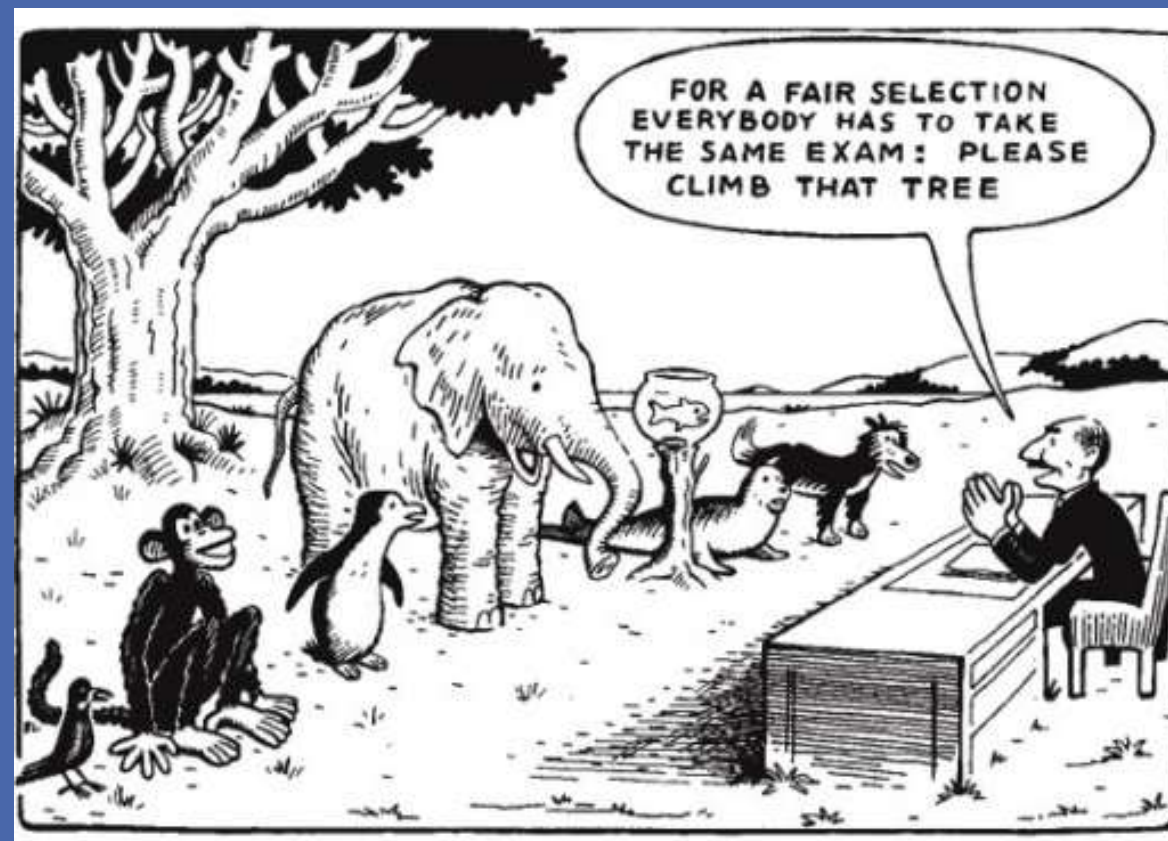


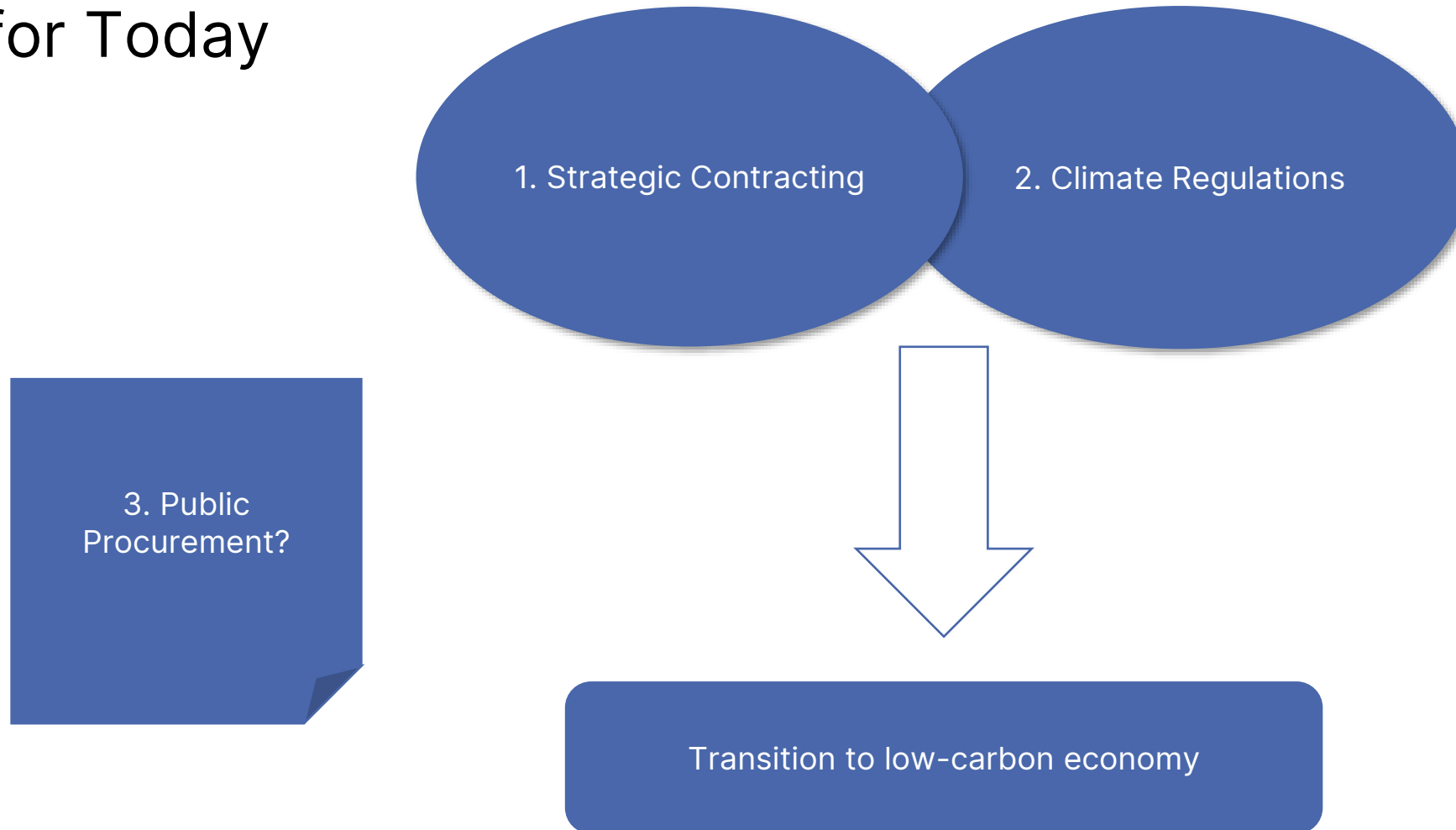
CREATING CORPORATE VALUE IN THE TRANSITION TO A LOW- CARBON ECONOMY THROUGH STRATEGIC CONTRACTING

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The Plan for Today



Strategic contracting

Strategic contracting is often used in the context of innovative and complex contracting scenarios, and it excels in promoting and facilitating the exchange of knowledge and the creation and sharing of gains—all of which are essential for climate adaptation and the transition to a low-carbon economy

Strategic Contracting

Our article investigates how strategic contracting holds the potential to facilitate the transition to a low-carbon economy.

Strategic contracting aims to generate added value inter partes (which are needed in the transition)

Added value: only be done through joint investments and cannot be generated by each party in isolation.

