold. Many future narratives predict tragedy – such as massive job loss due to AI or an unsuccessful transition to sustainable systems. While some skepticism is natural, this fear can paralyze us and delay the very actions that are

needed for positive change. "Climate delay is the new climate denial", as [Christian Vanizette \(Co-Founder chilli.club & makesense\)](#) said, fueled by fear of action.

SOLUTIONS

1. Energy sector:

We need to move beyond nationalistic thinking in the energy sector. Among others, [Richard König](#) advocated for a single European energy market in that regard. In addition, renewable energy should eventually operate without subsidies, reaching competitive prices across Europe which reflect their true efficiency and sustainability.

The narrative around fossil fuels needs to be reframed to emphasize freedom, independence and long-term advantages. Highlighting the co-benefits of transitioning to sustainable energy in comparison to sticking to fossil fuels can be more productive than discussing the climate crisis in broad terms. An example discussed in one of the sessions highlighted Texas as a leader in sustainable energy production within the U.S.A., actively promoting its pioneering position, setting a positive example for other countries to take action as well.

Especially state-owned energy companies can start action in transforming the energy system. As many oil or fossil fuel companies are government-controlled, it is a unique possibility for them to lead the transformation towards a sustainable energy system. This includes advocating for democratic reforms in corrupt countries that oversee fossil fuel industries. At the same time, there is an increasing momentum for this transition, leading to a rising demand for green energy, technology, and efficiency, as highlighted by [Sandrine Dixson-Declève](#).

2. Industry sector:

We need to recognize the potential of an industrial transformation for the economy, the labor market and the overall well-being. As mentioned by [Dietmar Prammer](#) (deputy mayor, City of Linz), acceptance of this transformation is necessary to unlock its advantages. However, it is equally important to understand that technology alone is not the answer to solving the climate crisis, as [Phoebe Tickell](#) pointed out.

Creating a level playing field is essential for the development of a sustainable industry sector. Similar to the energy sector, renewable energies and other sustainable input factors have to be accessible at a competitive price compared to unsustainable alternatives within the industry sector. Additionally, a main focus of European industrial plans should also be to protect European markets, especially when collaborating with other countries.

Solutions can and must be pragmatic and aim to reduce unnecessary work. “We need to be two steps ahead, providing answers before others ask the question”, said [Sabine Herlitschka](#) (CEO, Infineon Technologies Austria AG). Additionally, it is crucial to involve employees in the process of transforming industries, address and calm their fears, while minimizing unnecessary tasks, such as creating strategy plans just “for the sake of it”.

3. Agriculture sector:

The financial framework of the food industry needs to be restructured. The industry itself could bear the costs associated with its decarbonization, via a well-designed EU Food ETS market, which creates appropriate incentives for food companies to support farmers in the transition and levels the playing field of food imports and European production, as suggested by [Ivo Degn](#). Moreover, governments should focus on funding based on ecological performance rather than providing financial support per hectare. This shift would incentivize sustainable practices and promote environmental stewardship within the food sector.

Empowering farmers can lead to the most effective sustainable shift within the agricultural sector. They usually already have valuable knowledge in managing their land sustainably for future generations. Additionally, climate justice especially involves supporting small scale farmers, as emphasized by [Martin Frick](#) (Director, WFP Global Office Berlin, United Nations World Food Programme (WFP)).

Regenerative agriculture requires a holistic management approach. In order to successfully shift the current agricultural sector towards long-term sustainability, considering ecosystems, their boundaries and social realities throughout the whole value chain is necessary.

