

EUROPE IN A NEW DECADE SERIES

EUROPEAN GREEN DEAL: AN ECONOMIC STIMULUS DURING A TIME OF CRISIS

CO-ORGANIZED WITH EUROPE JACQUES DELORS

PANELISTS

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BACKGROUND

The discussion focused on the European response to the deepening economic crisis created by COVID-19 and the role played by the European Green Deal (EGD) and the Multiannual Financial Framework (MFF) in recovery.

MAIN MESSAGES

- ▶ The crisis is testing solidarity between member states and societies, which will be needed not only to recover, but to achieve a socially inclusive and just clean energy transition.
- ▶ EGD is a growth strategy for businesses with the capacity to create jobs and stimulate economic activity.
- ▶ Post COVID-19 economic recovery must move us forward to a new normal, not reanimate the old inefficient and fossil intensive elements of the economy in structural decline become stranded assets.
- ▶ Important to mainstream sustainable investments into green infrastructure (buildings and transport) and circular economy.
- ▶ Minority voices using the crisis as pretext to weaken or abandon climate measures are growing louder, but overwhelming majority in EU institutions remain committed to the climate change agenda and it will proceed.
- ▶ EU institutions will need to evaluate and possibly revise the current timetable for the implementation of EGD against the adverse economic impact of COVID-19
- ▶ MFF contingency proposal involves a one-year emergency budget for immediate release of funds buying time for a proper assessment of the COVID-19 wreckage to determine priorities
- ▶ There is a link between ecological and sanitary crises caused by environmental degradation and climate change e.g. deforestation, urbanisation.
- ▶ In the long run, R&D and public-private dialogue should exploit climate and health synergies in area such as energy efficiency and digitalisation.

COMMISSION PERSPECTIVE

The coronavirus crisis is a shock to the world and the European Union. The most significant focus of the European Commission during this era is coordination in organizing the fight against the pandemic outbreak and a commitment to protection of lives and livelihoods. A number of actions have been taken to regulate the economic effects of the coronavirus. The area of health crisis organization and economic management will require continuous evolving response.

The Commission is in active coordination on all fronts, working with member states to boost spending across sectors and finding ways to incorporate the EGD agenda in the recovery:

- ▶ Working on a post-COVID stimulus package and seeking to front load the EU budget to open spending for beneficiary member states
- ▶ While exit strategy is fluid and reactive, the recovery plan should be carefully considered to lock in sustainable economies
- ▶ EGD supports the growth of inclusive sustainable societies, emphasizing the role and opportunities within circular economy
- ▶ Recovery plans should adopt learnt lessons and follow advise of scientists
- ▶ EU should be more self-sufficient creating jobs across the value chain and diversifying industry

EUROPEAN PARLIAMENT PERSPECTIVE

In the epoch of the COVID-19 outbreak it has become apparent that the institutions of the European Union have many issues to confront simultaneously. As economic crisis looms, issues of migration and the refugee crisis remain and the health crisis challenges daily life. Parliamentary leadership holds great responsibility to reform and implement goals in a maintained and sufficient response.

- ▶ EU has not performed well in the face of crisis: from 2008 recovery to 2015 migration crisis, derailed by 2016 Brexit, they all distracted European leadership at the highest levels
- ▶ Climate momentum was building after EU elections, so it is important that this crisis does not distract from urgent climate and biodiversity challenges we still face
- ▶ Third countries are always looking to exploit fissures within the bloc when EU is in crisis mode
- ▶ EU must perform better in crises management and address urgent issues like health and climate together
- ▶ Success or failure of the EGD will be determined by funding made available to meet estimated EUR 200 billion/year of investments until 2030 for the energy transition
- ▶ The MFF can be part of solution but will not be enough on its own
- ▶ From the beginning European Parliament has supported a larger MFF to fund Commission's priorities while the Commission has leaned towards the Council's conservative proposal
- ▶ Current Commission MFF proposal from 2018 leaves no margin for error to respond to unforeseen crises certain to occur over any 7-year period
- ▶ Budget compromise should include a reserve MFF envelope only to be used in emergency situations for crisis management
- ▶ The Just Transition Fund should be less about social mobility and focus more on investing into green business and innovation in the affected communities to create sectoral opportunities so people do not have to relocate
- ▶ As far as sustainable finance is concerned, EU institutions need to create clarity and predictability for long term investments
- ▶ Energy mix is a national competency and some countries can't exit both coal and gas; gas will be transitional
- ▶ MFF resolution is needed promptly to provide certainty to beneficiary member states but decisions in coming months could misread and misdiagnose the emerging situation

EUROPEAN INVESTMENT BANK (EIB) PERSPECTIVE

The EIB echoes the remarks on a need for a European response to COVID-19 and strongly endorses a directed cross-sectional focus in taking measures to mitigate the economic effects crisis.

- ▶ The EIB is prepared to take actions in cooperation with the European Commission to boost short term liquidity, while also remaining committed to long term climate ambitions
- ▶ EU climate commitment is entrenched with legislation being passed
- ▶ EIB will increase its climate lending to 50% by 2025, while working to align all actions with the Paris Agreement
- ▶ The Bank is already set to contribute massive financial loans and instruments towards a low carbon future
- ▶ EIB launched a package of EUR 40 billion for SMEs to receive loans, flows of capital etc. which is not typical for what is normally long-term investor – providing guarantees for partners to meet challenges of crisis
- ▶ Not bailing out companies, but providing liquidity to banks and making sure SMEs benefit while sticking to same environmental standards

EXPERT PERSPECTIVE

There is a strong basis of common perspective shared among the representation of the panel and there is a strong lesson in solidarity to be taken from the crisis period. The expertise of leadership must be recognized and coupled in orchestrating the most efficient response to this collective challenge.

- ▶ In summary there is a consensus among vantage points of political leadership – this health crisis comes first, we are testing solidarity and other priorities cannot be forgotten – and highlighted priorities for a green and quick recovery
- ▶ Commission needs to be steadfast in incorporating priorities of EGD in the recovery plan
- ▶ EIB needs to continue with the climate roadmap on sustainable action finance plan for private investment
- ▶ EGD is meant to effectively rethink the model of development, which applies to the current situation
- ▶ Civil society needs to remind leaders and policymakers that recovery should be a smarter path to a better world and new normal with solidarity accentuating the social and environmental aspect of development