Legislation plays a crucial role in this context, providing the necessary predictability and certainty for strategic contracting (for the parties)

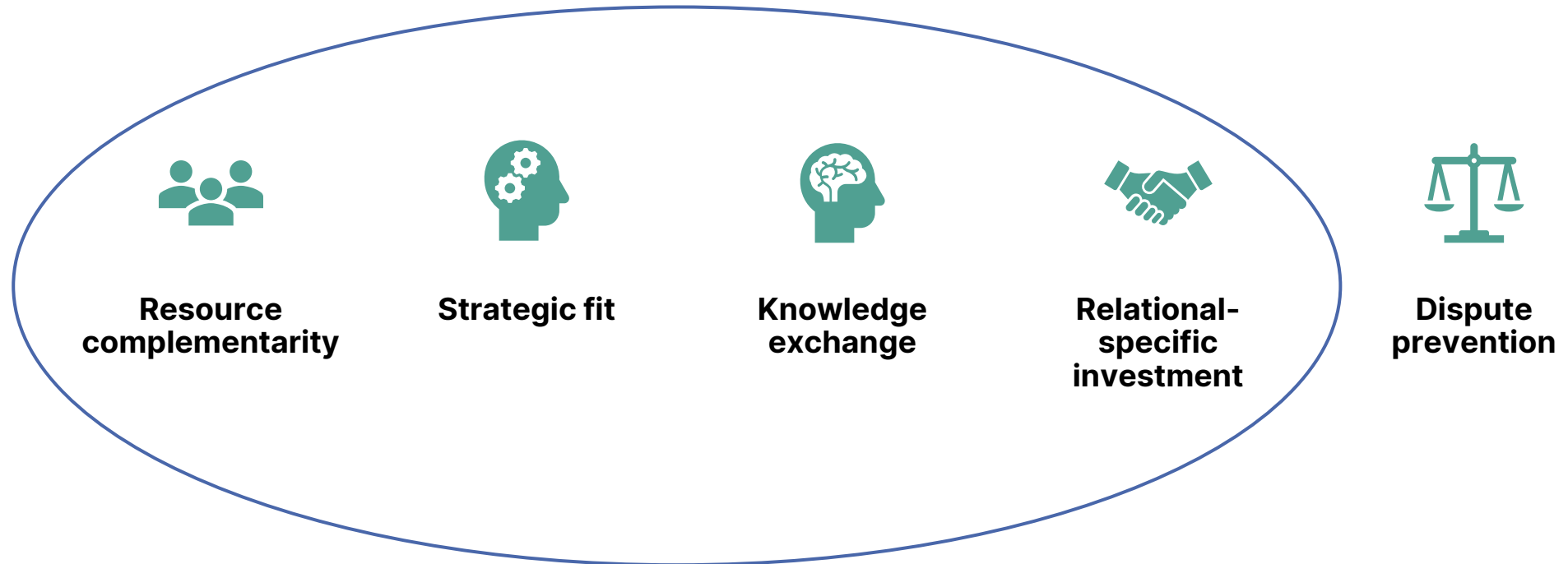
The absence of legislative predictability

The absence of legislative predictability implies heightened uncertainty, and the consequences associated with uncertainty will naturally rise, which inevitably leads to higher transaction costs (Coase 1960, 853-854; Williamson 1991, 291-292).

In other words, the absence of legislative clarity would heighten legal uncertainties for contracting parties, translating into increased transaction costs due to the potential for greater variation in legal interpretations and the allocations of rights.

The Paris Agreement, the European Climate Law and legislation adopted as a part of the Green Deal are centred on the reduction of carbon emissions. As a result, they introduce a necessary element of predictability regarding carbon emission reductions.

The five legs of strategic contracting



Resource complementarity & Knowledge exchange

- **Resource complementarity** allows parties to leverage each other's strengths and fill gaps in their capabilities to gain a competitive edge in the market and create value that would be impossible to achieve independently.