4. Housing sector:

A legal framework that facilitates the shift towards a sustainable housing sector is necessary. Key to this effort is the implementation of the Energy Performance of Buildings Directive (EPBD), which sets binding targets and can create a positive business case for renovations and sustainable buildings. The Green Claims Directive can enhance transparency around green premiums and help combat greenwashing in this context as well. Additionally, it is important to support energy efficiency gains equally across all buildings following renovation processes. Currently, banks often prioritize Energy Performance Certificate (EPC) ratings of a certain level when issuing green bonds. This requirement limits access for many existing buildings that make improvements but can never achieve a certain energy efficiency, thus EPC rating level. By shifting to a system that recognizes all energy efficiency improvements, more renovations can be enhanced, even for existing buildings.

Raising awareness of the necessity and feasibility of efficient and socially just renovations is crucial. This requires the government to implement additional measures, such as educating stakeholders and tenants about the benefits of renovation. Providing subsidies for renovations can create the right incentives while ensuring that the rewards from improved energy efficiency – such

as lower energy costs – are equitably shared between tenants and real estate owners or landlords.

5. Overall solutions:

Rethinking our economic and financial system is crucial. This includes looking beyond the Gross Domestic Product (GDP) as the sole measure of progress as well as the current distribution of resources. According to [Sandrine Dixson-Declève](#), the existing economy is over-financialized and driven by shareholder value instead of social and environmental standards. Thus, the issue does not lie in a lack of funding for fundamental needs, but rather in an unequal distribution of resources. To overcome this, public-private financing can work synergistically, with political support for funding and subsidies. [Constantin Beelitz](#) suggested a shift from Operating Expenditures (OpEx) to Capital Expenditures (CapEx) subsidies to encourage particularly necessary initial investments across various sectors. Additionally, certain market failures, such as windfall profits, can and must be addressed as such and redistributed, e.g. towards funds for transformative processes. To set the right incentives within our economic system, subsidizing climate-negative initiatives needs to come to an end. Creating a level playing field, through an improved Carbon Border Adjustment Mechanism (CBAM) as one of many examples, is vital for long-term change in different sectors. Finally, as discussed in several sessions, Europe should have the courage to pursue its own path, even if it means diverging from the approaches of other countries like the U.S. or China, in order to take the next action steps.

Rethinking social aspects within transforming industries is essential. Ensuring equitable access to food, energy, and transportation is fundamental to fostering a just and sustainable future. While accelerating the implementation of climate policies, it is therefore equally important to focus on poverty and social standards as on their economic consequences for industries.

The right framework can help to foster the will to change. As many sessions and discussions revealed, a mix of state and market-based measures is necessary to strengthen the will to

take action. In this context, as [Jens Thumm \(Co-Founder & CEO, Predium Technology GmbH\)](#) stated, regulation creates a common ground for the market. It therefore has the power to set the right framework for the transition, mainly through reducing complexity, setting incentives in certain directions and facilitating efficient work in different sectors. Finally, it is necessary to combine the knowledge of different generations working in climate politics and action. Ultimately, all generations, industries and stakeholders must encourage each other and take respective responsibility in setting an efficient and well-working framework for a sustainable future.

Regulatory Frameworks for the Transition

European Forum Alpbach 2024
Climate Track Report #4

The European Union has made considerable progress in establishing regulatory frameworks for its 2030 and 2050 climate targets, yet significant challenges remain. Firms face rising compliance costs and inadequate carbon pricing, which fail to incentivize large-scale investments in the transition. Governments struggle to mobilize sufficient private capital to support the transformation. The EU Green Deal provides a strong policy foundation, but the private sector criticizes the lack of regulatory clarity, insufficient pro-market initiatives, and the underdeveloped capital markets.

At the EFA24 Climate Track, speakers and participants discussed these policy challenges and introduced various recommendations to address them. Proposals to accelerate the private sector's transition and mobilize private capital included the establishment of green lead markets, risk and reward sharing mechanisms, true costs and more effective pricing of climate risks. Though the specific recommendations varied, the discussions consistently highlighted the pivotal role of policy and regulation as catalysts for driving the transition forward.*

STATUS QUO AND CHALLENGES

1. Current regulatory frameworks

The EU Green Deal has established important regulatory frameworks. There was broad consensus that the binding climate targets for 2030 and 2050 provide a crucial foundation for Europe's ecological transition. Many also voiced support for the directives and regulations designed to achieve these goals. However, [Pascal Lamy \(Chairman, Climate Overshoot Commission\)](#) raised concerns about the level of backing that can be expected from the Council of Ministers for the additional legislation needed to further implement the Green Deal.

