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## Report by Capgemini Consulting and i24c: Europe Failing to Realize the Full Environmental and Commercial Benefits of its Low-Carbon Technology R&D Leadership

*New research finds that Europe could lose its position as a global leader without a more robust industrial innovation strategy for achieving the ambitious emissions reduction goals of the Paris Agreement*

Paris, May 26, 2016 – A [report](#) by the [Industrial Innovation for Competitiveness Initiative \(i24c\)](#) and [Capgemini Consulting](#) has found that while there have been notable Research and Development (R&D) successes in low-carbon technologies, Europe is struggling to industrialize promising energy related innovations and risks losing its position as a world leader. The report analyzed and evaluated Europe's performance on energy innovation, examining the barriers and the key success factors in the transition to a competitive, low-carbon economy. It makes five key recommendations for both the public and private sector ahead of the close of the European Commission's Consultation<sup>1</sup> on its forthcoming integrated Research, Innovation and Competitiveness strategy for the European Energy Union.

The EU's long-term goal of reducing greenhouse gas emissions by 80-95%, as set out in its Energy Roadmap 2050<sup>2</sup>, is designed to protect the environment and support Europe's transition to a competitive, low-carbon economy. With its more ambitious temperature stabilization goals and 'net zero' emissions target for mid-century, there is now even greater impetus behind this agenda and Europe's role as a leader will be scrutinized and challenged as never before. Renewed action and a focus on innovation and competitiveness will be crucial to its success in this endeavour. The i24c report found that Europe has made significant strides in reaching this goal through considerable investment in R&D, with the region investing over \$4.3bn, making it the biggest investor in green technology globally. The report also recognized Europe as a world leader in energy innovation, noting the continent is home to almost a fifth of climate change innovations and over 1.2 million jobs related to renewable energy.

### **Region wide strategy needed to deploy energy innovation**

The i24c report notes that while these efforts provide Europe with a strong platform, the region has struggled to successfully deploy these innovations due to an insufficiently cohesive industrial, economic and regulatory strategy. A region-wide strategy should focus not only on the energy sector but on encouraging collaboration across related sectors such as transport, agriculture, infrastructure, digital, and the manufacturing and services industries in general. It should further set in place a framework to enable cross-border collaboration to scale innovation and provide economic growth, prosperity and competitive advantage to all EU member states.

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<sup>1</sup> The EU Consultation ran from 4 March for 12 weeks. <http://ec.europa.eu/research/index.cfm?pg=newsalert&year=2016&na=na-010316>

<sup>2</sup> <http://www.roadmap2050.eu/>

The deployment deficit experienced across Europe is partly the result of outdated or inconsistent regulation and the perception among the investment community that projects are too risky, particularly given the high upfront investments required in energy initiatives.

With a European Commission Consultation on its forthcoming integrated Research, Innovation and Competitiveness strategy for the European Energy Union currently under way, the i24c reports notes that a European energy strategy must not only enable Europe's vibrant start-up community access to much-needed capital, but also drive new regulation to transform a fragmented market and support the uptake of new technologies.

Pascal Lamy, a member of the i24c High Level Group, said: *"This study confirms the need for an integrated and systemic approach to energy research, innovation and competitiveness, so the Commission's initiative is the right one at the right time. It underlines that successes to date cannot be taken for granted in the future, as other economies seek to develop their energy-related industries to exploit the massive opportunities from the transition to a new climate economy. But with the right enabling framework, putting the consumer center-stage and smart strategic choices, Europe can demonstrate leadership through industrial success as well as achieving a clean energy revolution."*

Nicolas Clinckx, Vice President Energy and Utilities, Capgemini Consulting, said: *"Europe's leadership position in low-carbon technology R&D can provide the foundation for meeting the ambitious climate change goals set out both at COP21 and in its Energy Roadmap 2050, but only if more is done to address our deployment challenges. This isn't just an energy issue, Europe needs a cohesive strategy for energy innovation and deployment that encompasses all related sectors and works across borders to pull promising developments across the valley of death and into production. The European Union can play a key role by ensuring that regulation not only encourages investment but also deployment too."*

Region-wide changes are needed following a significant shake-up in the innovation eco-system in recent years caused by the growth of four fast-emerging and inter-related mega-trends: sustainability, digitalization, integrated services and local empowerment. These trends have caused significant disruption in the energy industry shifting consumer expectation and demands as well as business pressure and priorities. These mega-trends have underpinned the key recommendations made in the i24c report.

**The report offers five key principles** to help tackle the deployment deficit and spark Europe's transition to clean energy:

- 1. Provide clarity on long-term direction**

Companies and entities at a local and national level need a vision and framework that they can work to. Only by having an overarching Europe-wide industrial innovation strategy is this possible.

- 2. Create the right market conditions to better pull energy innovations across the 'valley of death'<sup>3</sup> and to scale**

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<sup>3</sup> Refers to a place in the process cycle between innovations being developed and commercially deployed

Innovation in the energy sector requires mass investment and this is only possible if investors can see clear paths from research to deployment. Europe needs to create the right market conditions and regulation to make this a reality

### **3. Accelerate the empowerment of local and regional authorities**

The power of data is fuelling the growth of IoT and smart cities in particular. Cities such as Singapore are demonstrating how a holistic view can empower an entire region

### **4. Empower customers and citizens yet further**

Citizen engagement is key in order to create desire and buy-in for change. Governments need to help private organizations to mobilize individuals at a grass-roots level in order to move Europe forward

### **5. Be more results-orientated and selective in nurturing energy innovation**

With finite budgets, innovation should not be supported if it does not lead to concrete action. The focus for all R&D projects should be the efficiency of investment.

**The i24c report** is the result of a four month study conducted by the Industrial Innovation for Competitiveness Initiative (i24c) and Capgemini Consulting involving more than 30 interviews, two in-depth workshops with 25 key stakeholders from the private and public sector, a deep review of 11 energy related innovations and a survey of 80 European leaders. The main authors are: Julia Reinaud (i24c), Nicolas Clinckx, Katia Ronzeau and Paul Faraggi (Capgemini Consulting).

To find out more about the i24c report please visit: [www.capgemini.com/resources/scaling-up-innovation-in-energy-union-capgemini-and-i24c-report](http://www.capgemini.com/resources/scaling-up-innovation-in-energy-union-capgemini-and-i24c-report)

Infographic: [www.capgemini.com/resources/europe-to-bridge-clean-energy-deployment-deficit-capgemini-and-i24c-report](http://www.capgemini.com/resources/europe-to-bridge-clean-energy-deployment-deficit-capgemini-and-i24c-report)

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