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European greenhouse:

what climate change and Green politics mean for business in Europe



France, Germany and the Netherlands broke 40-year temperature records this year. Traditional wine areas, such as Bordeaux, have had to accept [new grape types](#) into the area for the first time in 80 years to combat the devastating impact of new weather patterns. In Germany and other central European countries, large swaths of [forest died](#) off this summer due to climate conditions. This summer of extreme weather follows on the heels of a dramatic gain in [Green party popularity](#) during and after the spring European parliament elections. What does this mean for American companies that do business in the European Union? How will markets and regulations change in the near future as a result of rising concern over climate change across the Atlantic?

European voters (and consumers) are generally more concerned about climate change than their American counterparts, with many of them naming [climate change](#) as the greatest threat to world security. Perhaps more importantly, there are substantially fewer people in European Union member states who *doubt* the impact that climate change is having on the world. In a recent poll, 13% of U.S. respondents [expressed doubt](#) over the existence of climate change or that it was due to human influence. This American response was the **highest level of skepticism in the developed world**; double that of Germany or France, and much higher than other countries such as Spain, where polls have shown as little as 2% of the population voicing any doubt as to the reality and danger of climate change.



Why Europe having fewer skeptics matters

Extreme weather in the summer is not a new issue in Europe. The heat wave of 2003 was estimated to have killed as many as [30,000 people in Europe](#) due to the lack of air conditioning and infrastructure to care for those vulnerable to heat strokes, such as the elderly. The heat wave that broke records across the EU this summer was even hotter. These weather changes, hand-in-hand with the sudden surge in [Green party success](#) in EU and national elections, underscore that there is both pressing concern over climate change **and** a willingness to prioritize it among voters. **Without climate deniers** across the political aisle to delay or weaken environmentally-oriented legislation, it is likely that the business environment will soon be dramatically changed as the EU and member state governments adjust policies and regulations to combat climate change and protect their populations from future extreme weather.

Why the ‘American solution’ won’t work and building styles won’t change

The U.S. has extreme heat on a constant basis in places like Arizona and Texas, but the classical solution – to air condition every building – will not work in Europe because energy costs are [twice the U.S. average](#) and likely to rise quickly as governments are forced to switch to more expensive (in the short-term) renewable sources. The EU’s renewable energy directive was modified in 2018 to establish a 32% [renewable energy target](#) for 2030, which will likely keep energy prices high as more investments are needed to help develop renewable sources such as solar, wave and wind energy ‘farms’.

Logical efforts to change building materials and styles to improve the ambient temperatures for residents are near impossible to implement in established cities in Europe. Traditional building styles that are intended to save on heating costs by trapping air inside often exacerbate heat waves since these buildings cannot effectively cool. New materials and building styles in the suburbs offer energy efficient solutions to newer areas, but traditional architectural areas in downtown Prague, Rome and [Paris](#) are poorly positioned to embrace these options. It is inevitable that air conditioning use will increase (currently only [5% of European buildings](#) are equipped with air conditioning, **compared to 90%** in the U.S.) but based on electricity costs and emission reduction goals in the EU, it is only a partial answer to the extreme weather problem. Europe must find its own solution, and this search for alternatives will open up new opportunities for innovative companies.

What business opportunities appear as Europe combats climate change?

How will consumer habits change in the face of public concern over emissions and fears over ever-worsening extreme weather? What new business opportunities can we expect to see in Europe as Green-leaning governments and climate-conscious voters bring wholesale changes to the regulatory structure of the European Union in an attempt to combat climate change? **Three areas of interest jump out:** new government and venture capital funding for *innovation*, sharply increased *transportation costs*



which will change logistics patterns and purchasing habits, and dramatic shifts to the *land use and building traditions* which should open up opportunities to U.S. companies.

Innovation will be valued and funded as never before

According to the Global Innovation Index for this year, seven of the top ten [most innovative nations](#) are located in Europe, and yet the U.S. (number three on the Index) [outspent Europe](#) on research and development by 20%. That is not to say that Europe is not investing in climate change innovation. On the contrary, in 2018, the European Investment Bank committed over [16 billion Euros](#) to combating climate change, a number which has increased each year for a decade. Over \$23 billion (US) was invested in innovative new European companies through [venture capitalism](#) last year alone. These numbers will **shoot up** in the years to come as governments scramble to support new solutions to extreme weather challenges and climate change. The EU has already announced plans to focus on [battery innovation](#) and production, and will legislate an increasing use of renewables; supporting wind, wave and solar power projects to reduce oil, gas and coal use. Cleantech and Greentech projects are surging in clusters such as [Cambridge, Copenhagen and Rotterdam](#). But there is a need for even [more venture capital](#), and a growing recognition that governments will have to step in and add to research and start-up funding, as well as help scale up successful companies to [compete](#) regionally and globally.

A dramatic increase in transportation costs will shift production and consumer habits

Much like in the U.S., many European companies have a tendency to source materials and production overseas to lower costs. Unlike the U.S., they have generally been able to avoid the impact of the U.S.-China trade war. However, this breather is short-lived, as the EU seems to recognize the cost of transportation to society in the way of [pollution and congestion](#) and is likely going to be forced to [ramp up emissions taxes](#) in the near future, which will impact both the external and internal movement of goods. This in turn will force companies to recalibrate their logistics and likely shift production closer to the point of sale. Companies will find that supporting local production becomes more reasonable as transportation costs go up, and EU member states with lower labor costs (under 10 euros an hour) such as Latvia, Lithuania, Romania and Bulgaria should begin to see production facilities become more competitive compared to Asia as shipping costs increase in the face of emission taxes. U.S. companies that were previously exporting goods into Europe will find that shifting *production* to Europe in support of EU clients is going to become substantially more cost-friendly (with the added advantage of avoiding import tariffs, should the global [trade war](#) broaden).

Land use and building codes are going to shift dramatically



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A recent international [climate change report](#) supported what European farmers already have experienced: [drought and extreme](#) heat are forcing a rethink as to what is produced in Europe and how. Climate change activists and consumer groups are also dragging [EU trade agreements](#) into the spotlight as countries like Brazil are accused of [dramatically harming](#) the global environment through wasteful agricultural practices – in part to increase beef sales to Europe. Increasing focus on how land is used and food produced in Europe will open up opportunities for innovative producers and new products (such as [meat alternatives](#)) in the European market. At the same time, European builders of new developments are being forced by regulations and consumer sentiment to use more [environmentally-friendly materials](#) and styles. The U.S. Green Building Council’s LEED certification has become a [benchmark in Europe](#) as well, and U.S. companies with know-how in this area of construction and building design can find robust new markets and development and construction partners throughout the EU who will be challenged by new regulations and public scrutiny to ‘green’ up their building projects.

Environmental challenges mean new opportunities for savvy companies

Shifts in consumer demands and regulations imposed from the EU to the local level will open doors for companies that can bring in new, efficient and effective products. Governments attempting to be responsive to extreme weather challenges without taxing their voting population too directly (which is what sparked the [‘Yellow vest’](#) protests in France) will demand more energy efficient products and processes from businesses. Innovative companies, ready to expand and take on new challenges, will find it relatively quick and painless to register in the European market to take advantage of the possibilities that are manifesting due to environmental and consumer changes. Finding the best place to expand your business into Europe is the first critical step to long-term global success, and [Samson Atlantic](#) can help to cut through the confusion to find your company the perfect location to expand your business into Europe.

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