

FIT FOR 55 IMPACTS ON CZECHIA. TECHNO- AND MACRO-ECONOMIC CHALLENGES AND OPPORTUNITIES.

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We assess the impacts of the EU's Fit for 55 package on Czechia using techno- and macro-economic models to provide data-driven input into the discussion on setting domestic policies that will not only meet the package's objectives but also effectively exploit the growth potential of the transition to a low-carbon economy while avoiding major negative social impacts. The assessment is based on a comparison of the reference scenario (no Fit for 55 package) with several scenarios of possible options for implementing the package. The results of the modelled scenarios show that the target of 55% greenhouse gas emission reductions by 2030 is achievable, but will not *per se* be sufficient to achieve climate neutrality by 2050. The model scenarios develop two decarbonisation trajectories with different rates of renewable energy development and levels of dependence on electricity imports. The estimated impacts on the economy are not necessarily negative (in the sense of a relative reduction in GDP growth). Using a substantial part of the revenues from carbon pricing for climate investments and in particular for the transformation of the buildings and transport sectors, the climate transition can lead to increased economic activity and an overall positive effect on macroeconomic indicators (GDP and employment). However, this effect will not be evenly distributed across economic sectors.

We discuss selected sectoral impacts in detail, including changes in energy consumption, induced investments and total energy system costs, along with overall development in deployment of renewables and new electricity generation installations as well as options for recycling of revenues from carbon pricing in the extended EU Emission Trading Scheme and the implications for the economy as a whole.