Compliance costs are rising. EU regulations like the Corporate Sustainability Reporting Directive (CSRD) require detailed procedures. Business leaders at EFA24 have expressed that they face uncertainty in how to implement these new requirements effectively. This lack of clarity, combined with higher personnel and resource demands, presents a challenge for some corporates.

* The report at hand focuses on the following five sessions at EFA24: The Incoming European Commission's Agenda on Delivering the Green Transition; Financing the Green Transition: Who is Going to Pay the Bill?; US vs. EU Green Tech Race: How to Work Together?; Climate Debate: State vs Market - Finding Common Ground; The future of the EU Green Deal – Financing the Transition

2. Carbon pricing

The EU Emissions Trading System (ETS) lacks price predictability. The ETS can cap emissions according to the EU's carbon budget and adjust prices in response to technological progress. However, this price volatility presents significant challenges. It complicates long-term planning for businesses and investors, creating uncertainty about future costs. As a result, it discourages large-scale investments in low-carbon technologies, where stability is crucial for managing financial risk.

Carbon prices are generally considered too low. Several business leaders have pointed out that ETS prices and national carbon pricing are not substantial enough to incentivize large-scale investments in low-carbon technologies. Furthermore, when compared to the social cost of carbon, current prices fall short of reflecting the true economic and environmental impact.

3. Mobilization capital for the transition

Public funding is insufficient to cover the costs of the transformation alone. The EU budget represents approximately one percent of the Union's GDP and can therefore only serve as catalyst for the needed investments. [Philipp Gerbert](#) (CEO, TUM Venture Labs) and [Monika Rosen](#) (Vice President, Austro-American Society) warned that "Europe is out of public money" and will come under big pressure if it cannot develop its capital markets.

Availability of capital is not the limiting factor. According to [Sandrine Dixon-Declève](#) (Co-President, The Club of Rome), the issue is not a lack of capital but its misallocation. She argues that while there is much discussion about the need for new capital, existing capital is already available but is directed toward shareholder profits rather than broader priorities like employment, security, and the economic transformation. In her view, market distortions allow sectors like oil and gas to continue generating windfall profits, which should instead be redirected to support the energy transition.

European capital markets are underdeveloped. Multiple speakers including [Ralph Hamers](#) (former CEO, UBS and ING) and [Philipp Gerbert](#) (CEO, TUM Venture Labs) emphasized that most capital in Europe is locked in short-term savings, limiting its availability for higher-risk investments. **Europe's low appetite for risk, in contrast to the U.S.A., makes it difficult to fund large-scale projects.** This underdevelopment of capital markets hampers the investment needed to scale production, integrate supply chains, and manufacture critical technologies like semiconductors, weakening Europe's ability to compete globally in industries that demand substantial, sustained capital commitments.

EU policy lacks comprehensive investment incentives. [Pascal Lamy](#) (Chairman, Climate Overshoot Commission), among other voices, stated that Europe is good at regulation, but not at pro-market initiatives. While EU policy provides subsidies, these are not enough to attract the scale of private investment required.

SOLUTIONS

1. Expand and improve regulatory frameworks.

Legal frameworks for new technologies are urgently needed. [Constantin Beelitz](#) emphasized the need for rapid establishment of legal frameworks for emerging technologies like carbon capture, utilization, and storage (CCUS) and hydrogen. He argued that clear regulatory guardrails are essential for unlocking investments in these sectors. For instance, CCUS remains effectively illegal in Austria due to the absence of a legal framework, creating uncertainty that stifles technological progress and investment.