- The result is a resource bundle that provides unique, difficult-to-imitate and innovative solutions

Knowledge -exchange helps create value for both parties. Enhanced inter-firm knowledge sharing not only strengthens the potential for generating added value but also facilitates greater levels of innovation

- Resource complementarity is what companies could be in search of as they navigate the transition towards a low-carbon economy, aiming to foster innovation and unique solutions
- Inter-firm knowledge exchange is thus important in both horizontal partnerships and vertical partnerships.

- Both the EU and The Paris Agreement state that innovation is critical for an effective, long-term response to climate change as well as for promoting economic growth and sustainable development (Paris Agreement, Art. 10, para. 5; Horizon Europe)

- In the EU, the green transition represents a significant opportunity for the European industry, as it opens a potential market for clean technologies and products. The European Green Deal further strengthens this opportunity by introducing initiatives to encourage innovation and create new possibilities

The Agreement states that innovation, among other factors, is critical for an effective, long-term response to climate change as well as for promoting economic growth and sustainable development (Paris Agreement, Art. 10, paras. 1 and 5).



- In the 2030 Agenda for Sustainable Development (UN) **technological innovation** is referred to in connection with various sustainable development goals, particularly goals 7 (affordable clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure) and 17 (partnerships for the goals).



Strategy Contracting and Public Procurement

▪ Time perspective

- Strategic contracting thrives when structured over an extended duration, and it typically spans over a decade or more

▪ Innovation

- Article 31 innovation partnership useful?

▪ Modification of contracts during their term

- Article 72 useful?

Legislation plays a crucial role in this context, providing the necessary predictability and certainty for strategic contracting (for the parties)

Strategic contracting supporting the transition to the low-carbon economy

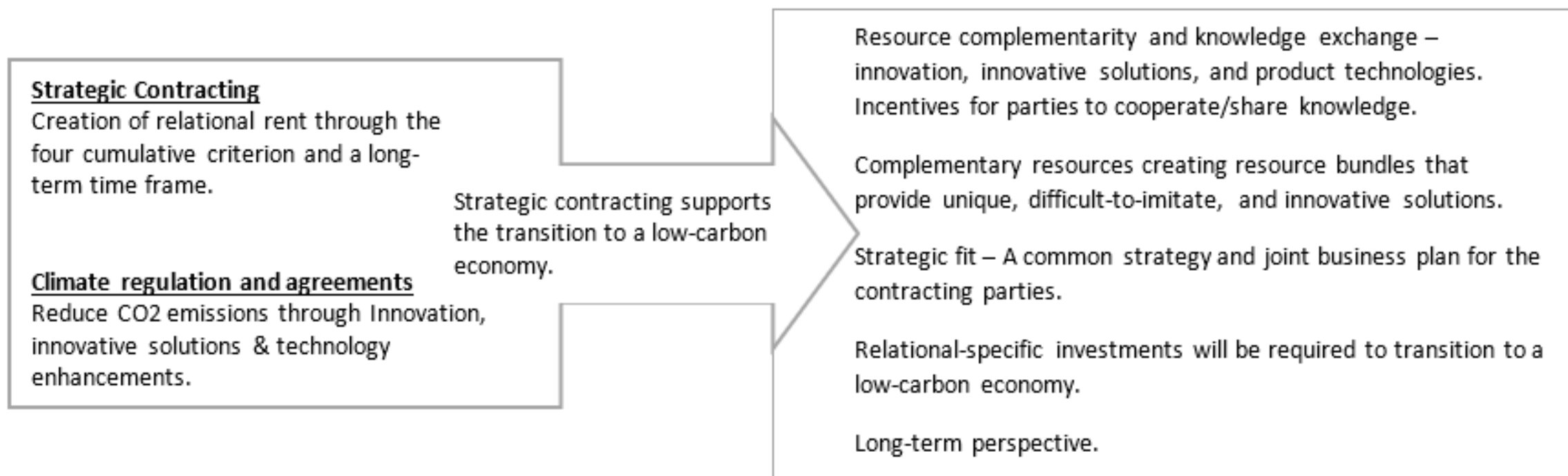


Figure 2 - Strategic contracting supporting the transition to the low-carbon economy.

THANK YOU

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