Green lead markets are essential. [Matthias Pastl](#) (Senior Vice President, Voestalpine AG) called for green lead markets to drive European production of green technology. He also noted that standardized definitions are needed for transparency and establishing those markets. The lack of a common definition of green steel, for instance, hinders the establishment of a green premium.

Public procurement should also prioritize sustainable products to stimulate demand for green technologies.

Regulators should engage stakeholders to create policies fit for purpose. Verena Ehold (Managing Director, Umweltbundesamt - Environment Agency Austria) highlighted the need for regulators to actively consult and listen to stakeholders, including industry, experts, scientists, startups, and the public to create more effective and widely accepted regulations. By involving these groups, a widely supported climate future plan could be developed to guide national actions, promoting stability, security, and clarity while reducing complexity. More comprehensive stakeholder engagement could also foster the creation of more principle-based regulations that are adaptive to changes and encourages innovation.

2. Improve environmental pricing mechanisms

Both scientists and business leaders advocate for a predictable rise in CO₂ prices. Economists like Joseph Stiglitz (Professor, Columbia University) emphasized the need for higher carbon prices to reflect the true societal and economic costs of emissions. Also, business leaders such as Sebastian Heinzl (CEO, Heinzl Group) argued that a steady increase in CO₂ prices is crucial to justify large-scale investments in low-carbon technologies.

Pricing mechanisms should extend beyond borders and beyond carbon. Hina Rabbani Khar (Former Foreign Minister, Pakistan) emphasized that international carbon credit markets could play a crucial role in achieving climate justice, highlighting the need to improve trust and reliability within these systems. Furthermore, Pascal Lamy urged policymakers to also price natural capital, stressing that the economic value of natural resources, and the potential loss from their degradation, is well understood. Expanding the pricing mechanisms could constitute a significant step towards true cost.

3. Strengthen Europe's capital markets and mobilize private finance

Capital markets need to accurately price climate risk. Sandrine Dixson-Declève stressed that current market valuations do not reflect the full financial risks related to the climate crisis. To address this, regulators can introduce enhanced prudential regulations that embed climate risk into the criteria for assessing long-term financial stability, ensuring that financial institutions incorporate climate-related impacts into their risk management strategies. Central banks can further support this shift by conducting rigorous climate stress tests. Thereby, investors such as pension funds may better recognize their prudential responsibility to support economic stability through a managed climate transition, helping to unlock large-scale financing for sustainable investments.

The financial architecture should be adjusted to better support long-term capital. Ralph Hamers emphasized the need to harmonize the system and create incentives for pension funds and insurance companies to invest with a long-term perspective that incorporates risks related to climate crisis effects. He also highlighted the importance of fostering an investor culture that encourages individuals to commit to long-term savings or equity investments. This shift would provide banks with greater access to long-term liquidity, reducing the cost of relying on short-term deposits for financing longer-term projects.

Private financing can be mobilized through risk-sharing. Constantin Beelitz argued that reducing the burden of initial investments by sharing risk between the public and private sectors is a key to unlocking private finance. Instead of relying on ongoing subsidies, governments can offer one-off capital expenditure to make green technologies more financially viable and create a positive business case. This risk-sharing can be complemented by revenue-sharing mechanisms, such as royalties or equity stakes, allowing governments to also capture upside potential alongside private investors, ensuring public funds benefit from successful outcomes and not only cover downside risks.



Expanding infrastructure is crucial for the private sector to allow green technologies to scale. Matthias Pastl underscored that the private sector cannot drive the transition without the necessary infrastructure in place. In Austria, the Integrated Austrian Grid Infrastructure Plan (ÖNIP) is crucial for providing the connectivity needed to integrate renewable energy into the national grid. Additionally, the development of charging infrastructure is essential to support the transition to electric vehicles, enabling widespread adoption and reducing reliance on fossil fuels.



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